THE WORLD BANK

ANNUAL REPORT 1997

The World Bank Annual Report 1997

Photo credits	Frontispiece, Jonathan Miller; pages viii and xii, Michele Iannacci/World Bank; page 20, Curt Carnemark/World Bank; page 23, Jerri Dell; page 26, Edwin Huffman/World Bank; page 31, Jan Pakulski/World Bank; page 46, W. Graeme Donovan; page 55, Curt Carnemark/World Bank; page 62, Rebeca Robboy; page 72, Curt Carnemark/World Bank; page 82, Curt Carnemark/World Bank; page 87, World Bank; page 132, Edwin Huffman/World Bank; page 142, Richard A. Latoff and Co.
Design	Book and cover design: Joyce Petruzzelli, Graphic Design Unit, The World Bank Group Chart design: Jennifer Sterling, Graphic Design Unit, The World Bank Group Typography: Debra Malovany and Christopher Chapman, Graphic Design Unit, The World Bank Group
Editorial	Lesley Anne Simmons, Office of the Publisher, The World Bank Group
Editorial assistance	Marketa Jonasova and LaVerne Campbell, Office of the Publisher, The World Bank Group
Production	Stephanie Gerard, Office of the Publisher, The World Bank Group
World Wide Web design	Sherry Holmberg, Office of the Publisher, The World Bank Group

ISSN: 0252-2942
ISBN: 0-8213-3760-2

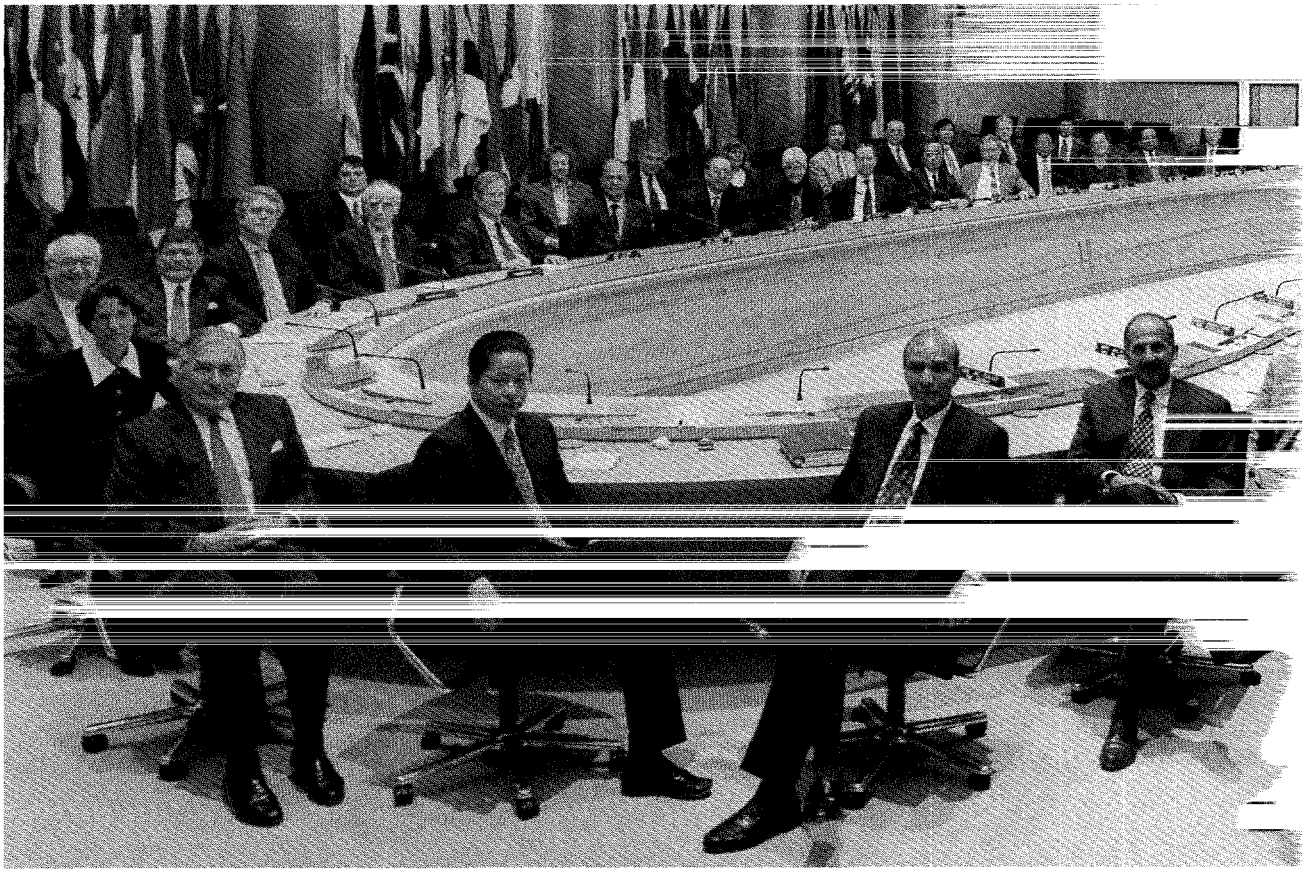
CONTENTS

BOXES

TABLES

FIGURES

This Annual Report, which covers the period July 1, 1996, to June 30, 1997, has been prepared by the executive directors of both the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) in accordance with the respective by-laws of the two institutions. James D. Wolfensohn, president of the IBRD and IDA and chairman of the boards of executive directors, has submitted this



The IBRD and IDA Executive Board and Senior Management, November 1996

Report, together with accompanying administrative budgets and audited financial statements, to the board of governors.

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

Executive Directors	Alternates
Khalid M. Al-Saad	(vacant)
Khalid H. Alyahya	Ibrahim M. Al-Mofleh
Juanita D. Amatong	Murilo Portugal
Marc-Antoine Autheman	Olivier Bourges
Ali Bourhane	Luc-Abdi Aden
Kaçim Brachemi	Abdul Karim Lodhi
Andrei Bugrov	Eugene Miagkov
Juan Cariaga	Julio Nogues
Joaquim R. Carvalho	Godfrey Gaoseb
Enzo Del Bufalo	Inigo Fernandez de Mesa
Jean-Daniel Gerber	Jan Sulmicki
Leonard Good	Winston Cox
Luc Hubloue	Namik Dagalp
Jannes Hutagalung	Sun Vithespongse
Ruth Jacoby	Jorgen Varder
Young-Hoi Lee	Christopher Y. Legg
Li Yong	Zhao Xiaoyu
Atsuo Nishihara	Akira Kamitomai
Gus O'Donnell	David Stanton
Franco Passacantando	Helena Cordeiro
Jan Piercy	Michael Marek
Helmut Schaffer	Erika Wagenhöfer
Surendra Singh	Syed Ahmed
Pieter Stek	Mioara Ionescu

July 31, 1997

THE IBRD, IDA, IFC, ICSID AND MIGA

The World Bank, which consists of the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA), has one overarching goal: helping its borrowers reduce poverty. It is a partner in strengthening economies and expanding markets to improve the quality of life for people everywhere, especially the poorest.

The IBRD and IDA make loans to borrower governments for projects and programs that promote economic and social progress by helping raise productivity so that people may live better lives. Along with these loans, the World Bank provides advice and technical assistance. The International Finance Corporation (IFC)—which works closely with private investors and invests in commercial enterprises in developing countries—and the Multilateral Investment Guarantee Agency (MIGA)—which encourages direct foreign investment in developing countries by offering insurance against noncommercial risk—share the same overall goals. The International Centre for Settlement of Investment Disputes (ICSID) shares the World Bank's objective of promoting increased flows of international investment by providing facilities for settling disputes between foreign investors and their host countries. Collectively, these five institutions are known as the World Bank Group.

The IBRD, established in 1945, is now owned by the governments of 180 countries. To join the IBRD, countries must first be members of the International Monetary Fund (IMF). Upon joining the IBRD members subscribe to its capital stock. The amount of shares each member is allocated reflects its quota in the IMF, which in turn reflects the country's relative economic strength in the world economy. Members pay in a small portion of the value of their shares; the remainder is "callable capital" and would only be paid should the IBRD be unable to meet its obligations—a situation that has never arisen.

The IBRD lends only to credit worthy borrowers and only for projects that promise high real rates of economic return to the country. As a matter of policy, the IBRD does not reschedule payments, and it has suffered no losses on the loans it has made. While it does not aim to maximize profits, but rather to intermediate development funds at the lowest cost, the IBRD has earned a net income every year since 1948.

The IBRD borrows most of the money it lends through medium- and long-term borrowings in capital markets across the globe. It also borrows funds at market-based rates from central banks and other government institutions. Conservative lending policies, strong financial backing from members, and prudent financial management give the IBRD strong standing in the markets. As well as borrowings, the IBRD is funded by the capital its members have paid in, its retained earnings, and repayments on its loans.

IDA was established in 1960 to provide assistance to poorer developing countries that cannot meet the IBRD's near-commercial terms. IDA provides credits to the poorest countries—mainly those with an annual per capita gross national product of $785 or less (in 1996 U.S. dollars). By this criterion, about seventy countries are eligible (see appendix 5).

All members of the IBRD are eligible to join IDA, and 159 have done so. Unlike the IBRD, most of IDA's funds are contributed by its richer members, although some developing countries contribute to IDA as well. In addition, IDA receives transfers from the net earnings of the IBRD and repayments on its credits.

IDA credits are made only to governments. The repayment period is thirty-five to forty years. Credits carry no interest, but there is a commitment charge, which is set annually, within a range of 0–0.5 percent of the undisbursed balance; the commitment charge is currently set at zero percent. Although IDA is legally

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

Under its Articles of Agreement, the World Bank cannot allow itself to be influenced by the political character of a member country: Only economic considerations are relevant. To ensure that its borrowers get the best value for the money they borrow, Bank assistance is *untied* and may be used to purchase goods and services from any member country.

The IFC, established in 1956, helps promote private sector growth in developing countries and helps mobilize domestic and foreign capital for this purpose. It has 172 members. Legally and financially the IFC and the World Bank are separate entities, and the IFC has its own operating and legal staff. It draws upon the World Bank for administrative and other services, however.

The IFC provides loans and makes equity investments in support of projects. Unlike most multilateral institutions, the IFC does not accept government guarantees for its financing. Like a private financial institution, the IFC seeks profitable returns and prices its finance and service, to the extent possible, in line with the market while taking into account the cost of its funds. The IFC shares full project risks with its private-sector partners. The IFC issues its own annual report.

ICSID was established in 1966 to help promote international investment. It does this by providing facilities for the settlement, by conciliation and arbitration, of disputes between foreign investors and their host countries. Provisions referring to arbitration under the auspices of ICSID are a common feature of international investment contracts, investment laws, and bilateral and multilateral investment treaties. ICSID has 127 members. In addition to its dispute-settlement activities, ICSID undertakes research, advisory services and publishing in the fields of arbitration and investment law. Its publications include multivolume collections of "Investment Laws of the World" and "Investment Treaties" and the semi-annual "ICSID Review—Foreign Investment Law Journal." ICSID issues its own annual report, which may be obtained from the ICSID Secretariat[1].

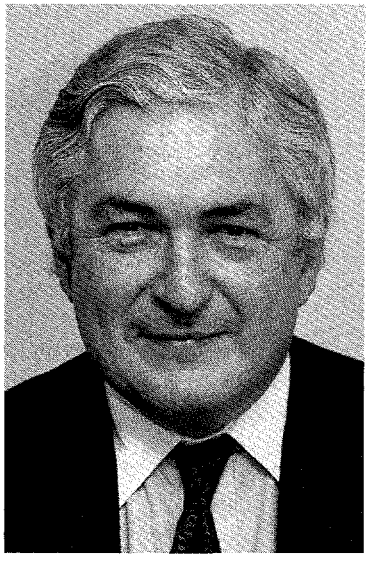
MIGA was established in 1988 to promote the flow of foreign direct investment in member countries. It does this by providing guarantees to private investors against major political risks and offering investment marketing services to host governments to help them attract foreign investment.

MIGA is an independent self-supporting agency of the World Bank Group. Like the IFC, it has its own capital base and country membership, but it shares the World Bank's development mandate to promote the economic growth of its developing member countries.

MIGA has 141 members. MIGA issues its own annual report, which may be obtained from its Office of Central Administration[2].

1. International Centre for Settlement of Investment Disputes, Secretariat, 1818 H Street N.W., Washington, D.C. 20433, USA.

2. The Multilateral Investment Guarantee Agency, Office of Central Administration, 1818 H Street N.W., Washington, D.C. 20433 USA.



This *Annual Report*, covering July 1, 1996 to June 30, 1997, chronicles a year of renewal at the World Bank. Strengthening partnerships and getting results in serving the poorest people in the world are two recurring themes running through these pages. Nowhere have these two objectives been better illustrated than in the strengthened working relationship that is being forged between management and staff of the World Bank and its shareholders represented by the Executive Board.

Over the last ten years the environment for the Bank's clients has changed dramatically. While official development assistance has declined, private capital flows have surged. But they have been concentrated in a comparatively small number of countries. At the same time, the role of civil society and that of the private sector have become more pronounced, governments have become more accountable for their actions, and all the players rely on the new capacity to share knowledge rapidly as a result of dramatic changes in technology.

As the Bank has recognized these developments, we have introduced new approaches to ensure that the lending and advice we provide is what our clients really need. One consequence of the reform process is of special note. Institutional change, encapsulated in the Strategic Compact, has been given momentum by a joint commitment by management and the board to enhance the latter's role in defining policy directions.

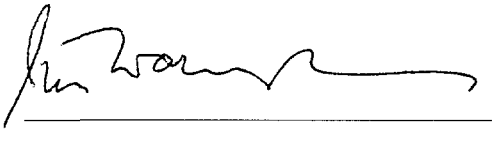
The Executive Board's unanimous approval of the Strategic Compact last March, whereby investment in changes over the next two years will lead to a much stronger and

cost-effective institution in the future, was an important step in further strengthening the relationship between the Bank and its shareholders. The executive board will have an integral role in monitoring the Strategic Compact and ensuring its success as management reports regularly to the board on progress in implementing policy initiatives. We now have symmetry in the roles of management and the board in approving projects and changes in the Bank's policies: projects are discussed as part of broader country assistance strategies, while changes in specific policies will increasingly be considered within the overall policy framework established by the Strategic Compact.

The changes the Bank is undertaking have the specific objective of making the Bank the most effective institution in the world in the fight against poverty. We aim to reach this goal through a clearly defined business plan, which is embodied in the Strategic Compact. By the fiscal year 2001, we have committed to returning our real operating costs to this year's level while providing a higher level of service and greater volume of products to our clients.

To ensure that our shareholders see a return on the investment that we are making to renew the Bank, we are building up our capacity to evaluate our institutional performance against clearly defined objectives. Fifty years after the Bank made its first loan, we are poised to enter the new millennium with fresh vigor and more attuned to our clients needs than ever before.

Almost 5 billion people who live in our client countries deserve the benefits that an effective and competent World Bank, at the heart of a global network of development assistance, can provide.



JAMES D. WOLFENSOHN

Overview of World Bank Activities in Fiscal 1997

Fiscal 1997 marked an escalation of the process of renewal at the World Bank, building on the vision of an institution that delivers development results and reflecting the Bank's guiding principles of greater selectivity in activities, strengthened partnerships, emphasis on client needs, increased results orientation, cost-effectiveness, and a strong commitment to financial integrity.

The Bank's regional assistance strategies in fiscal 1997 addressed the specific needs of its clients as they face the challenges of adjusting to a rapidly changing global economy. Examples include:

- Following a request for support by the Bank's African clients in fiscal 1996, capacity building remained high on the agenda. Efforts to mainstream capacity-building activities into all Bank operations were initiated, and development of a partnership framework began.
- In East Asia, where successful economic development has taken a heavy toll on the environment, and "brown environmental issues" such as air and water pollution are threatening health and sustainable development, the Bank increased its support for the sector with loans and related advice for water supply and sanitation, for example, which increased more than two-and-one-half times over the fiscal 1996 level.
- As the reforms of the 1990s took root in South Asian countries, the Bank supported its clients as they shifted their focus to a second generation of reform: In India this involved responding to several requests for assistance at the state level to help evaluate fiscal situations and identify policy options to promote fiscal sustainability.
- Strengthening safety nets to protect the most vulnerable people from the adverse effects of reform is a priority for many of the Bank's clients, especially in the Eastern Europe and Central Asia region. In fiscal 1997 the Bank supported innovations to generate income and create assets for the poor through social investment funds in a number of countries and through projects such as support to the Ukrainian authorities to protect people adversely affected by coal sector restructuring.
- In Latin America, where the legacy of recent years has made countries acutely aware of the importance of sound financial markets, the Bank supported a number of programs to restore confidence in financial systems, such as in Argentina, Mexico, and Venezuela.
- Supporting reform programs to speed growth by promoting international competitiveness and opening up to global markets was a focus for clients in the Middle East and North Africa region. Loans to Jordan and Tunisia, for example, are helping promote private sector participation in the wider world economy and facilitating important recent initiatives such as the proposed association of MENA countries with the European Union.

One of the year's most significant achievements was the initiative to address the debt of the heavily indebted poor countries (HIPCs), which combines powerful partnerships to meet new needs, using nonlending and lending services with funding drawn not only from the Bank but from other partners (*see box*). Another was the Executive Board's unanimous approval of the Strategic Compact in March 1997.

The Strategic Compact is a plan for fundamental reform to make the Bank more effective in delivering its regional program and in achieving its basic mission of reducing poverty. The compact is an expression of the Bank's business strategy and focuses on the external delivery of higher-quality products and services to the Bank's clients. The compact was the outcome of extensive consultation throughout the organization, reflects the input of clients and shareholders, and has the support and partnership of all the Bank's shareholders.

Through the compact, the Bank's shareholders and management are investing in and

THE HEAVILY INDEBTED POOR COUNTRIES (HIPC) DEBT INITIATIVE

In September 1996 the Interim and Development committees endorsed the program of action proposed by the Bank and the International Monetary Fund (IMF) to ensure that heavily indebted poor countries (HIPCs) that have a sound track record of economic adjustment can attain a sustainable debt situation over the medium term. The committees requested the Bank and Fund to proceed quickly with implementation and to report on progress at the spring 1997 meetings.

Over the next six months the Bank and the Fund moved rapidly to implement the initiative and to consider the assistance that could be provided for the first group of eligible countries. This marked an important development in the support that the Bank and the Fund and the international community was to provide to the poorest, most heavily indebted countries.

The principal vehicles for Bank participation in the initiative were created in fiscal 1997. The Bank established the HIPC Trust Fund in November 1996 and subsequently allocated $500 million from its IBRD surplus to this trust fund as an initial contribution. The IMF established the ESAF-HIPC Trust for financing special Enhanced Structural Adjustment Facility operations under the HIPC Debt Initiative.

The Bank chaired meetings of the multilateral creditors of the HIPCs in November 1996 and March 1997 to discuss the implementation of the initiative as well as the status of their participation in it. At the end of the fiscal year, most of theses creditors had either obtained or were well advanced in obtaining the appropriate institutional approvals to enable them to participate. The African Development Bank and the Inter-American Development Bank, both principal creditors of the HIPCs, have obtained the necessary formal approvals in principle for them to participate. The African Development Bank will allocate about $260 million to $330 million to the HIPC Trust Fund during the years 1997 to 2003. A number of bilateral donors have also made contributions or pledges to the World Bank's HIPC Trust Fund to help other multilateral creditors provide their share of debt relief under the initiative.

In April 1997 the executive boards of the IMF and the World Bank approved, in principle, assistance under the HIPC Debt Initiative for Uganda, the first country to reach the "decision point." Under this decision, which depends upon the participation of Uganda's other creditors and the implementation of agreed reforms, debt relief to Uganda, in net present value terms, will total about $340 million. In view of Uganda's exceptional record of sustained and strong adjustment and reform, and under the program of economic reforms and social development to be pursued with the support of the IMF and the Bank, the boards agreed to shorten, on an exceptional basis, the normal three-year interim period to one year. The expected completion point, therefore, is April 1998. IDA will provide $160 million of the debt relief, which will reduce nominal debt service to IDA by about $430 million over time.

Bank and Fund staff have prepared debt-sustainability analyses for other countries that on the basis of their record of performance are approaching the decision point. The boards have discussed preliminary analyses for Bolivia, Burkina Faso, and Côte d'Ivoire, and consultations are underway that could progress to decision points for these countries in the summer of 1997. In addition, Bank and Fund staff are preparing debt-sustainability analyses with the governments of several other countries.

Total costs of the HIPC Debt Initiative, while tentative, are in the range of $5.5 billion to $8.4 billion in net present value terms.

implementing a series of changes over thirty months to transform the way the institution does business: improving its products, speeding up its processes, lowering its costs, making it more demand driven, and increasing its development impact. The compact will also establish clear performance criteria against which progress will be measured and for which management will be held accountable.

The compact's vision is of a professionally excellent institution that responds quickly to the evolving and varying needs of its clients and provides a wide range of high-quality services; that operates through partnerships and acts as a catalyst for private-public collaboration; and

that builds capacity and knowledge for the entire development community.

The compact is rooted in the recognition of the need for change if the Bank is to be effective in the rapidly changing global economy where private capital flows are five times greater than official assistance, where many different actors (from multilateral banks to nongovernmental organizations) now play a much greater role in development, and where technological change has revolutionized the way business is done. The Bank has been slow to respond to these changes in the past—with overly bureaucratic processes, weak capacity in key areas such as the social sectors, institution building, and banking, and the acceptance of insufficient development impact in the projects it supports. But as this *Annual Report* describes, change was well under way to meet the Strategic Compact's objectives by the end of the fiscal year.

The central objective of the compact is to make the Bank more efficient and to increase the development effectiveness of everything it does. In terms of lending effectiveness, for example, it is expected that the proportion of projects rated satisfactory will increase from 66 percent to 75 percent, meaning that an extra $2 billion a year of the Bank's lending will have greater impact.

The compact takes a comprehensive approach to increasing the Bank's development effectiveness in four priority and related areas: refueling current business activities; refocusing the development agenda; retooling the Bank's knowledge base; and revamping institutional priorities. It will:

- Shift resources from overhead and administration to frontline operations, with the goal of frontline resources accounting for 60 percent of the budget and supporting activities accounting for 40 percent. The Bank's management has committed to redeploying $170 million internally to support frontline operations because the basic business of the Bank needs to be better funded.
- Develop new financial products and advisory services—with the emphasis on increasing flexibility and timeliness for clients.
- Rebuild technical expertise in key areas of development and expand the Bank's focus in those areas—with the social sectors, institution building, and the private sector being immediate priorities.
- Further decentralize activities to the field to allow Bank staff to work more closely with clients in order to better customize country assistance strategies, design more appropriate conditionality, and build local ownership of development programs.
- Strengthen the Bank's information management system to collect, synthesize, and disseminate the best in development thinking.
- Create new and stronger partnerships with other organizations to enable the Bank to be more selective and to specialize in those areas where it has a comparative advantage.
- Reform the Bank's human resources system to create a more flexible, performance-based, and diverse institution.
- Eliminate cumbersome, inefficient processes to make the Bank quicker, leaner, and more cost-effective.

Client benefits promise to be substantial: higher-quality and more relevant products and services backed by an effective, modern knowledge-management system; and a staff that combines state-of-the-art technical skills and global experience within the context of a flatter, faster, more flexible, and more decentralized organization.

The compact's overall costs will be met through a stringent program of savings and redeployment. Net additional investment under the compact is $250 million. This funding will be phased in to ensure that it is in line with the Bank's absorptive capacity: $100 million annually in fiscal 1998 and 1999 and $50 million in fiscal 2000; budgets will return to the fiscal 1997 level, in real terms, by fiscal 2001. Approval of the compact's funding will be contingent on the Executive Board's annual review of the Bank's budget and work program.

The fundamental retooling of the Bank's operations must be judged by its impact on development effectiveness. Therefore, a broad range of specific measures for gauging effectiveness

and accountability are being developed. These include:

- tracking development progress made by the Bank's client countries (using the expanded *World Development Indicators*[1]);
- setting targets for responding to clients.

Clearly defined business standards have been set for managing the portfolio and for lending and nonlending services: for example, the Bank is aiming to get projects approved within five months of appraisal and economic and sector reports to clients within five months of onset; and

- monitoring the main determinants of what makes projects go well or badly, such as ensuring that projects are well prepared, well supervised, and that implementation problems are recognized and dealt with quickly.

In line with the Bank's aim for increasing results, portfolio management programs to improve the current portfolio accelerated during fiscal 1997 through the quality-at-entry and portfolio improvement programs. A key innovation was the concept of projects at risk, which is helping to identify the potential as well as actual problem projects. The concept continues to be refined but already is serving as an additional tool for portfolio management as well as enabling more accurate reporting on the status of the portfolio.

Staff were encouraged to recognize problems early and to address them proactively. The portfolio improvement program, for example, targeted poorly performing segments of the portfolio for special attention. Coupled with improvements in quality-at-entry for new operations, these intensified portfolio management efforts should lead to higher rates of satisfactory outcomes.

"Stretch targets" for client responsiveness are providing a measure for improving results and client focus. They included substantial cuts in elapsed time for provision of services during the fiscal year: The average time elapsed between appraisal and board consideration was reduced from 9.3 months in fiscal 1996 to 7.8 months in fiscal 1997, and projects are becoming effective more quickly. The average time between board approval and effectiveness is down from 6.6 months in fiscal 1996 to 6.1 months in fiscal 1997.

By the end of the fiscal year, 96 percent of the backlog of Implementation Completion Reports (ICRs) was cleared. ICRs lay the foundation for a better future lending program based on strategies that are well grounded in experience, evaluation, and lessons learned.

A more cost-effective, results-oriented Bank will lead to a stronger International Development Association (IDA). IDA borrowers will get a better-quality product, and IDA donors will have greater confidence that their contributions are being used even more effectively.

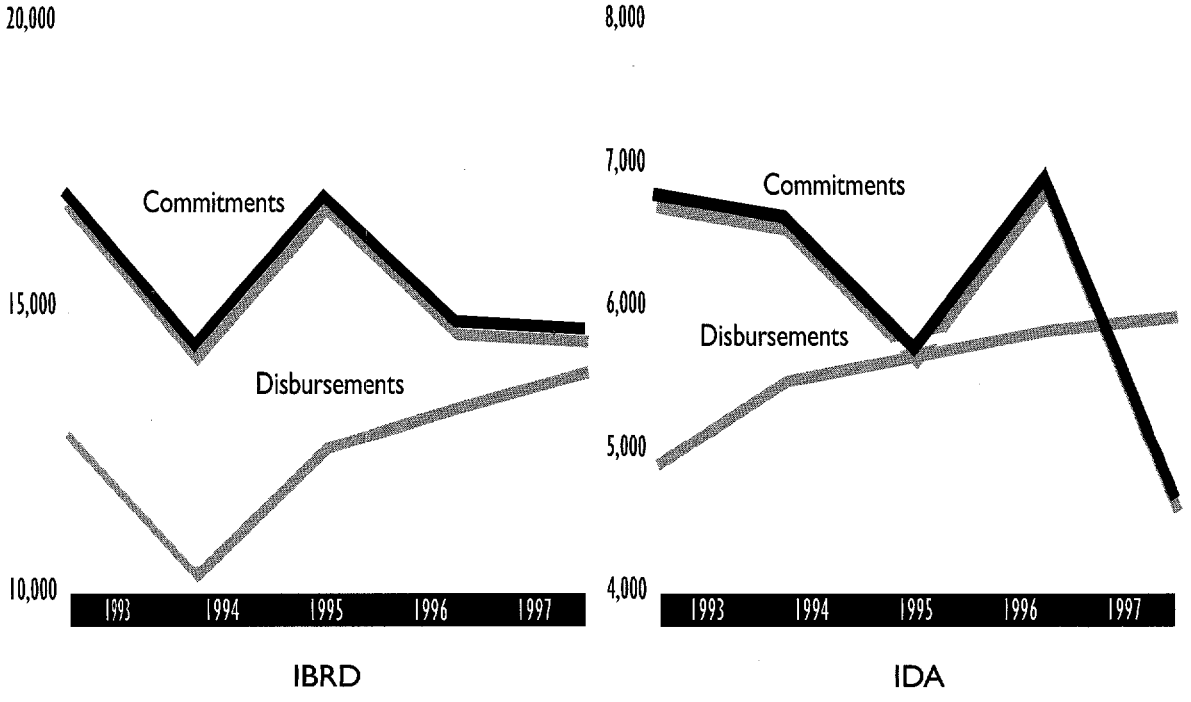
In fiscal 1997, disbursements from IDA continued to increase *(see figure 1)*, reflecting greater emphasis on implementation. Disbursements reached a record $5,979 million, of which $4,815 million was for investment projects.

The temporary decline in new IDA commitments in fiscal 1997 reflects both increased selectivity and the concentration of IDA resources on improving implementation and the quality of the existing portfolio. Selectivity is based on attaching increased importance to the policy prerequisites for IDA lending of all types. Improvements in policy performance in many countries are expected to be reflected in future increases in IDA commitments. While it is not yet possible to measure fully the transitional effect of the reorganization of the Africa regional office, it is estimated to have been small. To the extent that this may have contributed to delays in new commitments during fiscal 1997, the now completed renewal program should result in fiscal 1998 commitments returning to at least the level of fiscal 1996 (in SDR terms) as delays are overcome and a quicker, more effective regional program ensues.

Promoting transparency, accountability, and institutional capacity is critical to successful, sound, and equitable development and has been a key aspect of the Bank's development agenda in recent years. Building on these principles, the Bank's president, in his 1996 Annual Meetings speech, emphasized the importance of eliminating corruption. The anticorruption measures

1. World Bank. 1997. *World Development Indicators.* Washington, D.C.

Figure 1. IBRD and IDA Commitments and Disbursements, Fiscal Years 1993–97
(US$ millions)



Note: Excludes guarantees and loans to the IFC.
IBRD data for 1996 includes the refinanced/rescheduled overdue charges of $168 million for Bosnia and Herzegovina.

contained in the Bank's procurement guidelines, its standard bidding documents, and its legal technical assistance were strengthened in fiscal 1997. Many governments have strongly committed themselves to fight corruption, and the Bank has worked with them to support their efforts to improve governance and public sector management programs that aid efficient resource allocation and reduce the possibilities for corruption, through lending and nonlending services. The Economic Development Institute's (EDI)[2] Governance Program, initiated in fiscal 1994 to build national integrity systems to fight corruption, is one example. EDI held more than thirty governance-related activities in more than a dozen countries across five regions in fiscal 1997.

Creating new and stronger partnerships with other organizations is enabling the Bank to be more selective and specialize in those areas where it has a comparative advantage. In fiscal 1997, progress was made in developing joint programs and information sharing with international financial institutions, United Nations organizations, academia, foundations, business, nongovernmental organizations (NGOs), and others. Some of these partnerships are described throughout this *Annual Report*. A framework for cooperation in financial sector activities was agreed between the World Bank Group and the International Monetary Fund (IMF), and a cooperation agreement was finalized with the World Trade Organization. It will facilitate closer working relations for promoting global trade and helping developing countries adopt open policies to support growth and eliminate poverty.

2. The Economic Development Institute designs and delivers training programs for Bank clients, providing policy lessons, skills building, and outreach to civil society. EDI issues its own annual report, which is available from: New Products and Outreach, The Economic Development Institute, The World Bank, 1818 H Street, N.W., Washington, D.C. 20433, USA.

The Business Partnership Center, launched early in the fiscal year to serve as a focal point of contact for the business community and for developing strategic partnerships with business groups, handled over 1,000 inquiries from members of the business community, had over 90,000 visitors to its World Wide Web site, and featured in more than forty international conferences. It is discussing potential partnership arrangements with more than fifteen groups worldwide.

The high level of NGO involvement in Bank-supported development activities was maintained in fiscal 1997, with 47 percent of projects involving NGO participation in some capacity and with NGO liaison staff now active in seventy-two of the Bank's resident missions.

The country assistance strategy (CAS) positions the country client at the center of the Bank's operational work. It is the key tool for shaping and driving the Bank's country-level work. Management and the board worked closely together to improve the strategic focus of CASs in fiscal 1997. The CAS has evolved considerably in its seven-year history, mirroring many concomitant changes in the Bank itself—for example, this year, social issues of development began to be integrated into CAS work. Greater efforts were also made to further build the results of poverty assessments into CASs; and to strengthen the private sector focus, a number of CASs were prepared jointly by the Bank and the International Finance Corporation (IFC) in fiscal 1997, including those for Brazil, Indonesia, Mexico, and Poland. As part of a larger strategy to link lending and learning activities, EDI helped prepare the CAS for Russia.

The CAS starts with a diagnosis of country challenges and client governments' concerns and priorities. It takes into account what others are doing and the lessons learned about what has worked and what has not worked in the Bank's and others' programs in the country. CASs are discussed with the authorities of the borrowing country and increasingly with other partners and stakeholders.

Bank operations in countries emerging from conflict are an increasingly significant part of the Bank's work, and the document "A Framework for World Bank Involvement in Post Conflict Reconstruction"[3] provided a conceptual and operational framework for Bank staff working to help countries move from conflict to sustainable economic development.

Much of the Bank's postconflict reconstruction work has been in rebuilding infrastructure, but capacity is also needed to promote economic adjustment and recovery, to address social sector needs, and to build institutional capacity. Some lending operations in fiscal 1997 involve unique postconflict elements, including clearing land mines in Bosnia and Herzegovina and Croatia, demobilization and reintegration of ex-combatants in Bosnia, and reintegration of displaced people in Bosnia and Rwanda.

Two overall objectives for Bank intervention are set out in the framework: to facilitate the transition to sustainable peace after hostilities cease and to support economic and social development. The framework outlines a five-stage process for Bank involvement corresponding to various phases of postconflict reconstruction.

Sound financial systems are key to economic development, yet one in five developing countries is at risk of facing banking problems. The Bank has speeded up its response to clients facing financial crisis and supported those vulnerable to such risk. It prepared a series of loans to help the Bulgarian government implement a stabilization and reform program to address its financial crisis, for example. The first loan, in August 1996, helped to restructure enterprises and supported banking sector rehabilitation and the acceleration of privatization. This was followed by a loan in May 1997 to reduce shortages of vital commodities and build public confidence in the reform program.

3. World Bank. 1997. "A Framework for World Bank Involvement in Post Conflict Reconstruction." Environment and Social Policy Division, Environment Department, Washington, D.C.

To explore how the World Bank Group might better help its clients promote and facilitate private sector involvement in infrastructure, and in response to the proposal made by the Governor for Japan during the 1996 Annual Meetings, an infrastructure working group was established in fiscal 1997. It will report to the 1997 Annual Meetings on how public-private partnerships might be expanded to meet the growing investment gap.

The Bank helped refocus the international community's attention on the needs of the 70 percent of the poor in developing countries who live in rural areas by calling for a renewed focus on agriculture and rural development in fiscal 1997. The Executive Board endorsed the paper, "Rural Development: From Vision to Action,"[4] which set out a strategy for supporting rural development by improving rural strategy formulation and consensus building; improving project quality; increasing international awareness; and building staff capacity.

Nonlending activities are an increasingly important service to clients. The Operations Evaluation Department (OED) conducted a review of the Bank's self-evaluation processes for nonlending services as well as a review of the EDI. Its recommendations for stronger evaluations across all areas of the Bank's work have been incorporated into strengthened self-evaluation programs that will be carried out by management over the coming years.

Building a sound knowledge base to support nonlending (as well as lending) activities is at the heart of the Strategic Compact. The Bank is made up of an unmatched repository of experience and understanding about development issues, which too often has been underused. Too much knowledge has been locked up in reports that do not provide real-time and relevant advice to clients, colleagues, and partners. To meet client needs more effectively and better equip Bank staff, work began on developing a knowledge management system in fiscal 1997 to disseminate and apply lessons of experience among staff and clients. Through this system, complex information is distilled into usable formats for delivery to those who need it: policymakers, parliamentarians, NGOs, and journalists, in ways that build vital understandings in member countries.

Four networks established in fiscal 1997 are at the center of the new knowledge-based Bank. They are:

- Human Development;
- Environmentally and Socially Sustainable Development;
- Finance, Private Sector and Infrastructure; and
- Poverty Reduction and Economic Management.

The networks link staff who work in related sectors across the Bank so they interact more effectively across the organization and with partners outside the Bank and play a major role in strategic thinking. In fiscal 1997 the Human Development network prepared the first of a new World Bank product—sector strategy papers—for the health, nutrition, and population sector. Sector strategy papers are cross-cutting studies that are the sector equivalent of CASs. They present the World Bank's corporate strategy for the sector.

The regional renewal programs began in fiscal 1996 moved toward completion during fiscal 1997. They aim to de-layer and simplify decisionmaking and delegate increased responsibility to the field—twenty-one country directors have been or are being relocated to field offices.

During fiscal 1997, the IBRD's Executive Board approved new policies governing the concentration of its loan portfolio and the size and management of its liquid assets. These changes were designed to enhance the IBRD's flexibility in managing its finances and thereby better meet the changing needs of its clients

4. World Bank. 1997. "Rural Development: From Vision to Action." Agriculture and Natural Resources Department. Washington, D.C.

TABLE 1. OPERATIONAL AND FINANCIAL OVERVIEW, FISCAL YEARS 1993–97

(millions of US dollars unless otherwise noted)

Item	FY93	FY94	FY95	FY96	FY97
IBRD					
Commitments[a]	16,945	14,244	16,853	14,656[b]	14,525
Disbursements[a]	12,942	10,447	12,672	13,372[b]	13,998
Net disbursements to all borrowers[a]	2,331	(731)	897	1,213	2,094
Net disbursements to current borrowers,[a]	2,865	19	1,651	2,100	3,258
excluding prepayments[a]	3,319	983	2,238	2,882	4,301
Net income	1,130	1,051	1,354	1,187	1,285
Financial return on average investments	6.07%	3.53%	5.69%	4.43%	5.00%
New MLT borrowings in FY after swaps	12,676	8,908	9,026	10,883	15,139
Average cost of new MLT borrowings in FY after swaps	5.97%	4.99%	6.31%	5.28%	5.01%
Subscribed capital	165,589	170,003	176,438	180,630	182,426
Statutory lending limit	179,787	185,865	195,248	197,785	198,705
Loans and callable guarantees outstanding	104,606	109,468	123,676	110,369	105,954
as a % of statutory lending limit	58%	59%	63%	56%	53%
Headroom	75,181	76,397	71,572	87,416	92,751
Interest coverage ratio	1.16%	1.16%	1.19%	1.18%	1.22%
Reserves-to-loans ratio	11.7%	13.9%	14.3%	14.1%	14.0%
IDA					
Commitments	6,752	6,592	5,669	6,861	4,622
Disbursements	4,947	5,532	5,703	5,884	5,979
Net disbursements	4,580	5,110	5,205	5,322	5,364
Development credits outstanding	56,158	62,810	72,032	72,821	76,124
Accumulated surplus	1,194	1,365	1,995	1,790	1,998
IBRD/IDA Joint Activities					
Administrative expenses	1,254	1,389	1,540	1,376	1,188

a. Excludes guarantees and loans to the IFC.

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

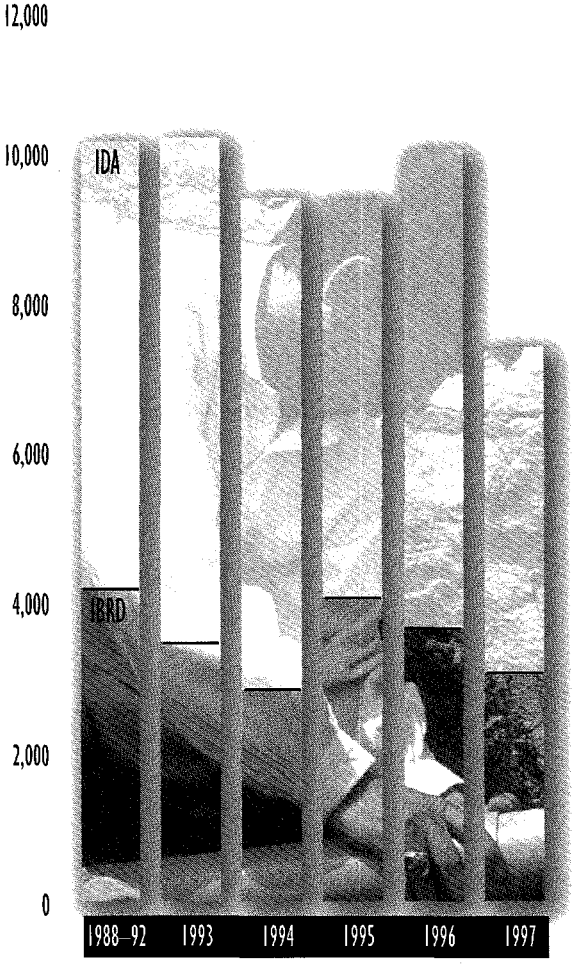
while preserving a strong, conservative financial standing.

Fiscal year in review

Against this background, commitments by the Bank were $19,147 million—$14,525 million from the IBRD and $4,622 million from IDA; 36 percent of those, totaling $1,646 million, were from the Interim Trust Fund. A total of 241 projects were approved, 141 by the IBRD and 100 by IDA. Seven loans on IDA-like terms, totaling $83.5 million from resources provided by the Trust Fund for Gaza and the West Bank, were approved for the West Bank and Gaza. Three partial guarantees, totaling $420 million, were approved. Gross disbursements amounted to $19,977 million—$13,998 million from the IBRD, and $5,979 million from IDA. Table 1 presents a comparative overview of Bank operations and finances for fiscal years 1993–97.

Figure 2. IBRD and IDA Lending to the Poorest Countries, Fiscal Years 1988–97

(US$ millions)



Note: The poorest countries are defined as those with a per capita income of $785 or less in 1996 U.S. dollars.

Assistance to the poorest countries—those with a per capita gross national product of $785 or less (in terms of constant 1996 United States dollars)—totaled $7,442.9 million—$3,080.9 from the IBRD and $4,362.0 from IDA *(see figure 2)*.

Some 29 percent of total Bank investment lending during the year directly targeted the poor compared to 32 percent the year before. These projects supported activities to increase the productivity and economic opportunities of the poor, to develop their human resources, and to provide social safety nets (for a description of each such targeted project, turn to the project summaries after Section Three).

During fiscal 1997, fifty-five out of sixty-two borrowers (89 percent) took advantage of the new single-currency loans first made available in fiscal 1996. Measured in terms of volume, $12.9 billion out of $14.5 billion (89 percent) in new loan commitments were in single-currency loans.

The IBRD has 180 members. At the end of the fiscal year, action was pending on membership in the IBRD for Palau and the Federal Republic of Yugoslavia (Serbia/Montenegro). IDA has 159 members. At the end of the fiscal year, action was pending on membership in IDA for Barbados, Ukraine, Venezuela, and the Federal Republic of Yugoslavia (Serbia/Montenegro).

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

The executive directors consider and decide on the IBRD loan and IDA credit proposals made by the president, and they decide policy issues that guide the general operations of the Bank and its direction. The executive directors are also responsible for presenting to the Board of Governors at the Annual Meetings an audit of accounts, an administrative budget, and an annual report on the operations and policies of the Bank, as well as any other matters that in their judgment require submission to the Board of Governors.

During fiscal 1997 the executive directors met eighty times in formal board meetings and another eighty-one times in seminars, informal sessions, and as the Committee of the Whole. In addition, most of the executive directors serve on one or more of five standing committees: Audit Committee, Committee on Development Effectiveness, Budget Committee, Personnel Committee, and Committee on Executive Directors' Administrative Matters. The executive directors' Steering Committee, an informal advisory body, also meets regularly.

In addition to the meetings and committee work, groups of executive directors and alternate executive directors at times make special trips to borrowing countries to observe Bank-supported operations and its assistance strategy firsthand. They meet with a wide range of people, including staff of the Bank's resident missions or field offices, government officials, project managers, NGOs and project beneficiaries, and the business community. In fiscal 1997, groups of executive directors visited East Asia (Cambodia and China), South Asia (Bangladesh and India), Western Africa (Burkina Faso, Guinea, Niger), and Europe and Central Asia (Bosnia and Herzegovina and Russia).

Shaping policy

The Board of Executive Directors' oversight responsibility covers virtually all Bank policy, so its role cannot be clearly separated from most of the Bank activities and initiatives covered in this *Report*. This oversight responsibility is exercised in part through the process of board approval of each Bank or IDA lending operation and the annual budget process. However, the executive directors also exercise an important role in shaping Bank policy and its evolution as they work for changes in direction, emphasis, and/or improvements in Bank results. It is in this role that the directors represent the changing perspectives of their shareholder governments vis-à-vis the Bank's role. These policy initiatives normally reflect needs perceived by shareholders and involve a process of consensus building, both among executive directors and with Bank management. Many of the changes in Bank policy grow from initiatives by the executive directors and occur gradually over a period of years, such as the increasing emphasis on social development issues, capacity building in Africa, anticorruption programs, and postconflict assistance.

The executive directors have increasingly encouraged closer linking of the operations of the Bank, IFC, and MIGA. In fiscal 1997, for example, the board held a seminar on the Bank Group's existing and planned guarantee and risk-mitigation products in the context of its strategic goals. The executive directors broadly supported the outlined approach to expand and strengthen these catalytic activities and urged management to move forward with concrete proposals to the board. Similarly, at a board seminar on a Bank Group financial sector framework, executive directors emphasized the need for a coordinated approach with other agencies, including the IMF.

In a sense, the executive directors' oversight role seeks to ensure that Bank policies are interpreted and implemented correctly. The executive directors review major policy areas in order to keep them current. For example, in fiscal 1997 the board endorsed a Bank policy to renew emphasis on rural development as a vital element of the objective of reducing poverty and promoting economic growth, food security, and sustainable resource management.

Strategic Compact with shareholders

In fiscal 1997 the executive directors unanimously endorsed the Strategic Compact between the Bank and its shareholders—a plan for reform and renewal of the Bank to make it more effective in achieving its overriding objective of poverty reduction. The Strategic Compact's objective is to transform the way the Bank conducts its business by improving its products, speeding up its processes, lowering its costs, making it more demand driven, and increasing its development impact. Clear performance criteria will be set, against which progress will be measured. The compact builds upon the strategic guiding principles laid out in the 1994 vision statement prepared in connection with the Bank's fiftieth anniversary. The board committees are expected to play a major role in assisting the board in discharging its oversight responsibilities in monitoring the compact.

Heavily indebted poor countries

The process of finding a solution to the official debt problem of the heavily indebted poor countries (HIPCs) continued in fiscal 1997. The boards of the Bank and the IMF endorsed a program of action for reducing the debt burden of eligible HIPCs to a sustainable level and established the HIPC Debt Initiative Trust Fund (*see box in the Overview*). Other donors are also expected to contribute to the trust fund. Preliminary country documents have been prepared for a number of countries. They form the basis for consideration of eligibility for assistance under this initiative; Uganda was the first country to benefit from this initiative.

Country assistance strategies

The country assistance strategy (CAS) is the central vehicle for change in the Bank. The executive directors in fiscal 1997 continued their efforts to see poverty reduction, the Bank's overriding objective, more comprehensively integrated into CASs. Although recognizing considerable progress in the past few years, the directors stressed that further work is needed to build the results of poverty assessments into CASs.

In their consideration of CASs, the directors increasingly emphasized selectivity in setting country priorities for Bank support through lending and nonlending services and on the tradeoffs implicit in the Bank program. They emphasized that CASs should discuss the Bank's partnerships in a country, where appropriate, with the IMF, other multilateral institutions, bilateral donors, and NGOs in a strategic context to maximize the development impact and increase cost-effectiveness. The treatment of country risk has also been receiving more attention in CAS discussions.

As a result of the executive directors' work, there has been a visible refocusing on evaluating the impact of Bank efforts and results on the ground, building on lessons from past performance, consulting with civil society, and strengthening the Bank's presence in the field. Another direct outcome of the board's efforts is the increasing focus on the vital importance of client ownership of the country strategy and on the need to reflect adequately the client's perspective in the CAS.

Development effectiveness

The Executive Board's Committee on Development Effectiveness deals with the issues related to the effectiveness of on-the-ground results of Bank operations. The committee also oversees the responses of Bank management to the Operations Evaluation Department's findings and recommendations.

The committee continued to stress the need to improve self evaluation by the Bank and to

ensure that evaluation results were routinely and rapidly fed back into the formulation of new directions, policies, and procedures. For example, the committee considered Country Assistance Reviews for Morocco, Poland, and Zambia and reported on its deliberations to the Executive Board prior to its consideration of the CASs for those countries. It followed up on the board discussion of the social development task group report[1] by reviewing recommendations and actions taken and a proposed work program on social development. The committee also reviewed an update of the report on mainstreaming gender into Bank lending. The committee welcomed the creation of an evaluation learning group, co-chaired by the Operations Evaluation Department and the Bank, and the new quality assurance program to strengthen the design of new projects and programs and implementation of existing ones. Measurement and evaluation of the Bank's impact remain a major challenge.

New auditors

On the recommendation of the Audit Committee, the board in fiscal 1995 decided to rotate external auditors periodically. In fiscal 1996, procedures for obtaining bids from five international firms were decided on. The bidding process and the selection of the new auditors took place in fiscal 1997.

1. World Bank. 1996. "Task Group Report: Social Development and Results on the Ground." October. Washington, D.C.

Poverty reduction activities

Poverty reduction continues to be the World Bank's first priority, and the significant changes undertaken by the Bank in fiscal 1997 have important implications for its future poverty reduction agenda. These include the far-reaching reforms in the organization of regional operations; introduction of a new approach to knowledge management; and especially the establishment of the Poverty Reduction and Economic Management (PREM) network. The newly constituted Poverty Sector Board within PREM is responsible for guiding the implementation of the Bank's poverty reduction strategy. It is ensuring that poverty remains at the heart of the Bank's operational and research activities and that the maximum possible contribution is made to reducing poverty in the developing world.

In fiscal 1997 the Bank continued to make progress in implementing its poverty reduction strategy, based on encouraging broad-based growth, human capital development, and the provision of safety nets.[1] Through its analytical work, policy dialogue, and advice and its project and adjustment lending, the Bank supports a wide range of efforts by client countries to reduce poverty. Recent analysis has improved country-specific knowledge about poverty and has provided the basis for a more informed dialogue and more effective policy interventions. Poverty assessments synthesize information on poverty, identify key policy issues, and recommend a strategy for reducing poverty. Since the Bank began preparing poverty assessments in fiscal 1989, ninety-three poverty assessments, covering approximately 90 percent of the world's poor, have been completed. The findings of these assessments constitute an important input into the design of country assistance strategies. CASS, which are developed in consultation with borrowing governments and are discussed by the Board of Executive Directors, reflect each country's unique circumstances and priorities and present the Bank's program of assistance in the context of the country's efforts to reduce poverty. With the first round of poverty assessments coming to completion, the Bank will be placing more emphasis on the CAS in monitoring the implementation of its poverty reduction strategy.

Bank operations support numerous activities that help enhance the economic opportunities of the poor, develop their human capital (through health, education, and basic social services), and provide safety nets.[2] While all of these activities combine to reduce poverty, their impact is difficult to measure. The impact of poverty-targeted projects is easier to measure, however. The Bank tracks its lending for projects in the Program of Targeted Interventions (PTI) and poverty-focused adjustment operations based on established criteria in targeting the poor.[3] During fiscal 1997, $4.09 billion, or about 29 percent of World Bank investment lending, was channeled directly for poverty-targeted projects, compared with 32 percent in fiscal 1996. For IDA countries, lending for projects in the PTI amounted to 53 percent, compared with 63 percent in fiscal 1996. Of twenty-nine adjustment operations approved in fiscal 1997, eighteen contained specific poverty-reduction measures (*see table 2-1*).

While useful in planning the implementation of Bank strategy, these data on PTI lending and poverty-targeted adjustment operations do not measure the impact that Bank activities have on poor people's lives. Since the Bank places considerable emphasis on the need for better information on poverty in client countries, efforts are under way to assess trends in poverty by encouraging nationally representative household surveys. As a conservative estimate, data on household incomes and

1. Thorough analysis of the Bank's work in reducing poverty is presented in *Poverty Reduction and the World Bank: Progress and Challenges in the 1990s* (World Bank 1996) and in *Poverty Reduction and the World Bank: Progress in Fiscal 1996* (World Bank forthcoming).

2. Safety nets are programs that protect people or households against two kinds of adverse situations: chronic incapacity to work or earn a living; or temporary decline in earnings capacity due to cyclical declines in the economy or other temporary situations.

3. See page 112 in Summaries of Operations for description of criteria for PTI.

TABLE 2-1. PROGRAM OF TARGETED INTERVENTIONS, FISCAL YEARS 1995–97

(millions of US dollars)

	1995	1996	1997
Total PTI lending	5,436.7	5,408.1	4,090.0
As share of investment lending (%)	32	32	29
As share of all Bank lending (%)	24	25	21
Total number of projects in the PTI	75	79	77
Total number of investment projects	208	223	203
IDA PTI lending	2,423.2	3,246.0	1,873.5
As share of IDA investment lending (%)	54	63	53
As share of all IDA lending (%)	43	47	41
Number of IDA PTI projects	48	51	37

NOTE: *Investment lending is defined as all lending except for adjustment, debt and debt-service reduction operations, and emergency reconstruction operations.*

expenditures now exist for seventy-three countries, more than double the number (thirty-one) available in 1992. And since the fiscal 1995 progress report (which drew on a total of 122 surveys in sixty-seven countries), new results from at least sixteen surveys have become available. But there is also a need to build a better database on how Bank lending (and especially its PTI lending) benefits the poor. As such data become increasingly available, the emphasis of the Bank's monitoring efforts will shift away from input and process indicators and toward outcomes on the ground. This marked improvement in information on poverty will form the basis of preparations for *World Development Report* in the year 2000, which is to be devoted to poverty reduction.[4]

The Bank, the United Nations Children's Fund (UNICEF), and the United Nations Development Programme (UNDP) have been working in partnership to improve poverty monitoring methods since May 1995. Activities include:

- an ongoing exchange of views and sharing of approaches for monitoring social outcomes of development aimed at developing a core monitoring instrument;
- a joint Bank- and UNDP-sponsored review of how quantitative and qualitative data can be used jointly to enhance understanding of poverty and its reduction; and
- plans to link the agencies' poverty-related Internet Web sites.

Discussions on enlarging the group (to include the International Labour Organization, for example) have been held, and a proposal to link this collaboration with interagency efforts to support the OECD/DAC initiative on "Shaping the 21st Century," also under consideration, would further enlarge the membership.

NGO *participation*

The high level of nongovernmental organizations' (NGOs) participation in Bank-supported development activities was maintained, with 47 percent of operations approved in fiscal 1997 involving NGO participation in some capacity (*see Summaries of Operations and table 2-2*). Figure 2-1 shows the NGO involvement in Bank projects by type of NGO.

To further NGO contributions to Bank-supported development work at the field level, NGO liaison staff have been appointed to seventy-two resident missions; more than half of

4. Previously also the topic for *World Development Report 1990: Poverty*. 1990. New York: Oxford University Press.

these are full-time NGO specialists. They are strengthening communication and information flows and ensuring more systematic in-country consultation and dialogue between the Bank and indigenous NGOs.

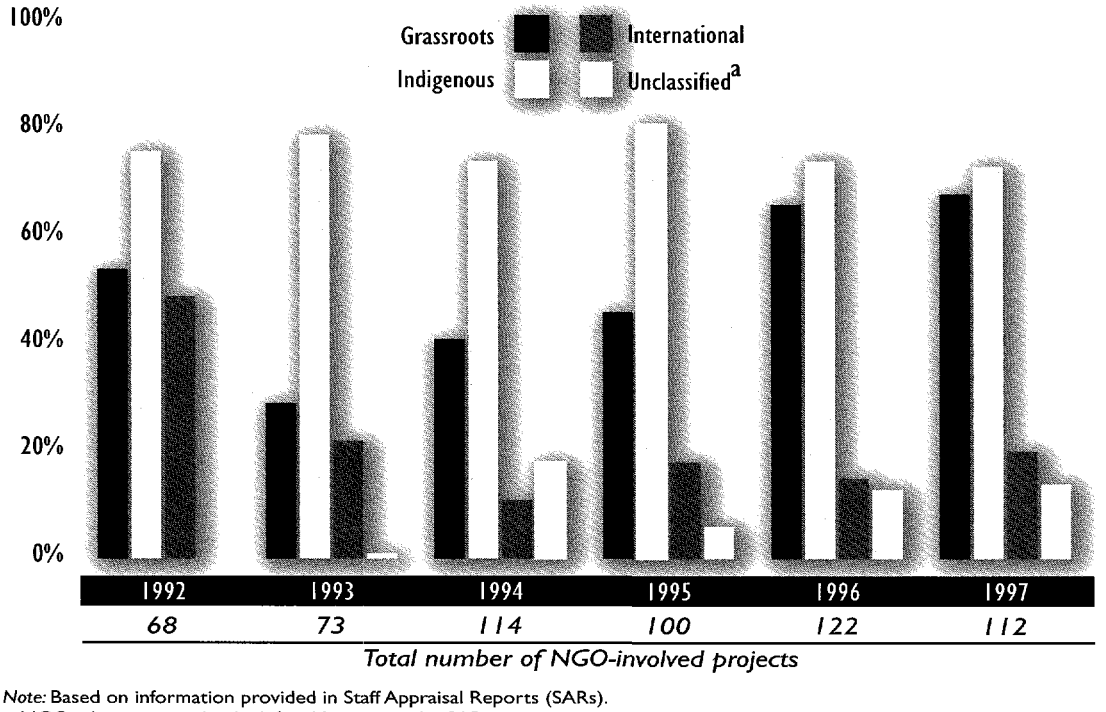
Several initiatives to strengthen NGO partnership were undertaken in fiscal 1997. A donor-Bank-NGO workshop hosted by the Regional Environmental Center in Budapest, for example, included meetings between senior Bank management and environmental NGOs to discuss operational experience and identify opportunities for additional partnership. And subregional workshops in Brazil, Ecuador, and El Salvador brought together NGOs, government, private sector representatives, and senior Bank management for the first time to discuss and analyze partnership roles for the joint fight against poverty.

The new Corporate Citizenship Program, launched during the Annual Meetings in October 1996, is bringing together government leaders, business, and civil society to forge innovative public-private partnerships to foster social and human development. Pilot projects are being developed in Angola, Colombia, the Philippines, Poland, and Slovenia.

Collaboration between the Bank and NGOs continues to be enhanced through the NGO–World Bank Committee. Several important new initiatives were launched in the fiscal year, including an interagency working group on NGO capacity building, which was proposed by Southern NGO members; a joint NGO–Bank program to monitor stakeholder participation in eight Bank projects; and NGO participation in the Global Conference on Social Funds, organized by the Economic Development Institute (EDI), which examined lessons learned from the past ten years. A discussion paper on NGO involvement in World Bank–financed social funds, published in December 1996,[5] reviews

5. Malena, Carmen. 1996. "NGO Involvement in World Bank-Financed Social Funds: Lessons Learned." PSP Discussion Paper Series No. 100. World Bank, Washington, D.C.

FIGURE 2-1 Types of NGOs Involved in Bank-financed Projects, Fiscal Years 1992–97



Note: Based on information provided in Staff Appraisal Reports (SARs).
a. NGOs that are not clearly defined by type in the SARs.

TABLE 2-2. PATTERNS IN WORLD BANK–NGO OPERATIONAL COLLABORATION, FISCAL YEARS 1986–97

	Total 1986–94		1995		1996		1997	
	No.	%	No.	%	No.	%	No.	%
By region[a]								
Africa	694	29	58	57	53	29	49	61
East Asia and Pacific	364	19	42	29	46	20	37	32
South Asia	248	29	18	67	21	16	19	84
Europe and Central Asia	165	12	58	29	61	23	67	24
Latin America and the Caribbean	410	20	52	42	54	26	52	60
Middle East and North Africa	172	11	14	29	21	8	17	41
Total	2,053	23	242	42	256	48	241	47
By sector								
Agriculture	440	34	34	74	33	88	43	81
Education	190	24	26	54	29	52	18	56
Electric power and energy	167	13	16	25	19	21	17	18
Environment	47	70	16	50	13	69	12	100
Finance	104	12	16	6	17	12	14	29
Health, population and nutrition	125	64	24	75	23	57	15	60
Industry	88	15	2	0	4	25	5	40
Mining	15	7	2	50	8	63	2	50
Multisector	176	11	24	8	19	37	22	5
Oil and gas	51	6	7	14	3	33	4	—
Public sector management	126	9	20	20	27	15	20	5
Social sector	37	68	8	88	17	82	16	69
Telecommunications	39	—	1	—	1	—	—	—
Transportation	230	7	22	18	24	21	27	26
Urban development	117	21	13	38	10	70	13	54
Water supply and sanitation	101	16	11	55	9	67	13	69
Total	2,053	23	242	42	256	48	241	47

—Zero

a. Refers to percentage of NGO*–involved projects in all World Bank-approved projects in the region.*

NGO contributions and identifies key issues and lessons learned from experience to date.

Initiated in 1994, the Forest Market Transformation Initiative (FMTI) began a second phase of operations in fiscal 1997 and exemplifies the innovative work partnerships can undertake. This strategic coalition of conservation NGOs, private sector forest industry leaders, researchers, development practitioners, and financiers, including the World Bank,[6] is working to develop innovative approaches to the adoption of more environmentally friendly forest management and marketing practices in the remaining forest frontiers. The FMTI is particularly concerned to accelerate a shift in private sector behavior in the remaining intact forest frontier areas of the Asia-Pacific region, Central Africa, Latin America, and the Russian Federation—regions that are coming under increasing pressure from unsustainable and environmentally destructive forms of forest exploitation. FMTI aims to develop and promote financial and other incentives—with support from the Global Environment Facility (GEF), the IFC, voluntary foundations, and other

6. FMTI partners include the Institute for Sustainable Technology, the International Institute for Environment and Development, the National Fish and Wildlife Foundation, the Rainforest Action Network, the Rocky Mountains Institute, the World Resources Institute, and the World Wildlife Fund.

sources—to help companies overcome barriers to the sustainable use of forests. Companies would be encouraged to begin transforming forest sector markets toward sustainable practices and to encourage the development of alternative fiber products. This would reduce the pressures on natural forests from demands for timber and other industrial products.

Human development

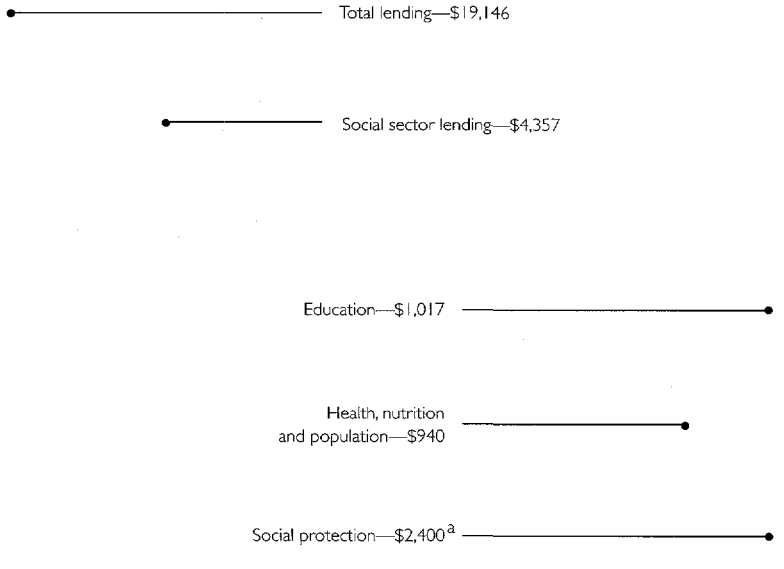
Investing in people—or human development (HD)—plays a crucial role in the Bank's overall strategy to reduce poverty. In conjunction with policies that promote sustainable growth, investing in people and the provision of social safety nets alleviate some of the most severe consequences of poverty, including ill health and malnutrition, while increasing people's chances to improve their own well-being. Evidence continues to mount that investments in health, nutrition, and education contribute to individual productivity and, in the aggregate, to national economic growth. It is the combination of good economics and the reduction of human suffering that makes investments in human development a powerful weapon in the fight against poverty.

In fiscal 1997 the Bank's strategy for supporting its clients' efforts to develop human capital and social systems focused on: (i) lending and, increasingly, nonlending services to support population, health, nutrition, and education, with a special emphasis this year on support of social programs that protect the most vulnerable people who might otherwise be left out of the growth process; and (ii) efforts to improve the quality of Bank services by working more closely with clients, collaborating with partners, and establishing a human development network to strengthen the Bank's ability to provide quality services. Figure 2-2 gives the breakdown of Bank lending to the social sectors in fiscal 1997.

Human development operations

By the end of fiscal 1997, cumulative Bank lending for human development totaled $41.9 billion, making the Bank the single largest external financier of HD programs in low- to

FIGURE 2-2 IBRD and IDA Lending for the Social Sector, Fiscal Year 1997
(US$ millions)



a. Includes social sector loans and finance, public sector management and multisector loans with a social protection focus.

middle-income countries, with active projects in 107 countries and 516 completed projects. In fiscal 1997, disbursements to the sector increased to $3.89 billion, a 45 percent increase over fiscal 1996.

Health, nutrition, and population programs (*HNP*). The Bank's activities in the HNP sector have grown to a cumulative value of over $12 billion, making the Bank also the single largest external financier of health programs in low- to middle-income countries.

The Bank's HIV/AIDS program has been an important developmental priority in recent years. HIV/AIDS is not simply a health problem, and the Bank's strategy focuses on multisector programs to accomplish the task of sustained prevention and care. These programs focus on HIV/AIDS prevention, treatment, and care at both the country and regional levels. They include projects to provide drugs for sexually transmitted diseases and AIDS-related infections, launch awareness and condom distribution campaigns, and conduct analysis and research on the socioeconomic impact of HIV/AIDS to find cost-effective prevention and care interventions. In fiscal 1997 the Bank extended loans for HIV/AIDS to Argentina, Cambodia, and Sri Lanka.

Designing effective policies to improve the performance of both private and government-run health systems has bedeviled both rich and poor countries over the past decade. In recent years, many countries have turned to sectorwide reforms to improve performance of their health systems and health, nutrition, and population policies. The Bank undertook a strategic shift in its HNP lending in fiscal 1997 to support its clients as they undertook such comprehensive sector reform, with loans totaling $940 million in eleven countries. These efforts were backed by extensive sector work that is providing lessons of experience from many countries.[7]

Client focus has been strengthened through Bank participation in and cosponsorship of major international conferences. The Conference on Innovations in Health Care Financing, organized by the Bank's health group, drew 360 participants from over seventy countries, including more than thirty ministers of health or finance.

Providing the poor with access to family planning and other reproductive health services remains an important priority. The Bank is increasingly helping its clients to more closely link population policies with reproductive health policies, thus integrating them into poverty reduction efforts and the overall development agenda. The Second Maternal and Child Health and Nutrition Project in Argentina and the Reproductive and Child Health Project in India, both approved in fiscal 1997, illustrate this approach (see Summaries of Operations at the end of Section Three).

Supporting better nutrition is addressed in ongoing Bank projects in a number of ways. Some of the more successful interventions include projects at the community level that emphasize behavioral change, such as in ongoing projects in Tanzania and Zimbabwe; those that target food-marketing programs to enable the poor greater access to food, such as in ongoing projects in Brazil, Colombia, and Honduras; and micronutrient programs, such as in Indonesia's Intensified Iodine Deficiency Control project, approved in fiscal 1997.

Education. In fiscal 1997 the Bank committed $1,017 million for eighteen education loans to fifteen countries. At the end of fiscal 1997, the cumulative value of Bank loans for all levels of education was $23.7 billion. Commitments for education loans temporarily declined from their fiscal 1995 and fiscal 1996 levels of $2,096.8 million and $1,705.7 million, respectively, mainly because of the increased focus on improving the quality and results of the existing portfolio; disbursement and supervision have increased accordingly. In some cases, such as in Brazil, new commitments were delayed as the education portfolio underwent a comprehensive

7. The sector work includes:
- Klugman, Jeni, and George Schieber. 1997. *Health Care Reform in Central Asia*. World Bank Technical Paper No. 344. Washington, D.C.
- Goldstein, Ellen, Alexander S. Preker, Olusoji Adeyi, and Gnanaraj Chellaraj. 1996. *Trends in Health Status, Services and Finance: The Transition in Central and Eastern Europe.* World Bank Technical Paper No. 341. Washington, D.C.
- World Bank. 1997. *The Hasemite Kingdom of Jordan Health Sector Study*. A World Bank Country Study. Washington, D.C.
- World Bank. 1996. "China: Issues and Options in Health Financing." Report No. 15278-Cha.

review. The greater focus on portfolio performance through the fiscal year is reflected in a 23 percent increase in disbursements over fiscal 1996.

Attention to girls' education continues to increase among Bank clients. Among other benefits, better-educated women have been shown to have fewer and healthier children and to be in better health themselves and be more likely to educate their children and participate in their communities, through parent-teacher associations, for example. Thus, there is now wide recognition that investing in girls' education is one of the best investments a society can make in its own development.

Social protection (SP). In fiscal 1997 the Bank formed a social protection group, which addresses two priorities: (i) to enhance human capital productivity by improving the operation of labor markets, and (ii) to develop mechanisms and institutions to protect the most vulnerable people, including the elderly, disabled, and women. Social protection activities complement other Bank efforts in the area of social development, and interventions help protect the poor by addressing labor market reform, including unemployment insurance and vocational training, pension reform, and social assistance, including social funds.

Lending for social protection has grown explosively. In fiscal 1997, twenty-three social protection loans were approved, totaling $2.4 billion; twenty-three loans totaling $1.4 billion in fiscal 1996; and ten totaling $0.5 billion in fiscal 1995. By the end of fiscal 1997, cumulative lending for social protection totaled $5.3 billion. More than half of lending for social protection programs in fiscal 1997 was for adjustment loans to Mexico and Russia and a first-time pension adjustment loan to Argentina. Substantial new commitments supported labor market reforms, including support for reviewing labor code revision, employment creation in public schemes, and retraining unemployed or potentially redundant workers, especially in transition economies. Pension reform loans were extended to Argentina, Latvia, Mexico, Peru, and Russia, and social assistance loans to Argentina, Bulgaria, Jamaica, Lithuania, Romania, and Ukraine.

EDI is supporting the demand for knowledge, analytical tools, and lessons from country experience for effective pension reform. The conference on Pension Systems: From Crisis to Reform, held in Washington in November 1996, brought together eighty policymakers from more than thirty countries to discuss pension system design and implementation. Lessons drawn from the conference will be published and disseminated. EDI is also tailoring its activities to meet the specialized needs of different regions; for example, it is working with the government of Mexico to help implement the recently endorsed pension legislation. EDI and the government of Mexico will launch a virtual network of pension specialists in the Latin American region later this year.

Improving the quality of HD operations

In many countries, such as Botswana, Chile, and the Republic of Korea, where economic growth has gone hand in hand with investment in people, significant reductions in poverty have been achieved. In other countries, relatively low economic growth and under investment in people, combined with high population growth, have led to an increase in the number of people who live on a dollar or less a day. When current growth rates are insufficient, sound investment in people is necessary both to reduce human suffering and to lay the foundation for future improvement in living conditions.

Two new instruments are helping to strengthen the Bank's strategic focus and development effectiveness; they are sector strategy papers and knowledge management.

Sector strategy papers. While the CAS papers are used to elevate policy dialogue and increase development effectiveness in general, they will now be complemented by sector strategy papers (SSP), which provide a cross-cutting global perspective on Bankwide and regional priorities in sector development. The first SSP, on the health, nutrition, and population subsectors, was presented to the Executive Board's Committee on Development Effectiveness in fiscal 1997. Others, on education and social protection, are planned for fiscal 1998 and fiscal 1999, respectively.

Knowledge management. Knowledge management systems (KMS) are of increasing importance in retooling the Bank to better meet its clients' needs. In fiscal 1997 the Bank's education group developed a user-friendly KMS to provide staff with ready access to a variety of information resources, including: (i) "help desks"; (ii) on-line databases of policy papers, best practice papers, electronic forums, terms-of-reference, profiles of staff and consultants, and links to external resources; (iii) a statistical database containing internal Bank data; (iv) a clearinghouse function for data available from other agencies; and (v) a knowledge base on the economic aspects of human development, including good practice of economic analyses in project development. Parts of this system such as the new Early Child Development Web site[8] are available to clients.

Within the KMS, the Education and Health Advisory Services were launched in fiscal 1997 to provide operational staff with customized information, advice on consultants and partners, and direct access to best practices from inside and outside the Bank. The KMS is only available externally on a limited basis at present but will eventually be expanded to provide more access for external users.

KMS is already filling a knowledge gap; for example, when the Nepal Resident Mission needed models of project implementation plans to help its client in the Ministry of Education, the Education Advisory Service provided best-practice examples from similar projects in Burkina Faso, Croatia, Ghana, and Turkey. It also made connections with officials in Turkey and with the Bank's HD office in Hungary to provide the Nepalese government with expert advice quickly on project implementation.

Improving client focus

Participation. A number of innovative programs are focusing on greater client involvement and participation in an effort to increase effectiveness and ownership. The Kenya Early Childhood Development project, for example, approved in fiscal 1997, is training 15,000 preschool teachers and 5,000 community representatives to run and monitor enriched child care programs. Centers will be managed by parent committees trained in organizing, managing, and monitoring early childhood services, with NGOs helping to oversee the communities' management of childcare centers. In Indonesia, two loans to support basic education were provided directly to the provinces of Central Indonesia and Sumatra to ensure local involvement in all phases of the project.

Evidence continues to mount that investments in health, nutrition, and education contribute to individual productivity and national economic growth.

Nonlending services. Greater emphasis has been placed on the importance of economic and sector work (ESW) to raise the quality of the Bank's work in human development. Where possible, ESW is carried out jointly with country representatives. The Vietnam education sector financing study, for example, was prepared by a team co-managed by the government of Vietnam and the World Bank. The study, which places education and training needs within the larger political and macroeconomic framework and gives a comprehensive review of its efficiency, equity, and future direction, resulted in a frank assessment of Vietnam's economy. The government is considering the recommendations, including those to raise teachers' salaries and increase school hours.

8. http://www.worldbank.org/children/

A review of China's pension system identified two problems: state-owned enterprises are burdening the system, and the population is rapidly aging. The Bank and the government identified factors contributing to the problems and set out recommendations for solutions.

Sharing lessons of experience among countries is proving useful to policymakers in Central Asia, the World Bank, donor organizations, and other international agencies as they develop cost-effective health reform policies. A survey of health reform in Central Asia produced data on levels and trends in health status, delivery of services, and financing that were used to develop a health reform policy agenda based on the experiences of various countries undergoing similar economic transition.

Partnerships. Partnerships are especially important to increasing the efficiency and effectiveness of human development programs, and increased efforts were made in fiscal 1997 to improve partnerships with other organizations and to share knowledge and experience. The Bank enjoys a close relationship with the International Labour Organization (ILO), and the two institutions benefit from mutual cooperation. Two joint research projects were in progress in fiscal 1997, and in addition to regular informal discussions between staff, a high-level team of ILO officials visited the Bank and reached initial agreement on cooperation in a number of new areas. These include increased collaboration and consultations on harmful child labor practices and labor standards. Delegations from the International Confederation of Free Trade Unions and the World Confederation of Labor also held talks with senior Bank staff to discuss activities for future cooperation. And the Bank continues to work closely with United Nations agencies such as UNESCO, UNDP, and UNICEF, as well as WHO, on health and education programs.

Communications. A vital, but often overlooked component in the complex web of human development is the role of communications. Many of the most cost-effective public health interventions—for example, those aimed at promoting healthier lifestyles, safer reproductive health, and preventing communicable diseases—require behavioral changes that in turn depend heavily on the ability of governments or agencies to communicate effectively with target groups. Contraceptives, vaccines, and micronutrient supplements can only work if people choose to use them. Many other aspects of behavior, including sexual activity, use of harmful drugs, hygiene practices, and views on childrearing have important implications for overall health outcomes. The toolkit for communication for behavioral change[9] was created in fiscal 1997 to provide state-of-the-art advice on best practices in this complex and important process.

Establishing the Human Development network

Established in fiscal 1997, the Human Development Network was the first network in the Bank's new structure. It brings together all staff working on health, nutrition, population, education, training, and social protection. Headed by the HD council and organized in three sector boards—health, nutrition, and population; education; and social protection—the HD network is responsible for five major activities: strategy; knowledge; staff development; client responsiveness and external partners; and quality assurance.

The HD network's impact is already evident. Its HD Training Week, attended by nearly 100 external organizations and about 600 HD staff, included presentations on state-of-the-art practice in each of the three subsectors as well as high-level keynote speakers, exhibitions, hands-on demonstrations, videos, and advisory services. Prior to this event, over sixty resident mission staff participated in a week-long pilot training program especially designed for them.

Gender

The Bank's commitment to promoting gender equality and implementing the recommendations set out in the United Nations Conference on Women, held in Beijing in September 1995, continued in fiscal 1997. Gender analysis and policy are strategically linked to economic and

9. Verzosa, Cecilia Cabanero. 1996. "Communications for Behavior Change: A Toolkit for Task Managers." Human Development Department. World Bank, Washington, D.C.

policy activities through integration into country assistance strategies—in fiscal 1997, for example, the Ghana and Uganda CASs included gender analysis—economic and sector work, and poverty assessments. Gender issues are systematically addressed in project design and preparation, especially in those that traditionally have addressed gender issues such as education, health, population, nutrition, and rural development sectors. But more attention is also being given to gender issues in sectors such as transport and energy.

Nepal's rural water supply and sanitation project is exemplary. It will deliver health and hygiene benefits to rural people and improve women's incomes as they are able to spend time—formerly spent carrying water—in more productive ways. The project is providing nonformal education to increase women's literacy to help them better use that time. Women will also be members of water-user committees responsible for project design, planning, and management at the community level.

Incorporating gender issues into Bank work is being facilitated through research, preparation of toolkits such as the toolkit on gender in agriculture[10] and the toolkit on gender in water and sanitation.[11] Workshops, such as the Asia Gender Symposium held in November 1996, are also playing a role, as well as programs such as EDI's grassroots management training program (*see box 2-1*). A gender "home page" on the Bank's internal Web site is helping to integrate gender knowledge into the Bank's knowledge-management system; it will be made available on the external Web site in fiscal 1998.

The Gender Consultative Group, comprising fourteen leading gender specialists from all regions and representing a range of organizations and professional backgrounds, held its second annual meeting with the Bank in May 1997. The group met with the president, senior management, and regional staff to present the perspectives of different sectors of civil society on priority gender issues that the Bank should address and to provide feedback on the implementation of the Bank's gender-related policies and programs. A second annual progress report on the implementation of the Bank's gender policies was published in June 1997.

BOX 2-1. WORKING AT THE GRASS ROOTS

The poor, and especially women, depend to an ever increasing extent on the informal sector and microenterprises as a source of jobs and income. Yet the constraints they face are tremendous: illiteracy and lack of basic education; little or no access to information, credit, markets, and other business support; inadequate management skills; as well as hostile legal, policy, and institutional environments.

One program helping to overcome these obstacles, EDI's program of grassroots management training (GMT), is providing very poor, often illiterate women in Sub-Saharan Africa, South Asia, and North Africa with management skills relevant to their needs. Through EDI's program, several hundred trainers and enterprise support teams working with NGOs, local training institutes, and government extension workers have been taught to deliver participatory management training. In fiscal 1997, GMT was institutionalized and mainstreamed with awareness-raising seminars held in Morocco and Tunisia; seminars held in Burkina Faso for GMT trainers from West African countries and in Morocco for those from the Maghreb; training manuals were prepared and distributed; and strategic workshops were held.

Social development

While considerable progress was made over the past decade to incorporate the environmental dimensions of development into Bank work, less was done to incorporate the social dimensions. This began to change in the early 1990s with the introduction of poverty assessments and with the development of methods and tools both to understand the needs of poor people and to spread the benefits of development more broadly. The Bank has increasingly used beneficiary assessment and stakeholder

10. Fong, Monica S., and Anjana Bhushan. 1996. "Toolkit on Gender in Agriculture. Gender Toolkit No. 1." Poverty and Social Policy Department. World Bank, Washington, D.C.

11. Fong, Monica S., Wendy Wakeman, and Anjana Bhushan. 1996. "Toolkit on Gender in Water and Sanitation. Gender Toolkit No. 2." Poverty and Social Policy Department. World Bank, Washington, D.C.

Young women in Burkina Faso learn basic accounting skills. EDI's grassroots management training prepares women to select more viable projects, prepare business plans, increase savings and profits, and improve their creditworthiness.

participation, for example, to improve project design and to make project implementation more inclusive. And social and beneficiary assessments were introduced to gather social data and help countries set program priorities as well as to provide opportunities for the poor to voice concerns and make proposals. Though not mandatory, about seventy social assessments have been completed by Bank staff and borrowers during the past two years. Recognizing shortfalls, however, the Task Group on Social Development was created in fiscal 1997 to examine how social concerns could be more effectively absorbed into the development paradigm and be used for policymaking purposes. The task force recognized:

- that people are the reason for development and that how they are affected is the measure by which development initiatives should be judged;
- that people are the means of development—if they do not understand or are not committed to development initiatives, development initiatives will not succeed, no matter how well they are planned;
- that fair and equitable development contributes to human welfare and to the social cohesion and social stability that underpin sustainable development;
- that in a world of increasing specialization and interdependence, new kinds of relationships, organizations, and institutions will be needed if people are to benefit and if growth and development are to be sustained;
- that governments have a crucial role in shaping social policy and providing an enabling environment for poverty reduction and socially sustainable development; but
- that governments cannot act alone—productive partnerships between the state, the market, and society are needed to foster socially sustainable development.

The task group recommended that social policies and procedures be better integrated and more comprehensive; that social analysis and participatory approaches be mainstreamed into project and analytical work; and that Bank procedures be used more flexibly to accommodate client diversity and innovation. The Social Learning Group was established and is following up on recommendations and monitoring implementation.

Considerable progress has been made since the task group reported: regional offices have prepared and submitted Social Action Plans that

build upon, and in some cases incorporate, ongoing work on poverty, participation, social assessment and gender; proposals have been made to identify key social issues by country and address them through CAS and analytical work; and work programs include strategies to improve performance in areas such as NGO coordination and in new areas such as postconflict reconstruction.

An outgrowth of the report was the formation of the Social Development Family, which includes staff working on participation and with NGOs, social policy staff, and social scientists from across the Bank. The Social Development Board has been established. Its work program includes measuring progress through monitorable benchmarks. Resources for social development initiatives have been made available under the Strategic Compact, and a postconflict unit was established on July 1, 1997.

Work on social development is at an early stage, about the same stage as work on environmentally sustainable development was a decade ago. But the high level of commitment is expected to lead to rapid development.

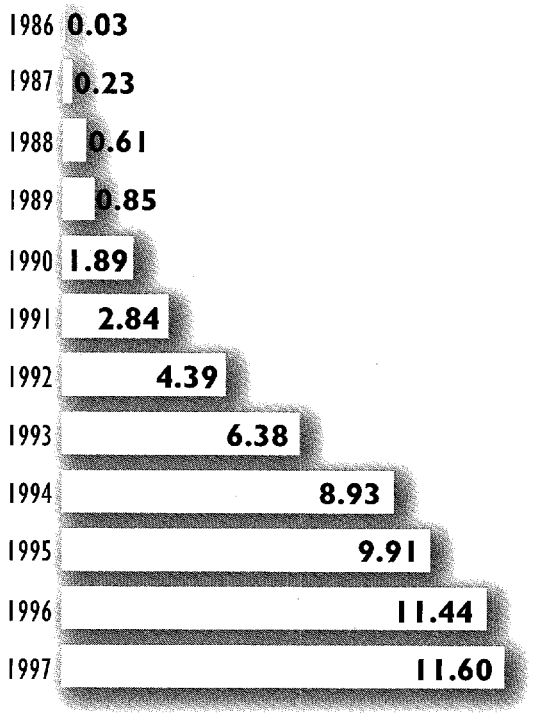
The Social Development Family is working closely with other groups in the Bank to promote community-based participation; to link social and environmental assessments more closely; to mainstream activities; and to undertake joint research. And partnerships on social issues are being developed with other donors such as international agencies, including the Inter-American Development Bank and the Asian Development Bank, and groups such as the Social Development Adviser Network.[12]

Environmentally sustainable development

Advancing sustainable development

The 1992 United Nations Conference on the Environment and Development (the "Earth Summit") in Rio de Janeiro put environmentally sustainable development (ESD) at the forefront of global concerns. Today, five years beyond Rio, a great deal still needs to be done to make economic development sustainable. The loss of forests, wetlands, and other natural habitats has not slowed enough. And some 3 billion people live on less than two dollars a day, often without adequate water or sanitation, plagued by pollution and lack of food.

FIGURE 2-3
World Bank Lending for Environment Projects, Fiscal Years 1986–97
(US$ billions)



Note: Environmental projects approved since FY86 and that are currently active.

In 1992 the Bank's work in ESD was only a small part of its lending portfolio. Now, in recognition of continuing problems, the Bank has an extensive commitment to environmental sustainability with a portfolio that includes investment programs to reduce pollution, protect ecosystems, and build capacity for environmental management (*see figure 2-3*).

Strengthening the environmental agenda

The Bank's fiscal 1997 environmental agenda focused on building a more strategic and integrated approach to ensuring that environmental

12. Formed in 1992, it is an informal group of sociologists and sociocultural anthropologists employed by bilateral cooperation agencies and government ministries. The network's goal is to improve the capacity of development organizations (including multilateral and bilateral agencies and NGOs) to reflect social and cultural dimensions in their programs.

sustainability is at the core of economic development. The main prongs of the strategy included:

• *Building capacity for environmental management.* At the end of fiscal 1997 the Bank was helping seventy countries to strengthen their environmental management capacity. The fiscal year witnessed support for innovative projects such as the regional Lake Victoria environment project in Kenya, Tanzania, and Uganda, the Solar Home System project in Indonesia, and India's Ecodevelopment project. The Bank supported natural resource management in forested areas in Argentina, Haiti, and Mexico and general environmental management in India, Madagascar, and Sri Lanka. It also helped these and other developing countries move toward more flexible and cost-effective environmental policies and to develop innovative market-based instruments to promote environmental sustainability. Market-based instruments such as effluent charges, deposit-refund schemes, performance bonds, and tradable permits are all being utilized by Bank clients. Countries as diverse as China, the Czech Republic, and Mexico are basing their policies and investment plans on careful cost-effectiveness analysis with Bank support. And client countries are creating more attractive business climates for private investment in environmental projects as well as reducing subsidies and pricing distortions to free up resources for investment. With the IFC and the GEF, the Bank launched private sector venture capital funds for investments in biodiversity and renewable energy.

• *Mainstreaming environmental sustainability into development programs.* Over and above its $11.6 billion portfolio of programs targeted at protecting and improving the environment, the Bank also requires that all Bank-financed programs practice environmental sustainability. One key means of achieving this is the environmental assessment (EA) process.

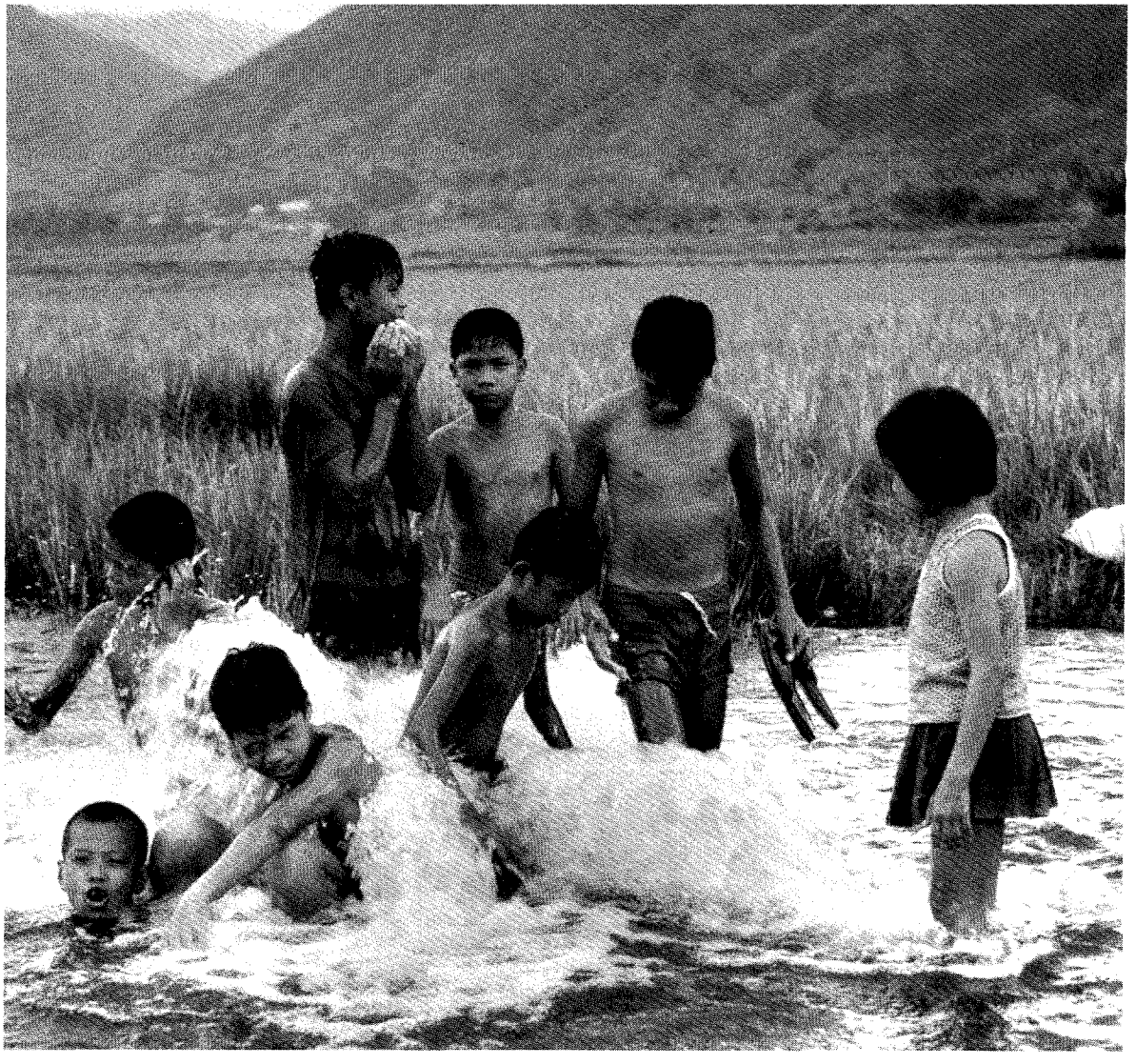
A fiscal 1997 review[13] shows that, although there are still weaknesses, the benefits of EA are considerable: promoting investment in activities that are more sensitive to ecological concerns than those financed a decade ago. In fiscal 1997, eighteen projects totaling $2.9 billion of Bank lending underwent full EA, including public consultations, and a further eighty-two projects totaling about $6.1 billion in Bank lending underwent some measure of EA appropriate to their potential environmental impact.

The Bank has extended the process to include sectoral environmental assessments, such as an EA of the irrigation sector in Kazakhstan and of the power sectors in Nepal and Vietnam; and regional EAs, including one for the Aral Sea basin and one for flood protection in Argentina. Analysis of the environmental implications of policies, institutions, and development plans for investments in agriculture, energy, and transport provided an array of options to guide sustainable development.

The Bank's Economic Development Institute environment program helps to mainstream environmental issues into all aspects of development by providing training for policymakers on biodiversity, climate change, coastal and marine environment, urban and industrial pollution, resettlement and rehabilitation, and environmental aspects of sustainable agricultural development. EDI initiated a multistakeholder, multiseminar approach in fiscal 1997 through its Mainstreaming Environmental Sustainability program. This comprehensive approach facilitated awareness and policy dialogue among a wide audience—including ministers, policymakers, parliamentarians, journalists, and NGOs. Programs on economic globalization and sustainable development were implemented in southern Africa, Central America, and South Asia in fiscal 1997.

• *Investing in partnerships that work.* Recognizing that all groups in society have a role to play in promoting sustainable development and that its own work can only be effective in partnership with other key stakeholders, the Bank heightened its efforts to build and strengthen partnerships in fiscal 1997. Its formal partners now include multilateral financial institutions; United Nations agencies; bilateral donors; NGOs, such as the World Conservation Union (IUCN),

13. World Bank. 1996. "The Impact of Environmental Assessment: The World Bank's Experience." Land, Water and Natural Habitats Division, Environment Department. Washington, D.C.



The Bank report on rural development sets out the critical challenges that must be met if 70 percent of the developing world's poor who live in rural areas are to rise above poverty and achieve food security.

the Earth Council, the World Resources Institute, and the World Wildlife Fund (WWF); academic institutions; and private organizations such as the World Business Council for Sustainable Development. In partnership with the private sector, the Bank is creating a series of market transformation initiatives that bring together coalitions of private companies, NGOs, and development financiers to fund private sector investments for sustainable development in a number of sectors, including forest, marine, photovoltaics, and hydrocarbon refrigerants.

The WWF and the World Bank have identified priority areas and strategies for biodiversity conservation throughout Latin America and the Caribbean. This effort is complemented by another joint effort of the Bank, Agriconsulting, and the World Conservation Monitoring Center to pinpoint critical natural habitats in Argentina, Chile, Paraguay, and Uruguay. Improved planning and environmental assessment, mitigation of harmful effects of development projects, and new targets for biodiversity conservation investments have resulted from this work.

• *Building and sharing knowledge.* Each year brings new understanding about what makes development sustainable. The Bank and its clients continue to learn from innovative pilot activities so that good practices can be replicated and mistakes avoided. The Bank is filling knowledge gaps and creating a knowledge-management system for development professionals using new information technologies and working with partners. The technical networks, established in fiscal 1997, include a network of some 300 environmentally and socially sustainable development professionals that is facilitating the generation and dissemination of knowledge. Environmental communication was strengthened through broader dissemination of the two-year-old journal for practitioners, *Environment*

Matters;[14] while joint publication of best practice and research with partners resulted in the "Wetlands in Asia" paper,[15] along with three major papers prepared for the fifth anniversary of the Rio Earth Summit: "Advancing Sustainable Development",[16] "Expanding the Measure of Wealth,"[17] and "Five Years After Rio: Innovations in Environmental Policy."[18]

The Global Environment Facility and the Montreal Protocol

The Bank shares responsibility for implementing GEF activities with UNEP and UNDP.

The Bank is currently responsible for a GEF work program of about $1 billion, covering four focal areas: biodiversity, climate change, ozone-depleting substances phaseout, and international waters. At the end of fiscal 1997, World Bank management had approved sixty-nine projects in over fifty countries, totaling GEF grant commitments of $675 million and leveraging an additional $2,848 million. The Bank adopted important changes to streamline its GEF implementation processes and improve effectiveness. As a result, project processing time under the Bank's control is expected to halve.

As trustee of the GEF Trust Fund, the World Bank, at the request of the GEF Council and in cooperation with the CEO/chairman of the facility, initiated the second GEF replenishment process in May 1997.

The Bank recently completed its fifth year as an implementing agency of the Multilateral Fund of the Montreal Protocol (MFMP). During the past year, elimination of the use of ozone-depleting substances (ODS) amounted to over 9,000 tons, about 5 percent of total ODS usage by all developing countries eligible for assistance from the MFMP. This phaseout represents 75 percent of the total phased out by all MFMP agencies and demonstrates the MFMP's tangible and measurable global environmental protection achievements.

Revitalizing rural development and sustainable agriculture

In fiscal 1997 the Executive Board endorsed the sector strategy paper, "Rural Development: From Vision to Action."[19] The renewed focus on rural development is intended to foster economic growth and reduce poverty in rural areas where 75 percent of the world's poor live. It will reduce urban poverty by bringing down the price of food in cities. It will also contribute to increasing national and global food supplies—an essential goal in view of the expected increase in the world's population to over 8 billion by 2025.

The new strategy focuses on four areas of action:

- improving rural strategy formulation and consensus building;
- improving project quality;
- increasing international awareness of the importance of rural development; and
- building staff capacity.

Actions were taken in all four areas in fiscal 1997, with rural strategies being incorporated into country assistance strategies for Mexico and Morocco and the Country Economic Memorandum for India; reviews of the irrigation and forestry portfolios completed and others planned; Bank participation in several high-profile activities for increasing awareness; and a core staff training program developed.

During fiscal 1997, two events spotlighted rural issues. The first, the Bank's Environmentally Sustainable Development Conference—called Rural Well-Being: From Vision to Action, attended by delegates from NGOs, national governments, academia, and foundations, as well as the heads of the African Development Bank, the International Fund for Agricultural Development, and the World Bank—resulted in a shared

14. World Bank. 1996–97. *Environment Matters at the World Bank.* World Bank Environment Department, Washington, D.C. (Produced three times a year, with an annual environment review each fall.)

15. Wetlands International—Asia Pacific and the World Bank. 1996. "Wetlands in Asia." Land, Water, and Natural Habitats Division, Environment Department. World Bank, Washington, D.C

16. World Bank. 1997. "Advancing Sustainable Development: The World Bank and Agenda 21 Since the Rio Earth Summit." Environment Department, Washington, D.C.

17. World Bank. 1997. "Expanding the Measure of Wealth: Indicators of Environmentally Sustainable Development." Environment Department, Washington, D.C.

18. World Bank. 1997. "Five Years After Rio: Innovations in Environmental Policy." Environment Department, Washington, D.C.

19. World Bank. 1997. *Rural Development: From Vision to Action.* ESD Studies and Monographs Series. Washington, D.C.

BOX 2-2. PARTNERSHIPS IMPROVE PEARL MILLET

The 1996 King Baudouin Award of CGIAR *was awarded to the International Crops Research Institute for the Semi-Arid Tropics (*ICRISAT*), a* CGIAR *center in India, for the development of disease-resistant, yield-increasing pearl millet in collaboration with partners.*

Pearl millet is farmed for grain and fodder in dryland areas of Asia and Africa by the very poor. Its growth is constrained by diseases and by drought, heat, and low soil fertility.

ICRISAT*'s research has focused on developing hybrids with high grain yield and resistance to downy mildew, ergot, and smut diseases; breeding attributes of farmers' varieties into improved materials for drought tolerance; and searching for ways with partners to enrich poor soils with biomass from crop residues and animal dung.*

Interdisciplinary efforts and partnerships have characterized ICRISAT*'s research. Farmer-managed trials are being undertaken to understand farmers' preferences better. The annual returns to pearl millet farmers from the cultivated varieties that* ICRISAT *and its partners have developed are estimated at $54 million.*

vision for revitalizing rural development and the actions needed to achieve it. Second was the United Nations' Food and Agricultural Organization's World Food Summit in which the Bank participated. The summit's broad plan of action addresses issues fundamental to the Bank's assistance strategy that go beyond agricultural and rural development to stress the need for education—especially for girls; measures to improve environmental sustainability; and decentralization and participation.

Several other important activities were undertaken during fiscal 1997:

• Implementation of the Focus Program Initiative began in several countries. Through a combination of political will and rigorous application of best practices, the program will show that it is possible to achieve significant regional and global impacts on food security and poverty reduction through a variety of activities, including rural strategy formulation, increased lending, and policy advice.

• Significant progress has been achieved in land reform. Pilot projects are ongoing in Brazil and Colombia. In Brazil the pilot was expanded to five states, with approval of the first loan exclusively for land reform since the Bank's support to Kenya some thirty years ago. Additional loans are under preparation in Colombia and Guatemala.

• An innovative agricultural research operation in Brazil is enhancing private sector involvement and supporting a competitive grant system for allocating public research resources.

• The report "Rural Finance: Issues, Design, Best Practices"[20] was released. It sets out a new approach for providing credit to farmers and rural entrepreneurs, moving away from nurturing subsidized government institutions toward developing institutional capacity for a broader range of rural financial institutions, including those offering microfinance.

*Consultative Group for International Agricultural Research (*CGIAR*).*

Central to agricultural development is agricultural research. CGIAR is the leader in international research aimed at promoting sustainable agriculture for food security in developing countries. A global endeavor of cooperation and goodwill, CGIAR celebrated twenty-five years of effort and achievement this year.

Pakistan, South Africa, and Syria joined CGIAR, bringing to fifty-three the number of developing and developed countries, foundations, and international and regional organizations, including the World Bank, that collectively support the work of sixteen international research centers.

The Global Forum on Agricultural Research was convened during CGIAR's International Centers Week in October 1996 to broaden partnerships among national agricultural research systems, regional organizations, research institutions, NGOs, universities, and the private sector. The Declaration and Plan of Action for Global Partnership in Agricultural Research, adopted by the Global Forum, was tabled at the World

20. Yaron, Jacob, McDonald Benjamin, and Gerda Piprek. Forthcoming. *Rural Finance: Issues, Design, Best Practices.* ESD Studies and Monographs Series No. 14. Washington, D.C.: World Bank.

Food Summit. Global Forum participants committed themselves to join in partnership to address common concerns vigorously, thereby strengthening the capacity of the agricultural research community to help combat poverty, hunger, environmental degradation, and inequity in developing countries.

A comprehensive review of priorities and strategies that defined the long-term directions of CGIAR research was completed, and medium-term planning for 1998–2000 was initiated in fiscal 1997. Emphasis was placed on poverty alleviation, environmental protection, and food security, with particular focus on promoting opportunities for the poor, especially rural women. The research agenda for 1997 was approved, with a projected financing plan of $325 million, up from $300 million in 1996. Areas identified for CGIAR engagement in Central and Eastern Europe and Central Asia were endorsed, adding a new region to the CGIAR's mandate. A review of the CGIAR system began in fiscal 1997.

Finance, private sector, and infrastructure development

Promoting private sector development, sound financial systems, and infrastructure development are important prongs in the Bank's overall strategy to promote sustainable growth, reduce poverty, and integrate countries into the global economy.

Private sector development

Increasingly, private sector solutions can meet development problems in virtually every area—from large-scale industry to small enterprises, environmental protection, and even the social sectors, which have traditionally been the preserve of public sector investment. The public sector has an important role in setting legal and institutional environments that allow the private sector to flourish and encourage investment in sectors that improve the quality of life.

The Bank Group supports private sector development with a number of products:

- Bank assistance to create an enabling environment for private investment through technical assistance and capacity building in regulatory work and policy reform and through innovative financing arrangements;
- Bank partial risk and partial credit guarantees;
- IFC equity financing in developing-country companies, and loans for, and equity and quasi-equity investments in, private ventures—these instruments are increasingly used in conjunction with Bank operations. IFC loans, lines of credit and equity investments totaled $8,118 million in fiscal 1997;
- MIGA's guarantee program, which covers new foreign private equity and debt investments in developing countries against major political risks, and its investment marketing services, which provide information dissemination and technical assistance to developing member governments on means to better attract foreign investment. In fiscal 1997, MIGA issued a record seventy guarantee contracts for $614 million in issued coverage, facilitating an estimated $4.7 billion in foreign investment in twenty-five developing countries.
- The Foreign Investment Advisory Service's (FIAS) freestanding technical assistance activities.

Greater efforts to coordinate the World Bank Group's support of private sector development were made in fiscal 1997. The main emphasis was to enhance the group's catalytic role in promoting private sector activities; encourage greater coordination at the policy, country, sector, and project levels; and improve outreach and partnerships with the international business community.

Two projects in the West Bank and Gaza included activities that reached across the Bank Group: (i) a technical assistance project for developing the legal and regulatory environment conducive to private sector development—the Bank and IFC worked together to strengthen the financial sector's ability to deliver credit, especially to small enterprises; and (ii) financing for a guarantee fund to provide political risk insurance for private investors in the West Bank and Gaza. The fund is managed by MIGA.

In fiscal 1997 the World Bank approved loans and credits for forty-three projects totaling $3.7 billion in sectors with the most potential for private sector involvement—power, oil and gas, industry and mining, and the financial sector. In addition, many of the fifty-four projects, totaling $5.2 billion, for transport, urban development, and water supply and sanitation approved

in fiscal 1997 have significant private sector development impact and are expected to leverage substantial private flows (*see figure 2-4*). Many of these projects support policy changes that will facilitate the commercialization of state and municipal functions such as water companies and mines.

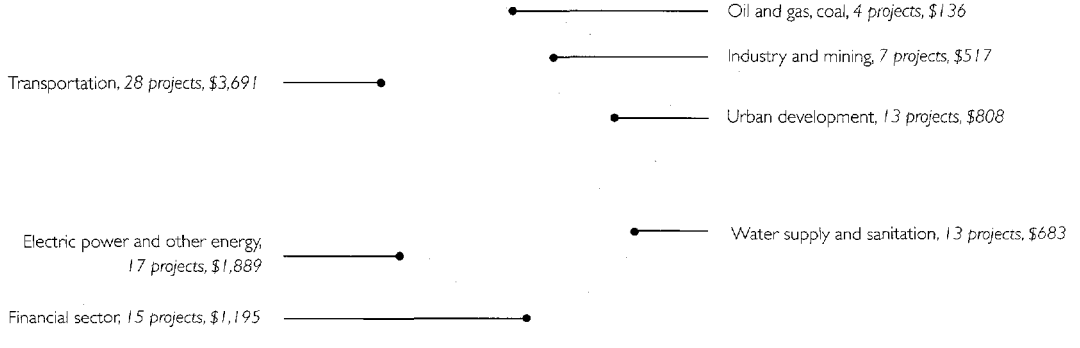
The Bank supports energy development when countries are taking steps to involve the private sector more actively. In Africa, for example, Bank assistance is helping countries to undertake comprehensive reform of the power sector, including privatizing and bringing in private investors and decentralizing the provision of rural energy. The Bank is also providing technical assistance to help southern African countries develop a power pool for regional interconnection.

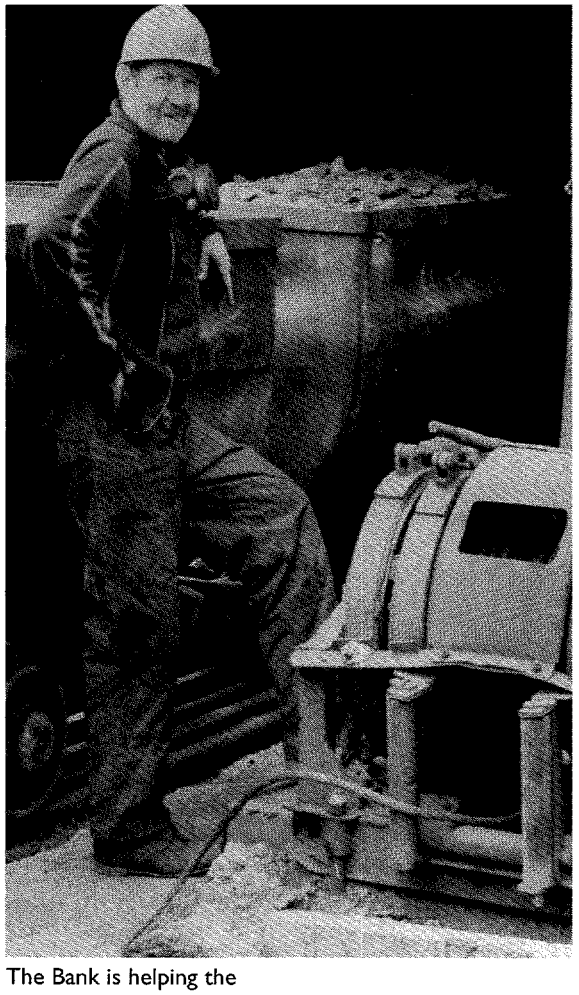
With Bank support, Ukraine is restructuring its coal industry by closing unproductive mines, improving management, and more vigorously introducing the private sector into the industry. The Bank provided extensive financial, technical, and legal assistance to Zambia in support of the largest mining privatization in history. The process is almost complete; the state company has been broken up into eight entities, and the bidding process is under way. To help the Mongolian government privatize the mining sector, the Bank and FIAS helped write a new mining code in a record six months. And to stimulate interest in Africa's mining sector, MIGA organized its fourth annual African Mining Investment and Business Opportunities Symposium. Representatives from twenty-eight African countries outlined investment opportunities to more than 500 representatives of international mining companies.

While the private sector has taken over most of the direct investment in telephone companies in Bank client countries, the Bank plays an important role in telecommunications policy and in promoting the use of information technology for development purposes. An example of the increasing volume of nonlending services provided by the Bank is in telecommunications reform, where the Bank is providing support to some forty countries as they prepare state companies for commercialization, sell assets to the private sector, and prepare distribution strategies.

To help countries develop strategies to enhance their economic competitiveness, the Bank has mounted a program to share knowledge and technical assistance with client countries. In northeast Brazil, for example, nine states participated in a Bank-supported workshop to identify how to remove local constraints to firm-level competitiveness. The participants, from government and the private sector, focused on business prospects in tourism, fruit-based agriculture and agroindustry, and grains. The resulting action program is changing policy to make the province more competitive. Similar assistance is being provided to Malaysia on a fee-for-service basis. In partnership with international training institutions, EDI and the Bank held a competition policy training course in New Delhi. Ministry officials, private sector

FIGURE 2-4 IBRD and IDA Lending to Sectors with Potential for Private Sector Involvement, Fiscal Year 1997
(US$ millions)





The Bank is helping the Ukrainian authorities mitigate the social impact of coal sector restructuring.

leaders, academic and research institute leaders, and lawyers from ten Asian countries participated in the program.

Financial sector development

The importance of a sound financial sector for economic development to be sustained is increasingly evident as a growing number of countries encounter financial instability. A report issued in the spring of 1997 by a committee of representatives from industrialized countries, emerging markets, and international institutions, and endorsed by the G-10 countries, emphasized the Bank's key role in supporting developing countries seeking to strengthen their financial systems. The Bank has provided technical assistance to over seventy countries, focusing on financial institution and market infrastructure development and upgrading financial sector policy, law, regulation, and supervision; and covering banking, micro- and rural finance, housing finance, contractual savings, and capital markets. The Bank also sponsored large-scale training programs for staff from central banks, other regulatory and supervisory agencies, and financial intermediaries from over eighty countries.

The Bank's Strategic Compact provides additional funding to build and strengthen the Bank's own capacity. In fiscal 1997, renewed emphasis was placed on coordinating activities with the IFC, the International Monetary Fund (IMF), the regional development banks, and the various international organizations such as the Basle Committee on Banking Supervision and the International Organization of Securities Commissions.

Improving the financial sector's structure and operations has been a top priority in fiscal 1997. The Bank supported many countries facing a combination of weak macroeconomic conditions and a banking system plagued with bad debts and inadequate supervision, through lending and nonlending services. Some of these operations are described in Section Three of this *Annual Report*. In some cases these efforts were undertaken in partnership with the IMF. The Bank also provided support to countries reforming their pension systems, insurance industries, and payment systems.

Private provision of infrastructure

The World Bank Group aims to help countries create the right mix of policy initiatives and investment resources to enable their private sectors to play a bigger role in investing in the enormous infrastructure needs that characterize Bank client countries. Estimated at $200–250 billion over the next ten years, these requirements can only be met by private provision of infrastructure (PPI), with domestic and foreign investors supplying the capital. Through its financial support the World Bank Group is an important catalyst in enabling PPI (*see table 2-3*), and its most active instrument remains investment lending with strong policy content. Increased PPI operations in fiscal 1997 were again concentrated in this type of instrument.

TABLE 2-3. WORLD BANK PPI OPERATIONS, FISCAL YEARS 1988–97

Instrument	Africa	East Asia and Pacific	South Asia	Europe and Central Asia	Latin America and the Caribbean	Middle East and North Africa	Total
Adjustment: single sector	4	0	0	1	1	1	7
Adjustment: multisector	1	0	0	1	7	1	10
Technical assistance	6	1	1	1	13	0	22
Investment lending	37	24	18	16	26	8	129
Guarantees	0	4	2	0	1	1	8
Total	48	29	21	19	48	11	176
of which: increase in FY97	*(7)*	*(6)*	*(3)*	*(3)*	*(14)*	*(5)*	*(38)*

Among PPI projects approved in fiscal 1997 were many innovative operations. In Poland the Port Access and Management Project is enhancing private sector ownership of port operating companies in three major ports. The Taiz Water Supply Pilot Project in Yemen, while mitigating water shortages through water supply investments, is establishing community water associations and preparing a management contract to privatize the local water utility. And in Uruguay the Forest Products Railway loan helped create a special-purpose concession to haul wood products from producers to port. This project is one of several high-impact railway concessioning operations that the Bank has supported in eighteen countries over the last decade (*see box 2-3*).

A worldwide shift toward greater private participation in infrastructure in at least eighty countries has resulted in nearly 1,200 projects in telecommunications, energy, water, and transport. As governments retreat from their earlier role as owners and operators of infrastructure facilities, they need to emphasize their new role of establishing sustainable regulatory frameworks. The Bank has established the International Forum for Utility Regulation (IFUR), a worldwide learning forum, so that utility regulators can exchange cross-country information on best practices and improve their regulatory regimes.

Guarantee program

Because guarantees lower project risks and induce private capital, they are an increasingly important tool for development finance. The Bank's executive directors approved three guarantee operations totaling $420 million in fiscal 1997. They support two private sector operations and one public sector operation:

- an innovative $120 million partial risk guarantee scheme in Ukraine to support a facility designed to enable private sector exporters to access commercial financing.
- a $200 million guarantee for the Sea Launch Project, a joint venture involving American, Norwegian, Russian, and Ukrainian companies, to construct a facility to launch commercial satellites from the Pacific Ocean. The Bank guarantee covers the risks of government interference in Russia and Ukraine, where important components of the facility will be produced.
- a partial credit guarantee to support a public sector power restructuring project in Lebanon. The operation guarantees a bond issue of $100 million to support the Electricité du Liban, the national electric utility.

Bank coverage is provided when neither the private market nor IFC or MIGA operations are sufficient to mobilize funds. Its guarantees are intended to bring broader benefits by facilitating financing for projects that will provide benchmarks for subsequent projects that might otherwise attract limited or no coverage. The Bank continues to refine and accelerate implementation of its guarantee program, building on the success of completed operations. The pipeline of prospective guarantee operations, which

is dominated by privately sponsored operations, continues to expand. It includes more than fifty projects across all regions and covers all major infrastructure sectors.

To more actively integrate the guarantee program into the Bank's development assistance package, guarantee processing has been speeded up by streamlining documentation requirements and developing model agreements. Various information materials[21] have been issued to help Bank clients better understand both the nature of guarantees and how they are prepared, appraised, and negotiated.

In parallel with its guarantee program, the Bank expanded its efforts to help governments attract project finance, with particular emphasis on private financing for infrastructure investments. These efforts include advice on developing contractual arrangements and competitive bidding packages for selecting private sponsors to undertake projects. Substantial project finance advisory services were extended to China, Colombia, Pakistan, and the Philippines in fiscal 1997, including advice on setting up government guarantee programs and structuring transactions.

In fiscal 1997, FIAS[22] completed thirty-two new advisory projects in twenty-eight countries. These included advice on attracting foreign direct investment (FDI) in infrastructure for the Philippines and Zimbabwe; on removing administrative barriers to investment for Mozambique and Swaziland; and establishing strategies and institutions for investment promotion in China, Croatia, and El Salvador. FIAS also conducted or participated in a number of multicountry conferences on investment issues, including a roundtable for Asian countries on the role of

21. World Bank Guarantees Handbook;" "Revised World Bank Guarantee Brochure" (in English, French, and Spanish), issued by Cofinancing and Project Finance Department, Resource Mobilization and Cofinancing Vice Presidency.

22. FIAS is a joint IFC-Bank program that provides advisory services to governments to help them improve the policy and institutional environment for foreign private direct investment. The program is funded by the IFC, the Bank, other donors, and paying customers among the developing countries that receive advice.

BOX 2- 3. RAILWAY CONCESSIONING

The Bank's client countries have made large investments in their railways, but many are inefficient and are losing both market share and revenues. Through targeted advisory services and a mix of financial investments, the Bank has promoted various types of concessioning over the past seven years to promote private sector solutions to railway inefficiency. Eighteen countries, most of them in Latin America and Africa, have successfully adopted concessions thus far, enhancing the private sector's role even when full privatization was not possible.

Successful railway concessioning depends on forging partnerships among governments, railway and union leaders, donors including the World Bank and the IFC, and the private sector. Roundtables organized by the Bank and involving IFC have been an effective means of bringing the major parties together.

Concessioning has improved productivity and service quality, reduced costs to consumers, and reduced government deficits. Through its assistance for concessioning, the Bank has also pioneered lending for labor redundancy and related "social service" concessions.

Bank support to railways in Argentina, Côte d'Ivoire, and Burkina Faso is exemplary. In Argentina, Bank loans totaling $325 million and two IFC operations led to concessioning of five of six freight railways, seven suburban passenger lines, and the Buenos Aires metro. As a result, annual losses have been reduced by about $1 billion, or nearly 1 percent of GDP, and a long decline in freight and passenger traffic has been reversed. The Bank's loans indirectly financed the costs of redundancies. The labor force was reduced from 90,000 to fewer than 20,000, but output increased so that labor productivity quadrupled.

The Bank supported the first African and first binational rail concession, which now connects Côte d'Ivoire with Burkina Faso. In its first year this concession reversed a sixteen-year decline in traffic and more than doubled labor and asset productivity.

government policies and programs in encouraging outflows of FDI from the newly industrialized countries of Asia. Two occasional papers based on the proceedings of earlier roundtables for promoting FDI in the infrastructure sector in Eastern Europe and in Africa were put out by FIAS during the year.

Working with partners for greater effectiveness and impact

One of the Bank's guiding principles for increasing development effectiveness in the area of private sector development is working with partners. The Bank, bilateral donors, and private companies have joined together in five global partnerships that disburse $35 million annually from trust funds contributed by official and private donors and the World Bank. These partnerships facilitate the sharing of knowledge and best practice as well as leveraging development assistance resources for clients.

The World Bank/UNDP Water and Sanitation Program provides urban and rural water supply services increasingly oriented toward community-based and private sector-led solutions.

The Energy Sector Management Assistance Program (ESMAP) provides technical assistance to help countries privatize and restructure their power sectors; develop oil and gas trade; promote private sector involvement in rural energy; develop renewables such as solar, wind, and biomass energy options; as well as support environmentally sustainable energy options.

The Consultative Group to Assist the Poorest (CGAP) develops global best practice and promotes pilot programs in the field of microcredit. Since its inception two years ago, CGAP has generated enormous interest in microcredit programs and has committed about $15 million (out of the $30 million total approved by the Bank in fiscal 1994) for pilot projects, including women's banking in Latin America, a credit union for poor entrepreneurs in Senegal, and a network organization servicing six microfinancing affiliates in the Philippines. CGAP serves as coordinator and clearinghouse for information on the more than $300 million-worth of projects that are being implemented by all donors.

The privatization technical assistance program, combining trust funds from the Japanese government and the World Bank, supports free-standing technical assistance for privatization that is not specifically linked to project preparation—thus giving countries an opportunity to collaborate with the Bank on creative analytical and policy work. In fiscal 1997 the program supported two privatization networks of informal groups of government officials, private sector managers, and academics in Asia and the Pacific and in Latin America and the Caribbean.

InfoDev is a multidonor program set up under the leadership of the World Bank to promote information technology applications in development. This year it concluded trust fund agreements with sixteen donors, set up a technical advisory panel, ran a worldwide colloquium for over 100 government and private sector experts, and funded projects in twelve countries.

Research

Uniquely placed to analyze the issues critical to effective development policy, the Bank's research mandate encompasses the range of factors that influence poverty reduction, social welfare, and economic growth. The Bank has unequaled access to information and data on circumstances and policies across countries and over time, and its staff are in constant contact with officials who identify the crucial current problems.

A fundamental improvement in knowledge management has been critical to the Bank's strategic agenda in fiscal 1997, and generating that knowledge is the goal of Bank research. Efforts to improve results and effectiveness are based on enhancing understanding of all aspects of development; making information generated by the Bank's activities accessible; and improving staff capacity to adapt knowledge to meet different country circumstances.

In fiscal 1997, the research programs focused on:

- increasing flexibility to analyze urgent and newly arising issues;
- fostering partnerships with national and international research agencies;

• making research reports understandable to the wide membership in the development community; and

• opening new communication channels to reach the range of audiences in that community.

These elements are also key to implementing the Strategic Compact and will be high on the agenda in coming years.

Increasing flexibility

The Development Economics Vice-Presidency, which is responsible for the Bank's research, was restructured in fiscal 1997 to facilitate fast reallocation of resources to address critical policy questions and problems as they emerge. Several studies focused on development issues needing new approaches, such as work on the role of the state and environmental regulation.

World Development Report 1997[23] (WDR) examines how the institutional capability of the state can be enhanced to implement much needed social and economic reforms. The report recognizes the need for a more effective, although not a minimalist, state. It outlines a two-part strategy that requires governments to (i) identify from the increasingly broad reform agenda those priority activities that are consistent with the state's institutional capability; and (ii) incorporate strategies to strengthen that capability by establishing incentives that encourage officials to do their jobs better and procedures that constrain arbitrary and corrupt behavior. WDR 97 also analyzes issues such as collapsed states and the need for greater international collective action in today's more integrated nation-state system.

Another Bank research program elaborated innovative incentive systems to compensate for limited institutional capacity in environmental regulation and enforcement. Public disclosure of information on firms' industrial emissions is at the heart of the program. While the small group of serious polluters that should be targeted for formal regulatory action are identified, the research shows that public information on pollution damage mobilizes powerful community participation and facilitates negotiation about harmful emissions among a much wider range of local firms. Public disclosures also trigger market responses, including investor wariness to finance firms facing regulatory penalties, community intervention in production, and related consumer resistance.

Working with partners. Bank researchers are establishing networks of partners with other development research agencies. The Development Research Group has created a program of interchange with researchers in several agencies in Japan, for example. The Bank's Research Committee fostered increased research capacity and was instrumental in establishing a research program in Russia and a center for economics training in Ukraine. The Bank provided further support to the China Center for Economic Research, which was established in fiscal 1996. And the African Economic Research Consortium, which the Bank helped to found in 1988, is receiving financial support from the Bank's Special Grants program.

Partnerships in sector research programs and projects are drawing together analysts from both local and international agencies. A major research program on the role of government in AIDS mitigation and prevention is illustrative. It is a product of collaboration between the European Union and UNAIDS, which is itself a joint program of the World Health Organization (WHO), United Nations Development Programme (UNDP), United Nations Children's Fund (UNICEF), United Nations Educational, Scientific and Cultural Organization (UNESCO), the United Nations Population Fund, and the World Bank. The institutional ties established in this work will provide a basis for further cooperation in other research on public health issues.

A Bank research team working on industrial emissions has developed a similarly wide range of collaborating institutions in client countries. Initiated in Indonesia in collaboration with the Indonesian Environmental Impact Management Agency, the project has been extended, with work going on in cooperation with national and local agencies in Brazil, China, Colombia, India, Mexico and the Philippines. The research program, the implementation of disclosure pro-

23. World Bank. 1997. *World Development Report 1997: The State in a Changing World.* New York: Oxford University Press.

grams, and the channels of cooperation will all serve as precedents for further work on environmental issues.

Global Knowledge 97. In June 1997 the World Bank and the government of Canada hosted Global Knowledge 97, an international conference held in Toronto, Canada. The role of knowledge and information technology in economic and social development was examined through seven themes: empowering the poor with information and knowledge; the state's role in developing regulatory frameworks for information; infrastructure and capacity building; fostering science and technology in developing countries; promoting knowledge, civic dialogue, and informed citizenship; utilizing distance education and technology for learning; and partnerships. EDI served as secretariat for the conference, which brought together leaders from government, the private sector, and NGOs and individuals from IDA-eligible countries.

Improving communication. The Bank is improving the way it presents and channels its communication—through paper, electronic, and broadcast media—to more clearly present the importance of research findings for policymakers, analysts, and Bank operational staff. The EDI's Global Links television series, for example, produced and marketed for national broadcast, is now in nearly two dozen of the Bank's client countries. Global Links highlighted three documentaries covering research on the economic impact of education reform in fiscal 1997. EDI drew on a wide range of Bank research on the implementation and implications of economic reform in its learning programs for non-economist audiences, including parliamentarians, labor union members, and journalists.

World Development Indicators 1997, which present the most comprehensive data series on developing countries, were produced in a CD-ROM format this year. The program allows easy access and review and straightforward comparisons of countries' relative positions on a wide range of indicators. The format also allows researchers to perform sophisticated econometric analysis. One-time studies are providing easier and more useful access to research data: the Industrial Pollution Projections System, for example, provides data drawn from related research that is accessible through Internet sites, a CD-ROM, and diskettes for personal computers.

To make it more accessible, Bank research is being provided in new ways: presenting models and econometrics briefly and straightforwardly and communicating findings in a clear and concise manner to highlight the policy implications. The Policy Research Reports series was created to make research accessible to a wide development policy audience. The report on AIDS[24] now being produced, for example, is directed not only to analysts of public economics but also to the international public health community. It explains the economic effects of AIDS and the financing of control and palliative care strategies for a noneconomist audience and also covers the analysis of political economy and social welfare issues and outlines low-cost provision of compassionate care and treatment.

24. World Bank. 1997. *Confronting AIDS: Public Priorities in a Global Epidemic.* New York: Oxford University Press.

AFRICA

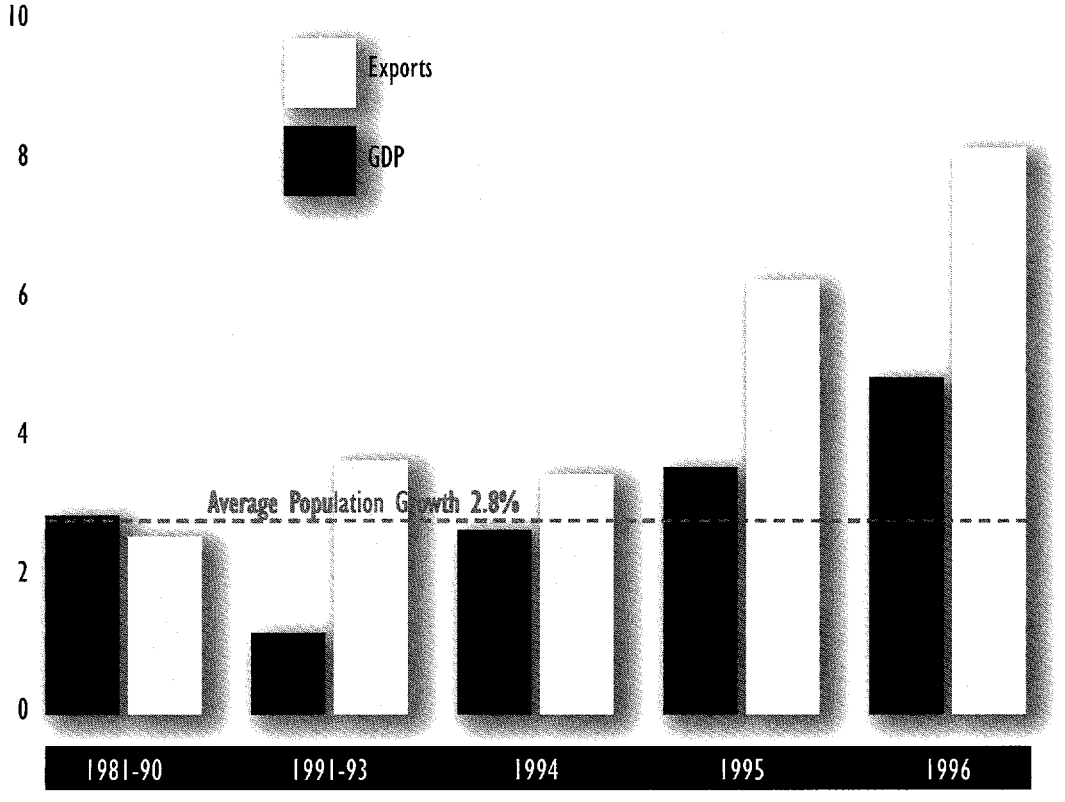
Improved policies continued to fuel Africa's economic recovery, strengthening the reform momentum and the resolve of donors and African countries to work together. This gives cause for optimism as Africa's agenda moves beyond recovery to focus on development. The Bank's strategy—in addition to its primary goal of reducing poverty—focuses on two interrelated objectives that are critical to Africa's development: building institutional and human capacity and enhancing knowledge and its dissemination.

Sub-Saharan Africa's economic recovery both accelerated and spread to more countries in 1996. In sharp contrast to the early 1990s, the region's gross domestic product (GDP) grew faster than the population for the second year in a row. Estimated GDP growth was 4.9 percent in 1996 compared to 3.6 percent in 1995 (*see Figure 3-1*). Growth was widely shared, although rates varied between countries: twenty-three countries accelerated their GDP growth, seven reversed their GDP decline, and thirty-four recorded an improvement in per capita income, many of them significantly and some for the first time in years. In most countries, exports rebounded, too, and evidence continues to confirm the link between good policies and good economic performance, especially in the poorer African countries. Between 1994–96, the forty countries in the region with GDP per capita of less than $1,000 grew by 3.1 percent on average per year, but countries that implemented policies conducive to social and macro-economic stability and efficiently allocated their resources among key parts of the economy bettered that rate, growing by 4.6 percent annually (*see Figure 3-2*). Better policies resulted in a more broad-based recovery than in 1995. Budget deficits, though still unsustainably high, declined as a percentage of GDP nearly everywhere, helping to bring inflation down for the second year in a row in several countries. Performance benefited from the stronger ownership of reform programs displayed by a new class of committed leadership in many parts of the continent.

Yet improvements are fragile, and the threat of reversal is real in some cases. Several countries are mired in strife or civil disorder. Social indicators remain below those of other regions; fiscal deficits are high and domestic savings low; aid dependency remains high; private investment and foreign direct investment levels, though beginning to improve, are low; and there is a significant unfinished agenda in areas such as the financial sector, public expenditure management, and privatization. But in sharp contrast to the past—when the improved economic fortunes of individual countries tended to weaken rather than strengthen the resolve to continue reforms—Africa's recent economic performance has energized both African leaders and donors. Donors have responded positively by launching the fourth phase (1997–99) of the Special Program of Assistance (SPA) for low-income, debt-burdened countries in Africa, with indications of new support of about $5 billion of highly concessional, quick-disbursing assistance for the period, to be used in conjunction with World Bank and IMF programs. Today there is cautious optimism about Africa's future, with a new openness to taking risks, trying new ideas, setting bolder targets, and looking beyond the near term. The entry of South Africa as an active participant onto the African economic scene contributes to the recent optimism. All of this is refreshingly new for Africa.

World Bank loans and International Development Association (IDA) credits approved by the executive directors in fiscal 1997 totaled $1,736.7 million—compared to $2,740.1 in fiscal 1996. The number of operations approved fell to forty-nine compared with fifty-three in fiscal 1996. Table 3-1 shows the sectoral distribution of lending to the region for the 1988–97 period. Table 3-2 compares commitments, disbursements and net transfers to the region for fiscal years 1992–97, and table 3-3 shows operations in the Africa region approved by the Executive Board during fiscal 1997 by country. The

FIGURE 3-1 Africa, Growth of GDP and Exports
(percent)



dip in IDA commitments from $2,740.1 million in fiscal 1996 to $1,680.7 million in fiscal 1997 reflects greater selectivity in lending, the accelerated move by the Bank out of failed investment models, and the slow uptake of new strategies focused on decentralized implementation. While it is not yet possible to measure fully the transitional effect of the reorganization of the Africa regional office, it is estimated to have been small.

In addition to Bank and IDA operations, the Bank's private sector affiliate, the International Finance Corporation (IFC), made seventy-three investments during the year for a total of $385 million, compared to the seventy-one investments totaling $191 million in fiscal 1996. The Multilateral Investment Guarantee Agency (MIGA) issued its first guarantee in the region for an investment in Guinea totaling $8.3 million in coverage.

Shifting agenda

Against this backdrop of improved performance and better prospects for Africa, the fundamental priority of the Bank's strategy remains one of helping the region to accelerate and sustain growth, to extend the reach of growth to more countries, and to make growth benefit more people. Better results are reestablishing a stronger base for development and bolstering effective interest in it. This, too, is refreshingly new for Africa. While the center of the Bank's strategy continues to be reducing poverty and improving the quality of people's lives, two other areas are crucial to helping Africa shift its agenda from recovery to long-term, sustainable development: (i) building human and institutional capacity (*see box 3-1*), and (ii) creating, managing, and disseminating knowledge—an objective that is at the center of the Bank's Strategic Compact.

Building blocks: country assistance strategies

Preparing country assistance strategies (CAS) in consultation with individual countries on the broadest possible basis is the foundation for implementing the Bank's strategy. In the Africa region, particular attention was paid in fiscal 1997 to ensuring that nongovernmental organizations (NGOs) and civil society were more deeply involved in developing CASs. And consistent with the goals identified by the IDA deputies, the analyses and action plans of poverty assessments and other relevant economic and sector work were reflected in CASs. Indeed, poverty reduction is the central theme in CASs for Burkina Faso and Zambia this year, following the examples set earlier by Mali, Malawi, and Mozambique, among others. To better identify ways to develop the private sector and to design a joint strategy for addressing them, the preparation of the Côte d'Ivoire CAS was undertaken collaboratively with IFC. Capacity-building goals are also being integrated into CASs.

Selectivity and flexibility

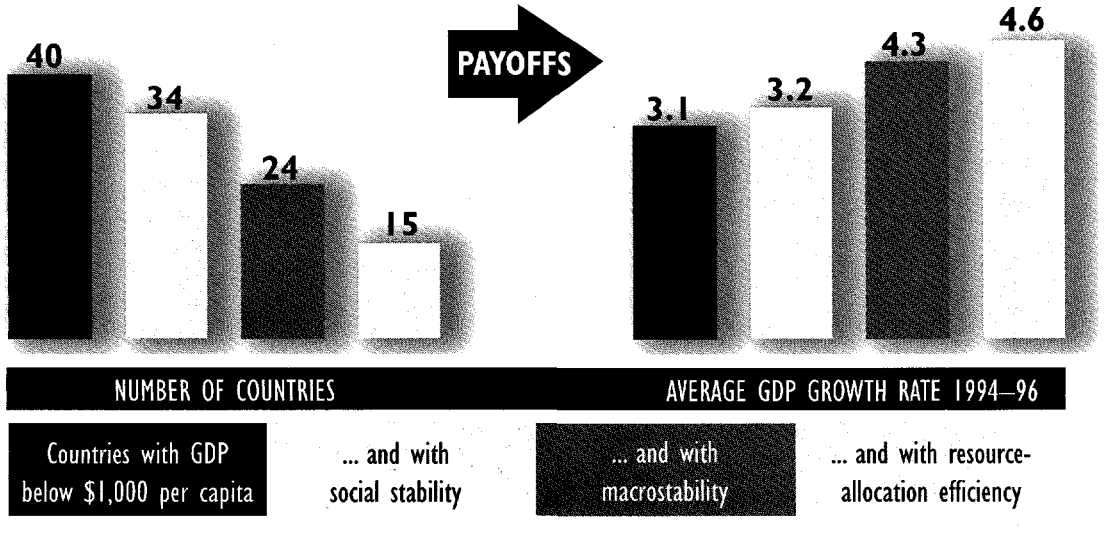
The diversity of Africa, documented in "A Continent in Transition,"[1] and the urgency of its needs call for a combination of selectivity and flexibility in Bank assistance. Selectivity in country and sector focus and in lending and nonlending activities is exercised through CASs.

The Bank has given priority to those countries in the region that have demonstrated a firm commitment to improved economic management, with a strong focus on poverty issues and the ability to use resources—both domestic and external—efficiently. In line with the Bank's strategic goals for assistance to the region, another commitment has increasingly been added in fiscal 1997: the commitment to capacity building.

Two instruments epitomize selective and flexible approaches to Bank assistance in fiscal 1997. The first is policy-based lending in support of high-impact economic reform programs. Here, each adjustment operation approved in fiscal 1997 contains an innovation in the form of either a single tranche, disbursed on the basis of upfront action when the operation is approved, or a floating tranche, disbursed when pre-agreed specific conditions have been met. At the same time, clear performance indicators, defined jointly with the client, are facilitating implementation and follow-up. A second instrument is sector investment programs (SIPs). Introduced two years ago, SIPs support the implementation of a set of policies for a sector (rather than a project) over time and bring together

1. World Bank. 1995. "A Continent in Transition: Sub-Saharan Africa in the Mid-1990s." Office of the Chief Economist, Africa Region. Washington, D.C.

FIGURE 3-2 Africa, Accounting for Growth



all expenditures within the sector: recurrent and capital, local and donor. In SIPs, the sector effectively becomes the project. Such operations, which are not appropriate in all sectors, circumstances, or countries, still are evolving as experience is gained.

In fiscal 1997, assistance under the HIPC Debt Initiative (to assist heavily indebted poor countries) was approved for the first time, with Uganda being the beneficiary (*see box in Overview section*). The preliminary HIPC documents, including debt sustainability analyses for Burkina Faso and Côte d'Ivoire, were discussed by the Executive Boards of the Bank and IMF during fiscal 1997. Decision points on these two countries are expected to be reached in early fiscal 1998.

Nonlending services also were significantly enhanced to be more focused, timely, and better disseminated.

The Bank's intensified commitment to successful rural development is reflected in the designation of Guinea, Malawi, Mali, Mauritania, and Uganda as focus countries for monitoring the progress of rural development activities not only in agriculture and water supply but in a number of related areas as well, particularly poverty reduction and the provision of transport and financial services to rural populations. Support of private sector development focused on strengthening microenterprises, which play a vital role in rural development. A model microenterprise intervention was achieved in the Republic of South Africa

TABLE 3-1. LENDING TO BORROWERS IN AFRICA, BY SECTOR, FISCAL YEARS 1988–97

(millions of US dollars)

Sector	Annual average, FY88–92	FY93	FY94	FY95	FY96	FY97
Agriculture	657.6	300.2	152.6	287.1	301.3	193.7
Education	257.2	401.9	325.5	201.2	131.6	75.1
Electric power and other energy	163.1	356.0	90.0	255.3	73.3	163.7
Environment	36.9	18.1	2.6	8.0	38.5	95.4
Finance	222.0	279.6	400.1	7.2	116.9	65.9
Health, population and nutrition	181.6	99.5	161.6	271.7	158.7	54.9
Industry	310.9	20.9	16.8	120.0	23.7	23.8
Mining	15.1	—	—	24.8	12.2	21.4
Multisector	641.0	451.2	724.1	470.9	387.8	707.5
Oil and gas	57.6	2.4	186.2	—	—	—
Public sector management	125.7	155.3	61.0	117.3	592.2	110.1
Social sector	39.9	43.7	46.7	39.8	257.5	—
Telecommunications	68.2	89.1	—	—	—	—
Transportation	405.4	483.0	501.9	74.8	420.7	52.9
Urban development	234.3	49.2	64.7	158.0	190.0	147.3
Water supply and sanitation	214.4	67.2	74.1	248.2	35.7	25.0
Total	3,630.8	2,817.3	2,807.9	2,284.3	2,740.1	1,736.7
Of which: IBRD	966.8	47.0	127.7	80.7	—	56.0
IDA	2,664.0	2,770.3	2,680.2	2,203.6	2,740.1	1,680.7

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

TABLE 3-2. WORLD BANK COMMITMENTS, DISBURSEMENTS, AND NET TRANSFERS IN AFRICA, FISCAL YEARS 1992–97

(millions of US dollars)

	Côte d'Ivoire			Kenya			Zambia			Total region		
Item	start 1997	1997	1992–97[a]	start 1997	1997	1992–97[a]	start 1997	1997	1992–97[a]	start 1997	1997	1992–97[a]
Undisbursed commitments	420			557			360			10,372		
Commitments		96	1,727		232	1,129		156	1,163		1,737	16,360
Gross disbursements		180	1,312		84	864		118	965		2,479	16,554
Repayments		166	1,076		96	632		49	313		1,060	6,333
Net disbursements		15	236		-12	232		69	651		1,419	10,221
Interest and charges		99	844		14	361		18	154		623	4,715
Net transfer		-84	-608		-53	-129		51	497		796	15,506

NOTE: The countries shown in the table are those with the largest borrowings of Bank funds during fiscal 1996–97. Details may not add to totals because of rounding.

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

when the World Bank helped assemble a team of international microfinance experts to work with a team of South African bankers, NGOs, and government officials to expand access to financial services. The government adopted the group's proposal for an apex organization as the centerpiece of its micro- and small-enterprise development program, which became operational in fiscal 1997.

Because of the important role private sector development has in enhancing growth, the Bank, IFC, MIGA, and the Foreign Investment Advisory Service (FIAS) worked together to help improve the region's business environment. An example of close Bank-IFC collaboration was in the preparation of the Gabon Privatization and Regulatory Capacity Building Project approved in fiscal 1997 and aimed at increasing the level of private sector investment in the country. In Mozambique the Bank has been working with the authorities to improve the business environment using a "roadmap" developed by FIAS. And to assist African countries in their efforts to attract foreign investment, MIGA continued its support of the network of African Investment Promotion Agencies. A specific objective of Bank activities has been to encourage partnership between the public and private sectors by providing a framework for dialogue and conflict resolution. The Uganda Private Sector Competitiveness Project, which follows prototypes developed in Côte d'Ivoire and Senegal, is an example: under this ongoing project, approved in fiscal 1996, the government passed on an IDA credit in the form of a grant to a private sector foundation, which administers an equity fund and a matching grant voucher scheme for product and market development. The private sector foundation manages the scheme, with the government cooperating by pursuing appropriate policy and regulatory reforms.

The Bank supported its clients undertaking reform of their financial sectors through strengthening prudential supervision and restructuring banking systems such as in Cameroon, Ghana, Mozambique, and Uganda; liberalizing financial systems such as in Cape Verde; and deepening financial markets such as in Gabon.

Better development through increasing knowledge

Monitoring activities better, especially poverty reduction effects, is embedded in all Bank activities. Knowledge-related activities themselves focus on those sectors, issues, policies, and technologies that can help Africa "leapfrog" or

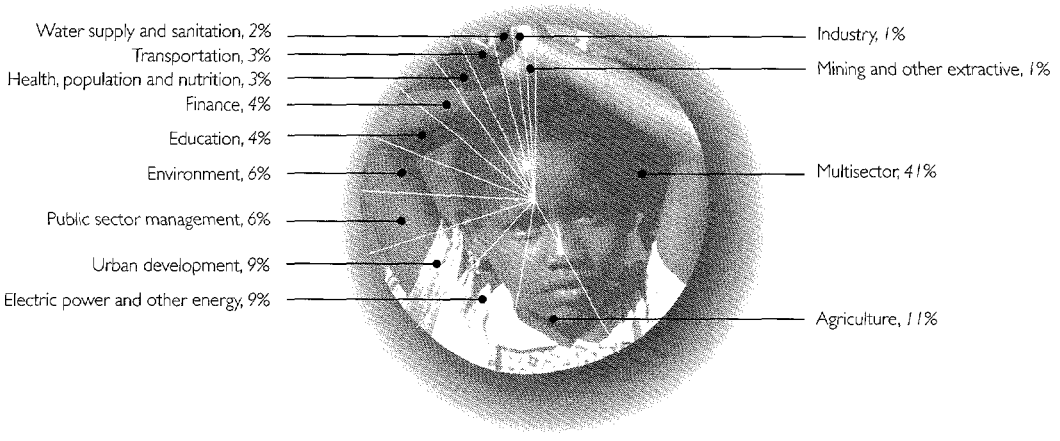
TABLE 3-3. OPERATIONS APPROVED DURING FISCAL YEAR 1997, AFRICA

Country/project name	Date of Approval	Maturities	Principal amount (millions) SDR	Principal amount (millions) US$
Benin				
Transport Sector Investment Program	Oct 31, 1996	2007/2036	27.50	40.00
Burkina Faso				
Mining Sector Capacity Building and Environmental Management Project	Jun 30, 1997	2007/2037	14.80	21.40
Post-Primary Education Project	Dec 24, 1996	2007/2036	18.00	26.00
Cameroon				
Second Structural Adjustment Credit	Nov 14, 1996	2006/2035	17.50	25.20
Chad				
Second Structural Adjustment Credit	Jun 30, 1997	2007/2037	18.00	25.00
Comoros				
Third Education Project	Jun 30, 1997	2007/2037	5.10	7.00
Pilot Agricultural Services Project	Dec 23, 1996	2007/2036	1.10	1.60
Côte d'Ivoire				
Rural Land Management and Community Infrastructure Development Project	May 30, 1997	2007/2037	29.60	41.00
Private Sector Development Adjustment Credit	Nov 14, 1996	2007/2036	37.90	54.60
Djibouti				
Economic Reform Technical Assistance Project	Jan 23, 1997	2007/2036	4.60	6.50
Eritrea				
Road Sector Engineering Project	Apr 10, 1997	2007/2037	4.40	6.32
Gabon				
Privatization and Regulatory Capacity Building Technical Assistance Project	Jun 10, 1997	1997/2012	n.a.	10.00
Ghana				
Village Infrastructure Project	May 30, 1997	2007/2036	20.80	30.00
Private Sector Adjustment Credit	Nov 14, 1996	2005/2035	2.40	3.50
Public Financial Management Technical Assistance Project	Nov 7, 1996	2007/2036	14.40	20.90
Guinea				
Third Water Supply and Sanitation Project	Apr 17, 1997	2007/2037	18.00	25.00
Guinea-Bissau				
Basic Education Support Project	Jun 10, 1997	2007/2037	10.50	14.30
Kenya				
Energy Sector Reform and Power Development Project	Jun 19, 1997	2007/2037	86.60	125.00
Early Childhood Development Project	Apr 8, 1997	2007/2037	19.30	27.80
National Agricultural Research Project—Phase II	Jan 28, 1997	2007/2036	27.40	39.70
Structural Adjustment Credit	Nov 14, 1996	2007/2036	18.50	26.60
Lake Victoria Environmental Management Project	Jul 30, 1996	2007/2036	8.90	12.80
Madagascar				
Urban Infrastructure Project	Jun 25, 1997	2007/2037	25.20	35.00
Private Sector Development and Capacity Building Project	May 29, 1997	2007/2037	17.20	23.80
Structural Adjustment Credit	Mar 14, 1997	2007/2037	48.60	70.00
Structural Adjustment Credit	Mar 14, 1997	2007/2037	0.40	0.60
Second Environment Program	Jan 9, 1997	2007/2036	20.60	30.00
Public Management Capacity Building Project	Sep 3, 1996	2007/2036	9.60	13.83
Malawi				
Environmental Management Project	Jun 20, 1997	2007/2037	8.70	12.40
Fiscal Restructuring and Deregulation Program	Nov 14, 1996	2007/2036	2.40	3.40

Country/project name	Date of Approval	Maturities	Principal amount (millions) SDR	Principal amount (millions) US$
Mali				
Regional Hydropower Development Project	Jun 26, 1997	2007/2037	12.60	17.10
Pilot Private Irrigation Promotion Project	May 30, 1997	2007/2037	3.00	4.20
Urban Development and Decentralization Project	Dec 13, 1996	2007/2036	55.50	80.00
Mauritania				
Regional Hydropower Development Project	Jun 26, 1997	2007/2037	8.10	11.10
Rainfed Natural Resource Management Project	Jun 17, 1997	2007/2037	13.20	18.00
Public Resource Management Credit	Nov 14, 1996	2007/2036	0.40	0.60
Mozambique				
Third Economic Recovery Credit	Feb 4, 1997	2007/2037	69.10	100.00
Niger				
Urban Infrastructure Rehabilitation Project	May 29, 1997	2007/2037	14.50	20.00
Public Sector Adjustment Credit	Mar 20, 1997	2007/2037	21.60	30.00
Health Sector Development Program	Sep 5, 1996	2007/2036	27.90	40.00
Rwanda				
Emergency Reintegration and Recovery Project	Jun 25, 1997	2007/2037	36.70	50.00
Senegal				
Regional Hydropower Development Project	Jun 26, 1997	2007/2037	7.70	10.50
Urban Transport Reform and Capacity Building Technical Assistance Project	Jun 13, 1997	2007/2036	4.90	6.60
Sustainable and Participatory Energy Management Project	Jun 12, 1997	2007/2036	3.80	5.20
Endemic Disease Control Project	May 8, 1997	2007/2036	10.80	14.90
Agricultural Sector Adjustment Credit	Nov 14, 1996	2007/2035	1.30	1.80
Sierra Leone				
Structural Adjustment Credit	Nov 14, 1996	2004/2033	0.10	0.15
South Africa				
Industrial Competitiveness and Job Creation Project	May 29, 1997	2001/2012	n.a.	46.00
Tanzania				
Structural Adjustment Credit	Jun 20, 1997	2007/2037	93.20	128.90
National Agricultural Extension Project - Phase II	Jul 11, 1996	2007/2036	21.50	31.10
River Basin Management and Smallholder Irrigation Improvement Project	Jul 11, 1996	2007/2036	18.20	26.30
Lake Victoria Environmental Management Project	Jul 30, 1996	2007/2036	7.00	10.10
Uganda				
Third Structural Adjustment Credit	Jun 6, 1997	2007/2037	90.40	125.00
Lake Victoria Environmental Management Project	Jul 30, 1996	2007/2036	8.40	12.10
Zambia				
Environmental Support Program	Jun 10, 1997	2007/2037	9.30	12.80
Enterprise Development Project	May 27, 1997	2007/2037	32.60	45.00
Second Economic and Social Adjustment Credit	Nov 14, 1996	2007/2036	5.40	7.80
Second Economic and Social Adjustment Credit	Aug 1, 1996	2007/2036	62.40	90.00
Zimbabwe				
Rural District Council Pilot Capital Development Project	May 29, 1997	2007/2037	8.90	12.25
Total			1,186.50	1,736.75

n.a. = not applicable (IBRD loan).

FIGURE 3-3 Africa: IBRD and IDA Commitments by Sector, Fiscal Year 1997



significantly accelerate its progress along the development path.

The Bank's country economic and sector work (ESW) program for the region continues to focus on public expenditure reviews (PERs), which are essential for helping countries improve the way they allocate their resources, especially in favor of the social sectors. PERs are increasingly planned and carried out with the participation of the countries concerned, are tied to the annual budget cycle, though within a medium-term macroeconomic framework, and are made available to policymakers as quickly as possible. They aim to strengthen budget formulation and implementation and to enhance governments' capacities to manage public expenditure efficiently. At the same time a program of regional studies is being carried out to address problems and challenges that cut across countries (such as poverty alleviation, institutional development, AIDS, environment, and demobilization) and to draw out and operation-alize the findings of the Bank's ESW program.

Two modern knowledge-management systems have been established to facilitate knowledge sharing and dissemination. The Live Data Base constitutes the largest source of data on African economies, and the Best Practice System aims to share lessons learned. Efforts are under way to make both systems available to clients and partners through the Internet. In addition, the Development Economics vice-presidency and the Africa regional office have jointly developed a major work program on African development. The program comprises a series of collaborative studies on seven issues: debt, rural poverty, privatization, financial markets, trade and industrial policy, civil service reform, and country selectivity in foreign assistance. The program was developed in close collaboration with African researchers, who also are expected to take part in it.

The Bank is helping African countries to take advantage of the "information highway" in order to enhance knowledge, information exchange, and communications among African countries and between Africa and the rest of the world. Communications links are being established in about a dozen ongoing or new projects in Ghana, Malawi, Mozambique, and Senegal. Many of these activities are being carried out with the help of the Economic Development Institute (EDI) and in partnership with the United Nations Economic Commission for Africa (UNECA). The latter is leading the African Information Society Initiative and the Harnessing Information and Technology for Development component of the UN Special Initiative for Africa. Utilizing information technology, though quite advanced in other parts of the world, could not find a place on Africa's overloaded agenda until recently. This is changing, as evidenced by the recent launch of the African Virtual University, a project sponsored by the Bank in partnership with other donors to provide satellite technology–based distance educa-

BOX 3-1. CAPACITY BUILDING FOR DEVELOPMENT

Sub-Saharan Africa's severe lack of capacity in economic management and related areas is well documented and may be the missing ingredient in the region's development. In fiscal 1996 the Bank's African governors undertook a series of consultations with wide segments of their societies. They set in motion several national capacity assessments and a study of the impact that World Bank operations had on building capacity. The resulting report, "Partnership for Capacity Building: Strategy and Program of Action," was presented to the Bank's president and subsequently to donors. It called for a series of actions at the national and international levels and from the Bank. The president agreed to join the governors in implementing the report's recommendations, and other partners indicated their support.

The Bank took several steps toward becoming a more effective partner in capacity building in fiscal 1997. It has defined a strategic program of actions that will transform its policies and operating style and has established the Capacity Building Technical Group within the Africa regional office to spearhead activities. The Bank's response to the call from the African governors is proceeding on four fronts:

- *Mainstreaming a capacity-building approach in the World Bank by taking steps such as ensuring CASS are explicitly aimed at building capacity; reviewing country portfolios and providing technical advice to task teams on strengthening capacity building; expanding the skill base of staff to include competencies relevant to capacity development; and disseminating lessons of experience.*
- *Fostering partnership by laying the groundwork for establishing a coordination mechanism and possibly a trust fund for capacity building.*
- *Supporting and facilitating national capacity activities by working closely with African authorities to support their capacity-building initiatives, such as carrying out national capacity assessments, establishing national capacity-building secretariats, and formulating national capacity-development strategies.*
- *Building capacity in selected priority areas by working through the Bank's operational teams to establish centers of excellence in Africa for skill and leadership development, revitalize African universities, promote capacity building in civil society, and strengthen the capacity of the public and private sectors.*

tion in science and engineering through public and private institutions.

EDI continued its support of the use of new technologies in Africa, too. Noteworthy are (i) the World Links for Development program, which aims to connect 1,000 schools in the developed world with 1,000 schools in the developing world through the Internet, with heavy concentration in Africa; and (ii) the World Wide Web–based Master's-level course on policy analysis and economic management developed for the Africa Economic Research Consortium (AERC) and targeted to students from African universities.

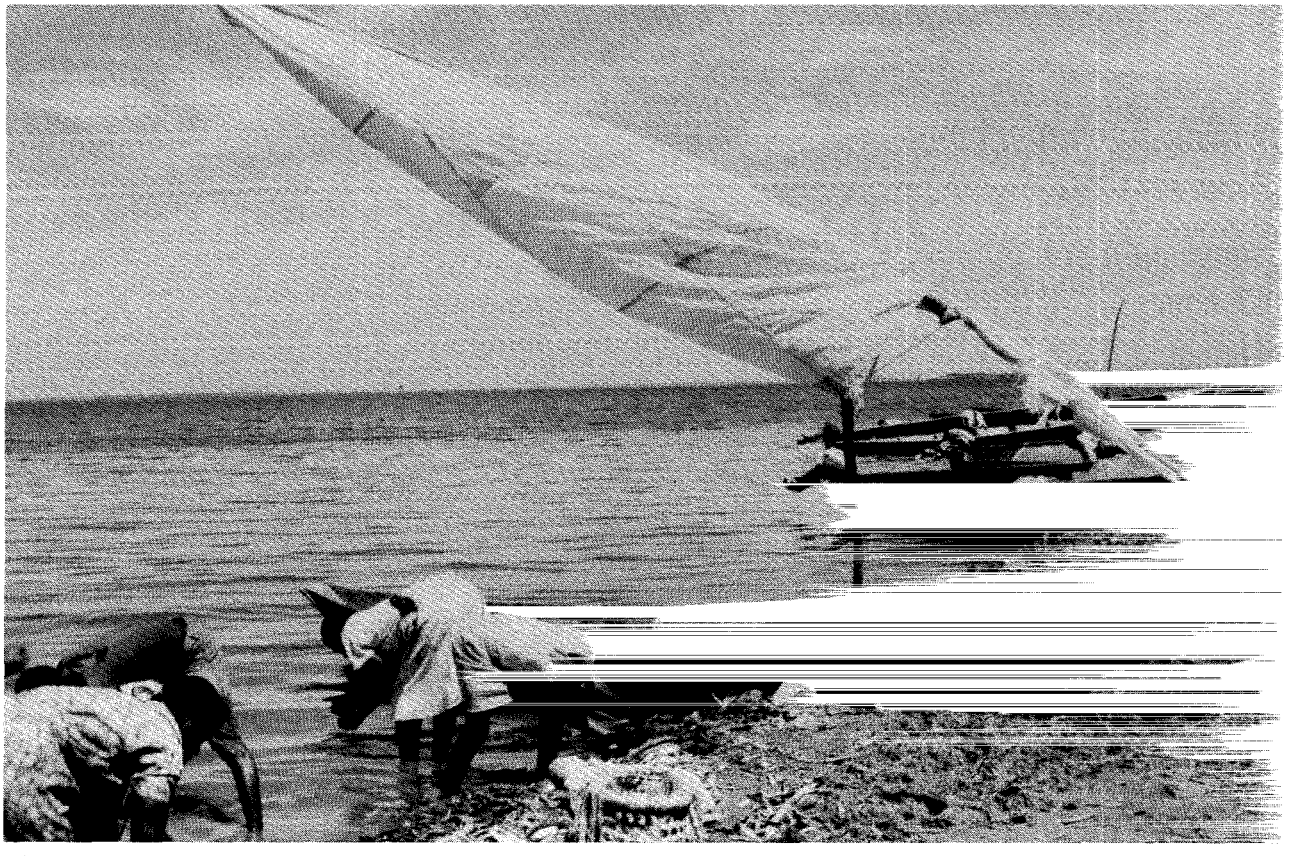
Partnership at its best

In fiscal 1997 the Bank continued to build on its commitment to work in partnership with others, first and foremost with its clients. It has continued to support the Global Coalition for Africa[2] in its consensus-building efforts and the Cross-Border Initiative[3] and other regional integration efforts. Partnership also characterized the Bank's cooperation with UNDP, UNECA, the African Development Bank, and others working toward the shared objective of accelerated growth of the UN Special Initiative for Africa. A cooperation arrangement with the European Union was concluded in 1997; it will initially focus on developing the private sector and human resources in Côte d'Ivoire, Ethiopia, and Mozambique.

No activity better typifies the Bank's strive for results through partnership with others than the Road Maintenance Initiative (RMI). It owes its demonstrated success (for which it won a

2. The Global Coalition for Africa was launched following the Maastricht Conference on Africa in 1990 as a forum for building consensus on development issues among African countries and their external partners.

3. The Cross-Border Initiative, established in 1993, is cosponsored by the World Bank, the IMF, the European Commission for the European Union, and the African Development Bank. The initiative is facilitating private investment, trade, and payments in eastern and southern Africa and in the Indian Ocean countries.



With IDA's support, Kenya, Tanzania, and Uganda are conserving Lake Victoria's biodiversity and genetic resources—generating food, ensuring safe water, reducing disease, and providing jobs.

Bank Excellence Award) to bringing together central and local government, big and small business, bilateral and multilateral donors, communities, NGOs, and affected people. The RMI helps countries to implement policy reforms that will ensure that road maintenance is financed on a sustainable basis. The initiative is a key component of the Sub-Saharan Africa Transport Policy Program launched in 1987 by the World Bank and UNECA. It covers seven countries (Cameroon, Kenya, Madagascar, Tanzania, Uganda, Zambia, and Zimbabwe) and benefits from the participation of bilateral and multilateral agencies. The RMI has (i) fostered public-private partnerships through commercializing roads—bringing them into the marketplace by assessing user fees without privatizing the roads; and (ii) creating a system for governments to work with road users to manage and sustain local road systems efficiently and effectively and providing a forum for African countries to form cross-national partnerships to maintain roads. Significant road maintenance policy reforms in line with the RMI have recently been undertaken in Ghana and Zambia, and the Authority of Heads of State and Government of the Economic Community of West African States (ECOWAS) has decided to introduce a funding mechanism for road maintenance based on user fees and stakeholder representation in each member country.

Improving program and project implementation

The Bank has redoubled efforts to improve the implementation and impact of its projects in Africa. A comprehensive reevaluation of the portfolio in the region's forty-eight countries was carried out in fiscal 1997, focusing on implementation progress, quality, and project outcomes. The reevaluation pointed to a need for a more realistic assessment of performance, and, to this end, a number of ratings were revised downward. In response, detailed portfolio management programs have been prepared. These will be agreed on with the beneficiaries, who will participate in implementing them. The actions involved range from actively restructuring the portfolio and redesigning projects where needed, to introducing performance criteria and a system of continuous monitoring.

Implementation is being helped by actions carried out with partners inside the Bank (such as EDI) and outside the Bank (such as NGOs), some of which are already yielding results. For example, NGOs are increasingly involved in project implementation by subcontracting or overseeing project implementation. Some NGOs have assisted in the design of projects; for example, NGOs were involved in the Sustainable and Participatory Energy Management Project in Senegal, approved in fiscal 1997. The Mali Grassroots Initiative to Fight Hunger and Poverty Project, which is in an advanced stage of preparation, takes a new approach by involving NGOs in intermediating and implementing village-level development. Communities will participate in selecting, planning, and implementing microprojects, including small irrigation works, community schools, and rural roads.

EDI has helped to demonstrate the value, in terms of higher rates of return, of communicating with beneficiaries during project development so that they are informed about the operation—its purpose, design rationale, and how it will be implemented. The prospects of improved implementation and outcomes are being enhanced by increased attention to capacity constraints and actions to alleviate them in CASs. Also, the innovations inherent in High Impact Reform Programs and SIPs, both of which were introduced in response to the implementation problems encountered by earlier instruments with complex conditionality and uncoordinated sector interventions, should help improve outcomes.

The Africa regional office's renewal program, the first of the regional renewal programs, is already having a positive impact through emphasizing country focus, client orientation, and openness, all of which have been designed to optimize results on the ground and reflect the new culture of support to African leadership. The 1997 review of the region's entire portfolio, unprecedented in its comprehensiveness, openness, and involvement of beneficiaries, is a first direct result.

EAST ASIA AND PACIFIC

Despite the temporary cooling of overheated economies in 1996, most of the countries of the East Asia and Pacific (EAP) region continued their unprecedented rapid growth in fiscal 1997. Many began to confront the new round of policy reforms and institutional development necessary to sustain rapid and socially responsible development in the future and to lift the region's remaining 350 million poor out of poverty. In fiscal 1997 the focus of World Bank support to the region shifted toward helping countries promote the commercialization and participation of the private sector in infrastructure financing; increasing the protection of vulnerable groups who might otherwise be left out of the region's growth experience; ensuring that environmental cleanup and protection are more integrated into the modernization process; and strengthening the institutions necessary for efficient and competitive market economies. Although the East Asia and Pacific portfolio is strong, significant additional efforts were made to improve problem projects, work more closely with clients, and enhance consultation with local groups and NGOs.

East Asia's capacity to sustain rapid growth is without precedent. The only significant group of countries to close the gap with the industrialized economies over the past few decades, their growth has averaged 7 percent per year in real terms since the mid-1970s, accelerating to 9 percent per year in the 1990s. China's growth has been astonishing, with per capita income rising 270 percent in seventeen years. But even the lesser-developed Indochinese economies have shared the rapid growth during the past several years, with Vietnam growing at 8 percent and Cambodia and Lao PDR at 6 percent per year in the first half of the 1990s.

While the region continued to be a major recipient of private capital flows and a growing world trade player, a slowdown of exports and macroeconomic performance in 1996 raised questions about whether the East Asian "miracle" is over. After years of double-digit growth, export growth slowed, and some countries experienced large current account deficits. Although this highlighted some structural issues, it mostly reflected one-off, or cyclical events, and the successful cooling of overheated economies rather than an end to sustained economic growth. Indeed, exports and overall economic growth recovered in the first half 1997, albeit below past levels. The large current account deficits, driven by high private inflows rather than low domestic savings, reflect some short-run vulnerabilities. And although there are some concerns about the fragility of the region's banking systems, the risks of loss of confidence in banking systems would be easy to overstate, since most East Asian countries have a more robust external and fiscal position than countries that have faced banking crises elsewhere. The prospects for continued high growth in coming years remain sound, provided countries undertake the necessary important reforms.

East Asia enjoys enviable macroeconomic conditions and an unprecedented growth momentum, but both the low- and middle-income countries face several structural constraints to maintaining future growth at historic rates. A new round of policy reforms and institutional development is necessary to sustain rapid, socially responsible, environmentally sound, and quality development into the next century. Addressing these challenges underpinned the Bank's lending and advisory services strategy for assisting its clients in the East Asia and Pacific region during fiscal 1997.

World Bank loans and International Development Association (IDA) credits approved by the executive directors in fiscal 1997 totaled $4,866 million, compared to $5,420 in fiscal 1996. Table 3-4 shows the sectoral distribution of lending to the region for the 1988–97 period. Table 3-5 compares commitments, disbursements, and net transfers to the region for fiscal years 1992–97, and table 3-6 shows operations in the EAP region approved by the Executive Board during fiscal 1997 by

TABLE 3-4. LENDING TO BORROWERS IN EAST ASIA AND PACIFIC, BY SECTOR, FISCAL YEARS 1988–97

(millions of US dollars)

Sector	Annual average, FY88–92	FY93	FY94	FY95	FY96	FY97
Agriculture	892.7	889.3	1,570.4	373.0	1,284.9	1,265.0
Education	356.8	478.9	436.6	526.5	437.9	645.0
Electric power and other energy	822.3	760.0	1,048.5	1,383.0	1,243.0	1,131.4
Environment	34.9	500.0	381.5	308.1	170.7	—
Finance	306.3	457.0	100.0	—	49.0	28.4
Health, population and nutrition	91.8	200.4	160.0	242.2	296.0	58.9
Industry	256.5	—	—	175.0	217.0	60.0
Mining	—	—	—	—	35.0	—
Multisector	277.0	200.0	82.7	167.0	130.0	—
Oil and gas	49.8	225.0	266.0	245.0	—	—
Public sector management	83.5	173.0	—	88.0	—	—
Social sector	—	—	9.7	267.5	40.0	—
Telecommunications	155.9	134.0	250.0	325.0	—	—
Transportation	754.4	1,132.2	1,380.0	1,032.5	916.9	1,103.6
Urban development	191.5	110.0	349.0	486.0	542.7	405.1
Water supply and sanitation	135.4	310.0	—	75.0	57.0	168.6
Total	4,408.7	5,569.8	6,034.4	5,693.8	5,420.1	4,866.0
Of which: IBRD	3,588.4	4,404.8	4,623.8	4,592.6	4,252.2	4,074.4
IDA	820.3	1,165.0	1,410.6	1,101.2	1,167.9	791.6

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

country. Thirty-seven operations were approved, compared to forty-six in fiscal 1996.

In addition to Bank and IDA operations, the Bank's private sector affiliate, the International Finance Corporation (IFC), invested in thirty-three operations during the year for a total of $1,359 million, compared to the thirty-nine investments totaling $2,601 million in fiscal 1996. The Multilateral Investment Guarantee Agency (MIGA) issued 10 guarantee contracts for more than $70 million in coverage during the year, facilitating some $1 billion in foreign investment in the region.

Infrastructure needs loom large

The public sector's provision of infrastructure has been a major contributor to East Asia's past success. But if rapid modernization is to be sustained, international engagement deepened, and the challenges to rising urbanization met, large infrastructure investments in power, transport, water, and telecommunications are needed. In an increasingly competitive global economic environment, efficient infrastructure services become a more important ingredient to success; infrastructure bottlenecks not only stifle growth, raise costs, and hurt competitiveness but also reduce people's quality of life. East

Asia's infrastructure needs are vast—an estimated $1.2 trillion to $1.5 trillion over the next decade. These needs far exceed the financial and managerial capacity of the public sector and can only be efficiently met if the private sector's role is increased significantly and infrastructure provision is commercialized. Private sector investment accounts for at most 10 percent of today's infrastructure investment in East Asia, yet there is growing recognition that private investment should increase to some 30 percent over the medium term. The binding constraint to reaching this goal is the lack of bankable projects. Creating a pool of bankable projects requires a combination of political will and aggressive policy and institutional reforms that will develop competitive market structures, sound regulatory regimes, price reforms, risk-mitigation measures, competitive and transparent contracting procedures, and effective financing mechanisms.

Many countries are moving aggressively toward private provision of infrastructure on their own initiatives; nevertheless, infrastructure development remains a central element of World Bank support for the region, accounting for about half of annual commitments, or some $3 billion a year. In addition to individual project loans, the Bank helps to create an environment for more effective public-private partnership in nearly every East Asian country. This effort involves interventions from various parts of the Bank at three levels:

- support for countrywide policy and institutional frameworks;
- support for sectoral reforms—legal, regulatory, and judicial;
- support for regional activities that promote information sharing and exchange.

Direct support for creating a policy and institutional framework conducive to private provision of infrastructure at the country level during fiscal 1997 included design of reforms for the power and transport sectors in China, Indonesia, and Vietnam; water supply policy improvements in Indonesia and the Philippines; and road and urban transport sector reforms in China and the Philippines. Support for reforms necessary to facilitate overall private investment in infrastructure was provided jointly by the Bank, IFC, MIGA, and FIAS and included legal and judicial system reforms in China and Indonesia; regulations for transparent bidding and clearer laws in China, Indonesia, and the Philippines; and advice and technical assistance to develop capital (bond) markets in China and the Philippines. The Bank-financed Shanghai Waigaoqiao power project in China includes innovative mechanisms to tap domestic share and bond markets, and an ongoing BOT (build, operate, transfer) bridge project in Wuhan involves some innovative work with IFC. These country-level efforts were complemented by regionwide activities to help countries share their experiences, broaden and deepen political support for reforms, and develop a regional momentum for developing a

FIGURE 3-4 East Asia and the Pacific: IBRD and IDA Commitments by Sector, Fiscal Year 1997

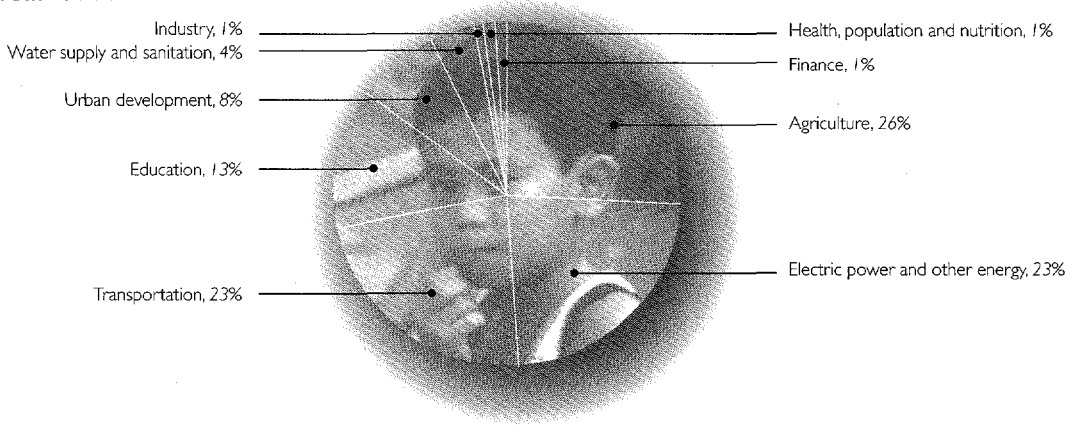


TABLE 3-5. WORLD BANK COMMITMENTS, DISBURSEMENTS, AND NET TRANSFERS IN EAST ASIA AND PACIFIC, FISCAL YEARS 1992–97

(millions of US dollars)

	China			Indonesia			Vietnam			Total region		
Item	start 1997	1997	1992–97[a]	start 1997	1997	1992–97[a]	start 1997	1997	1992–97[a]	start 1997	1997	1992–97[a]
Undisbursed commitments	10,294			4,882			1,027			19,734		
Commitments		2,815	17,553		915	7,268		349	1,591		4,866	33,031
Gross disbursements		2,128	11,433		916	6,398		247	448		4,138	24,692
Repayments		366	1,747		1,501	6,225		1	4		3,073	16,123
Net disbursements		1,762	9,686		-585	173		246	444		1,065	8,568
Interest and charges		547	2,489		752	5,148		3	7		1,928	12,282
Net transfer		1,215	7,197		-1,337	-4,975		243	437		-863	-3,714

NOTE: *The countries shown in the table are those with the largest borrowings of Bank funds during fiscal 1996–97. Details may not add to totals because of rounding.*

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

new public-private partnership (*see box 3-2*). A special unit was formed in the East Asia and Pacific regional office of the Bank to focus on promoting the private sector's involvement in infrastructure provision in the region.

Poverty and inequality persist, structural change puts others at risk

The fast-growing East Asian economies have been exemplars of relatively equitable and rapid poverty reduction (*see figure 3-5*). Nevertheless, the region is home to some 350 million poor people. Concern about increasing income inequalities in China and Thailand, and over inequitable distribution of the fruits of rapid growth throughout the region, is growing. The region faces rapid urbanization, formalization of labor markets, and an aging population, all raising new challenges and posing new risks as people's earlier informal ways of supporting the sick, disabled, unemployed, and elderly fall into decline and the need for formal mechanisms increases. Rising integration, via international trade and capital flows, and technological change are leading to rapid shifts in patterns of production that necessitate upgrading workers' skills. As unskilled jobs get relocated abroad, countries must design education and training systems that provide workers with flexible skills, provide mechanisms to support them as they move into new jobs, and manage the decline of "sunset" industries. The Bank is helping a number of countries build flexible vocational and science education and responsive secondary and higher education systems. The regional office, together with the Development Economics staff, have begun collaborative research on managing labor and upgrading workers' skills.

But as they tackle these emerging issues, countries must continue to give priority to rural development, provide broad-based social services, including education, and target help to those at risk of being left out of rapid growth, especially in those countries with growing regional disparities. They will also require strongly competitive and transparent market structures to ensure efficient allocation of resources and to minimize corruption.

Reducing poverty remained at the core of Bank assistance in fiscal 1997, especially in its support of rural development, education, and health services and in targeted actions for those at risk of being overlooked. The World Bank–financed, multisectoral Qinba Poverty Reduction project, for example, will bring some 2.3 million of the poorest rural Chinese above the poverty line.

Education and health are growing priorities in the Bank's East Asia portfolio, accounting for

TABLE 3-6. OPERATIONS APPROVED DURING FISCAL YEAR 1997, EAST ASIA AND PACIFIC

Country/project name	Date of Approval	Maturities	Principal amount (millions) SDR	Principal amount (millions) US$
Cambodia				
Agriculture Productivity Improvement Project	Feb 28, 1997	2007/2036	18.80	27.00
Disease Control and Health Development Project	Dec 24, 1996	2007/2036	20.60	30.40
China				
Xiaolangdi Multipurpose Development Project: Stage II	Jun 24, 1997	2003/2017	n.a.	430.00
Waigaoqiao Thermal Power Project	Jun 24, 1997	2003/2017	n.a.	400.00
National Rural Water Supply Project	Jun 23, 1997	2007/2032	51.40	70.00
Qinba Mountains Poverty Reduction Project	Jun 11, 1997	2007/2032	108.50	150.00
Qinba Mountains Poverty Reduction Project	Jun 10, 1997	2003/2017	n.a.	30.00
Wanjiazhai Water Transfer Project	Jun 3, 1997	2003/2017	n.a.	400.00
Inner Mongolia (Tuoketuo) Thermal Power Project	May 27, 1997	2003/2017	n.a.	400.00
Fourth Basic Education Project	May 27, 1997	2007/2032	61.50	85.00
Heilongjiang Agricultural Development Project	May 13, 1997	2003/2017	n.a.	120.00
Second National Highway Project	Dec 17, 1996	2003/2017	n.a.	400.00
Second Xinjiang Highway Project	Oct 10, 1996	2002/2016	n.a.	300.00
Vocational Education Reform Project	Jul 2, 1996	2001/2016	n.a.	10.00
Vocational Education Reform Project	Jul 2, 1996	2006/2031	13.80	20.00
Indonesia				
Renewable Energy Small Power Project	Jun 24, 1997	2001/2012	n.a.	66.40
Quality of Undergraduate Education Project	Jun 17, 1997	2001/2012	n.a.	71.20
BEPEKA Audit Modernization Project	Jun 17, 1997	2001/2012	n.a.	16.40
Bali Urban Infrastructure Project	May 6, 1997	2000/2012	n.a.	110.00
Solar Home Systems Project	Jan 28, 1997	2002/2017	n.a.	20.00
Intensified Iodine Deficiency Control Project	Dec 17, 1996	2000/2012	n.a.	28.50
Second Sulawesi Urban Development Project	Nov 21, 1996	2003/2017	n.a.	155.00
Railway Efficiency Project	Nov 21, 1996	2002/2017	n.a.	105.00
Second Village Infrastructure Project	Oct 10, 1996	2002/2016	n.a.	140.10
Sumatra Junior Secondary Education Project	Sep 17, 1996	2002/2016	n.a.	98.00
Central Indonesia Junior Secondary Education Project	Jul 2, 1996	2002/2016	n.a.	104.00
Lao People's Democratic Republic				
Third Highway Improvement Project	Apr 8, 1997	2007/2037	34.60	48.00
Mongolia				
Banking and Enterprise Sector Adjustment Credit	May 1, 1997	2007/2037	7.20	10.00
Banking, Enterprise and Legal Technical Assistance Project	May 1, 1997	2007/2037	1.50	2.00
Philippines				
Third Elementary Education Project	Nov 26, 1996	2003/2017	n.a.	113.40
Agrarian Reform Communities Development Project	Nov 26, 1996	2003/2017	n.a.	50.00
Water Resources Development Project	Nov 26, 1996	2003/2017	n.a.	58.00
Second Subic Bay Freeport Project	Nov 26, 1996	2003/2017	n.a.	60.00
Thailand				
Metropolitan Distribution Reinforcement Project	Jun 24, 1997	2001/2013	n.a.	145.00
Universities Science and Engineering Education Project	May 13, 1997	2001/2012	n.a.	143.40
Distribution Automation and Reliability Improvement Project	Jul 16, 1996	2001/2012	n.a.	100.00
Vietnam				
Water Supply Project	Jun 26, 1997	2007/2037	71.30	98.61
Second Highway Rehabilitation Project	Mar 27, 1997	2007/2037	136.30	195.60
Rural Transport Project	Dec 23, 1996	2007/2036	37.80	55.00
Total			563.30	4,866.01

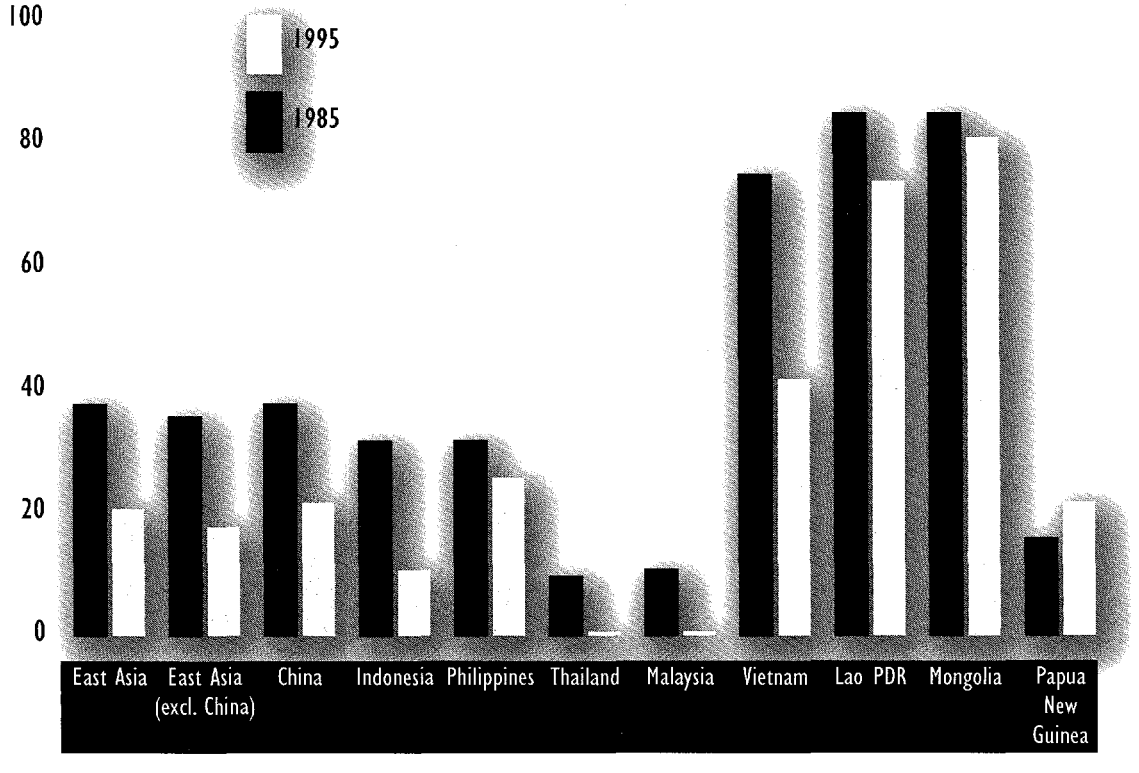
n.a. = not applicable (IBRD loan).

13 percent of total lending to the region in fiscal 1997. Education projects focused particularly on quality at the primary and lower secondary levels and on targeting the poorest children. The Philippines' Third Elementary Education Project, for example, targeted 94 percent of project costs toward reaching children in twenty poor provinces. And China's Basic Education Project, aimed especially at improving girls' education, will benefit 4.7 million children. Its interventions include providing student assistance and secure boarding facilities for girls and providing female principals as role models. Indonesia's Secondary Education Project is targeting rural areas and includes alternative schooling models that allow more poor children and girls to continue their education beyond the elementary level. Health projects also targeted the poorest. A project in Cambodia, for example, which will help the country decrease the prevalence of preventable diseases, also helps shift health systems so they reach the community level.

Protecting the environment: a policy priority

East Asia's successful economic development took a heavy toll on the environment, with rapid loss of forests and pollution of both surface and groundwater. "Brown" environmental issues are increasingly important, as severe air and water pollution problems in Bangkok, Jakarta, and many of China's major cities attest. Unless environmental protection becomes a higher policy priority, the costs of ill health and declining well-being that result from pollution will inhibit economic growth. In fiscal 1997 the Bank addressed such problems with support to both China and Indonesia to reverse industrial and urban pollution as well as to address concerns of potential loss of biodiversity. And in Indonesia, the Bali Urban Infrastructure Project includes an innovative component to protect Bali's unique cultural heritage through strengthening conservation capacity and implementing pilot conservation projects, establishing

FIGURE 3-5 Poverty in East Asia: Percent of Population below the Poverty Line



Note: Based on the international poverty line of $1 per person per day per capita at 1985 prices.
Source: World Bank staff estimates.

an inventory of historic places, and installing signage in Indonesian and other languages at heritage sites.

Shandong province, one of the engines of China's economic growth, now also features some of the heaviest water and air pollution in the country. But a Bank-supported multifaceted intervention is helping clean up and promote policy changes that will address the problems. The project also will bring water from the Yellow River to protect rapidly depleting and polluted groundwater resources and will demonstrate ways to improve district heating systems.

Policy advice and lending for water supply and sanitation increased in fiscal 1997, with lending growing from $57 million in fiscal 1996 to $169 million in fiscal 1997; and "brown" environmental and resettlement concerns are at the center of the Bank's involvement in infrastructure development. Regional and global environmental issues, including water pollution, protecting the ozone layer, reducing acid rain, and reducing carbon dioxide emissions, are being tackled through Global Environment Facility (GEF) grants such as those to provide fuel-efficient boilers in China and to provide

BOX 3-2. INITIATIVES TO PROMOTE PRIVATE PARTICIPATION IN INFRASTRUCTURE IN EAST ASIA AND THE PACIFIC

To help develop regionwide support and momentum for enhanced private participation in infrastructure, the Bank organized or supported three major regionwide fora in fiscal 1997. All three facilitated high-level dialogue between public sector officials and business executives. They exemplify new nonlending products the Bank is developing to complement country-specific work and to respond to borrower and private sector needs.

In September 1996 the Bank and Indonesia organized a high-level summit in Jakarta where twenty-eight ministers from eighteen countries, other policymakers, and over fifty senior business executives, together with IFC, MIGA, Bank, and ADB staff, participated in three days of roundtable discussions. Participants discussed both the successes and challenges Indonesia faces—by inviting private investment in infrastructure—and exchanged views on the constraints the private sector faces. Broad consensus was reached on both the need and potential for increasing the share of private financing of infrastructure in East Asia from today's roughly 10 percent of total investment to about 30 percent toward the end of the century. The binding constraint is not inadequate financing but a lack of bankable projects. Participants discussed specific measures needed to increase the supply of bankable projects while meeting societal concerns and asked the Bank to assist both regionwide and country-specific efforts to develop action plans to achieve those measures.

The Jakarta seminar was followed by a roundtable public-private dialogue in Washington, D.C., during the Bank/Fund Annual Meetings in October 1996. This forum allowed the Jakarta seminar participants to continue their discussion and for more private sector executives to join in discussions with country officials. A summary report on the Jakarta seminar was distributed widely.[1] In light of the success of these events, the Bank is planning a similar forum at the 1997 Annual Meetings in Hong Kong.

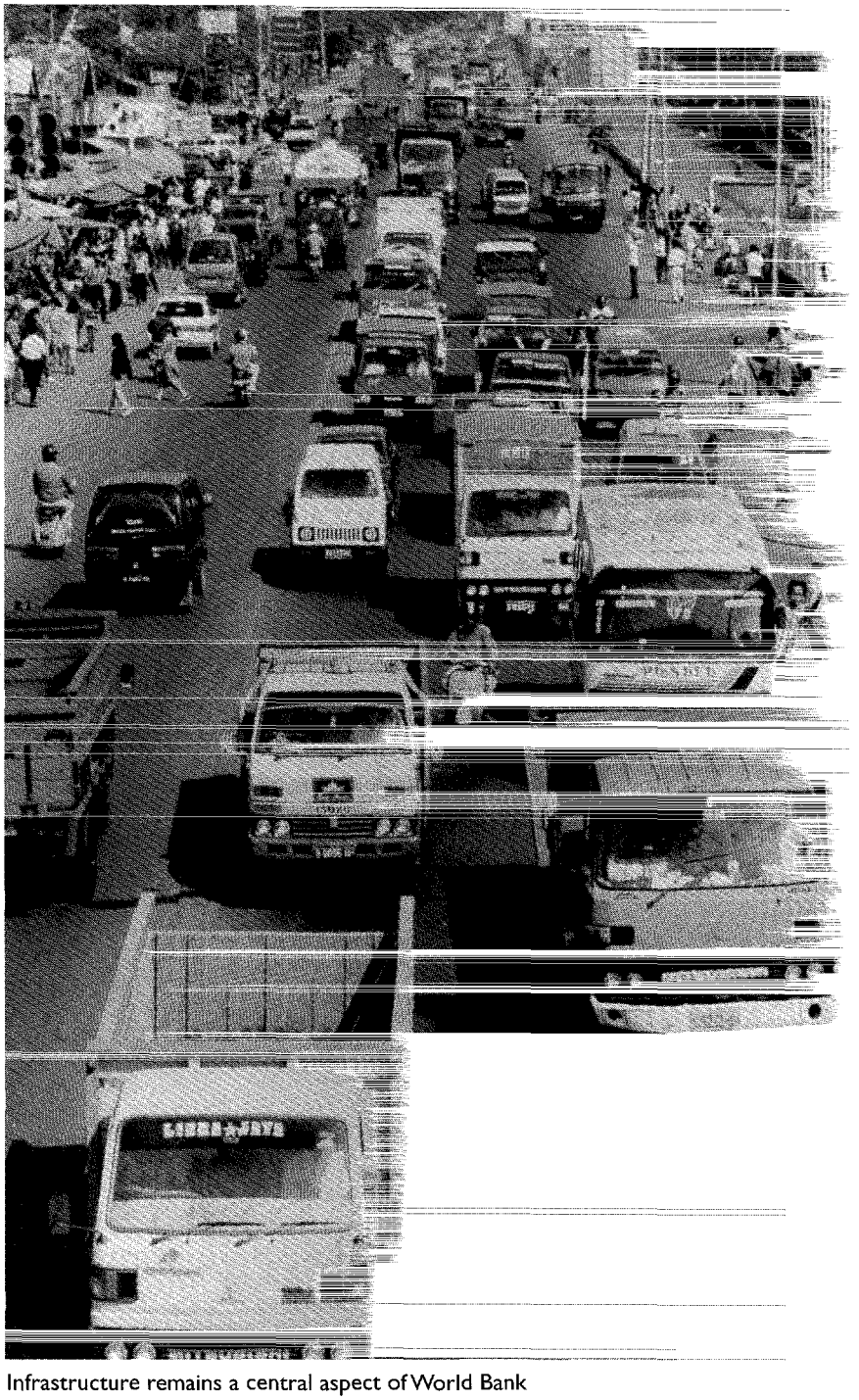
Throughout fiscal 1997, Bank staff supported the senior officials' working group charged with developing an action agenda for the Asia-Pacific Economic Cooperation (APEC). They prepared working papers for discussion at three meetings of officials from the eighteen member economies as well as at a public-private dialogue held in Seattle, Washington. A framework developed by Bank staff provided the basis for an action agenda formulated by the working group and endorsed by the economic ministers. In parallel, the Bank was asked to provide support to the APEC Business Forum, a newly created group of some 450 chief executives from the APEC economies. The associated APEC Business Advisory Council supported the adoption of an action agenda during its meeting with the APEC leaders. The agenda was endorsed by the Subic Bay Communiqué, which called on ministers to work with the private sector and international institutions like the World Bank to formulate concrete follow-up steps.

1. World Bank. 1996. "Frontiers of the Public-Private Interface in East Asia's Infrastructure: Report on a High Level Conference held in Jakarta, Indonesia, September 2–4, 1996." Washington, D.C.

photovoltaic devices to generate electricity in rural Indonesia.

Developing the institutions of market economies

Strengthening the institutional basis for market economies, an overriding issue for economies in transition, is also a major question for the region's market economies. Sound market economies need efficient financial systems, sound structures for corporate governance and industrial relations, and well-functioning governmental institutions. EDI offered training to support improvements in governance, including using client surveys to judge the quality of government services and establishing deliberation councils to build consensus around policy change. State enterprise reform and financial sector development are especially important in China, Mongolia, and Vietnam. State-directed lending, political pressures, and poor lending practices are still common in the region, and—relative to their income level—many countries have institutionally poorly developed banking systems. Solving these structural problems and building more robust banking systems are important throughout the region. The Bank is providing policy advice and technical assistance as well as lending services to many East Asia countries to help build and sustain efficient institutions. An example is the new partnership initiated this year with the government of Singapore. Under this partnership, managed by EDI, courses in strategic banking and environmental management are provided to clients from East and South Asia, using Singaporean technical and financial resources. The banking course is designed specifically for China's most senior bank officials and is offered at the Singapore Institute of Banking and Finance. It will be followed by a round of training for other senior banking officials in China itself. The environmental management program will cover urban-industrial issues and coastal-marine issues and will target senior and mid-level policymakers from Asia. It is expected that the program will offer up to eight courses each year.



Infrastructure remains a central aspect of World Bank support to East Asian countries.

Enhancing the regional portfolio

In fiscal 1997, significant management attention was devoted to further improve the region's already strong portfolio. Key portfolio performance indicators are reviewed twice a year, and action plans are prepared to improve problem projects within a six- to twelve-month period. A portfolio improvement plan (PIP) with specific, measurable targets was introduced in February 1996 to meet three aims: increase the focus on

quality-at-entry; improve the quality of the existing portfolio, with targets set to reduce problem projects and increase disbursements; and increase the emphasis on learning from experience through more systematic review and better design of implementation completion reports.

Emphasizing client orientation

Getting closer to clients has been key to improving effectiveness. Following a review of the Bank's experience with the region's smaller member countries, a new "country management unit" for Papua New Guinea (PNG) and eight other Pacific island countries was established to improve the focus of support for these smaller island states and enhance the Bank's contribution to their development efforts. The unit has given a high priority to establishing close and effective working relationships with regional agencies and other donors—in order to avoid duplication of effort while maximizing opportunities for synergy—and improving the effectiveness of aid flows to the countries.

Experience in the region has shown that core functions, such as accounting, disbursement, procurement, and environment/social services, are particularly efficient when provided locally. Therefore, responsibility and resources for these functions and for supervision have increasingly been shifted to Bank resident missions throughout East Asia and the Pacific.[4] This trend will continue. Also, to better respond to clients needs, a business innovation was introduced to set service standards, which are monitored using a Web page.

Expanding collaboration and partnerships

Collaboration with NGOs was expanded in fiscal 1997, with NGOs participating in the preparation of the CAS for Cambodia and with more frequent and systematic consultation with NGOs in economic and sector work. NGOs in PNG, for example, were involved in preparing the country's poverty assessment, and in Lao PDR, NGOs collaborated on preparing the rural infrastructure report. Collaboration between the Bank and environmental NGOs was particularly notable on regional environmental strategies and community cleanup programs in large Asian cities.

In partnership with the South Pacific Commission and with support from Australia, the Bank launched a new initiative designed to ensure that the small Pacific island states are not left behind in an era of rapid change in trade and technology. The project, the Global Knowledge Revolution: Stakes and Opportunities for the Pacific Islands, will involve a regional overview; country-level studies and workshops to assess opportunities and constraints to knowledge management; "virtual" conferences via the Internet; and follow-up support for pilot applications in distance education, telemedicine, and commercial uses. In each country the Bank team is collaborating with governments, the business community, academics, religious groups, and NGOs and at the regional level with agencies such as UNDP that are supporting information access and innovative applications.

The Bank, MIGA, and IFC are working more closely on many activities. The CAS for Indonesia, for example, was prepared jointly with IFC, and the Bank and IFC together provided advisory assistance to the Philippines on promoting private participation in the Manila Water Utility and Sanitation Project.

More Bank research in the region is being undertaken in partnership with local research institutes and researchers. Work on private capital flows and increased financial integration, for example, was undertaken with the Asian Development Bank (ADB), and a seminar on pension reform was undertaken in collaboration with the regional association of social securities agencies. Generating and sharing knowledge among research and policy institutes outside is complemented by a broader program of partnerships within the Bank Group—between the regional office, the Development Economics vice presidency, EDI, and other parts of the Bank. The aim is to reach out to governments, the private sector, and civil society through workshops and seminars. Such programs will be built on to facilitate a more intense exchange of ideas between the Bank Group and institutions in the region so that the policy and research agenda is jointly shaped and the results of research are fully shared and discussed by all stakeholders.

4. The Bank has resident missions in China, Indonesia, the Philippines, Thailand, and Vietnam and liaison offices in Cambodia, Lao PDR, and Papua New Guinea.

SOUTH ASIA

Reflecting the region's recent reforms, South Asian economies fared well in 1996, with most countries achieving healthy GDP and export growth rates, improved creditworthiness indicators, and increased foreign investment. Despite these achievements, the region still contributes only 1 percent of world trade, attracts less foreign investment than other regions, and is home to 40 percent of the world's poor. In fiscal 1997 the World Bank helped address these shortfalls by supporting the region's reform agenda—and investing in its people while improving the effectiveness of Bank operations. This was accomplished by moving closer to clients, facilitating more participation by local people in project design and implementation, and introducing innovations to improve new and ongoing projects.

South Asia's output grew by over 6 percent in 1996, with GDP growth expected to reach 6.8 percent in India, 6 percent in Nepal, and 5.5 percent in Bangladesh. In Pakistan, poor agricultural performance contributed to lowering growth to 3.1 percent, while in Sri Lanka, civil strife and poor weather conditions lowered growth to 3.7 percent. Progress on the fiscal front was mixed; India, for example, reduced its central government fiscal deficit from 5.5 to 5 percent of GDP, and its 1997 budget continues to build on earlier reforms. In Pakistan, however, the inability to cut the fiscal deficit substantially—and its resulting double-digit inflation—and the widening current account deficit impeded growth and poverty reduction.

Despite faltering performance in Nepal and Pakistan, the region's exports grew in 1996 by 7.5 percent. Yet even after rapid growth throughout the 1990s, South Asia generates only 1 percent of world trade, and its exports per capita are six times lower than the average for developing countries. The region's creditworthiness indicators continued to improve, and the region maintains its impressive record of debt servicing, having kept arrears low and avoiding debt restructuring over the past decade.

Newly liberalized investment regimes continued to attract foreign investors to the region, particularly India. In 1996, net capital flows to South Asia reached $17 billion ($11 billion from private sources), up from $9 billion the previous year, as equity flows rebounded from the effects of the 1994–95 Mexican crisis. The region attracted 6 percent of the total flows to developing countries in 1996, up from 4 percent in 1995. Foreign direct investment to South Asian countries rose, too, growing from $0.5 billion per year during 1990–92 to $2.6 billion in 1996. But at 0.5 percent of the region's GDP, far lower than other regions, this underscores sizable unexploited opportunities on the part of investors.

Reforms initiated in the 1990s enjoy broad political support, and the resulting rapid growth of manufactured exports and increased foreign investment flows are good news for South Asia, as is evidence of cooperation among countries in the region. India and Nepal, for example, recently signed a treaty to integrate their development plans for the Mahakali River, and India and Bangladesh have agreed on arrangements to share the water from the Ganges River and to restore rail links that have been severed since 1965. Under the auspices of the South Asian Association for Regional Cooperation (SAARC), countries took steps to liberalize intraregional trade and held discussions to facilitate further cooperation on trade, infrastructure, communications, and the use of natural resources, especially water, as a means to accelerate poverty reduction.

However, several factors constrained the region's performance. Some, such as the ongoing conflict in Afghanistan and the civil strife in Sri Lanka, are political in nature, but in many cases the incomplete reform agenda has hampered growth, development, and poverty reduction.

Reducing poverty, which requires high and sustained growth, remains the Bank's major goal in South Asia. While the incidence of poverty has declined since the 1980s, the number of poor people has increased. More than 40 percent of the region's people live below the dollar-a-day poverty line; most live

in rural areas, are illiterate, and depend on subsistence agriculture or low-skill wages for their livelihood.

World Bank assistance strategy

The Bank's fiscal 1997 assistance strategy for South Asia reflects the main goal of its clients in the region: reducing poverty. To help achieve this goal, the Bank aimed to provide better-quality services and innovative and efficient programs by working with partners and involving broad community participation. The main prongs of the Bank's strategy focused on helping countries improve their fiscal situation and push ahead with reforms that will increase saving and investment, attract foreign capital, and thus increase the region's growth rate in a sustainable manner. And because social indicators remain weak, priority was given to complementing the reform effort with programs to develop the region's human capital.

World Bank loans and International Development Association credits approved by the executive directors in fiscal 1997 totaled $2,011.6 million, compared to $2,929.1 million in fiscal 1996. Nineteen operations were approved, compared to twenty-one in fiscal 1996. Table 3-7 shows the sectoral distribution of lending to the region for the 1988–97 period. Table 3-8 compares commitments, disbursements and net transfers to the region for fiscal years 1992–97, and table 3-9 shows operations in the South

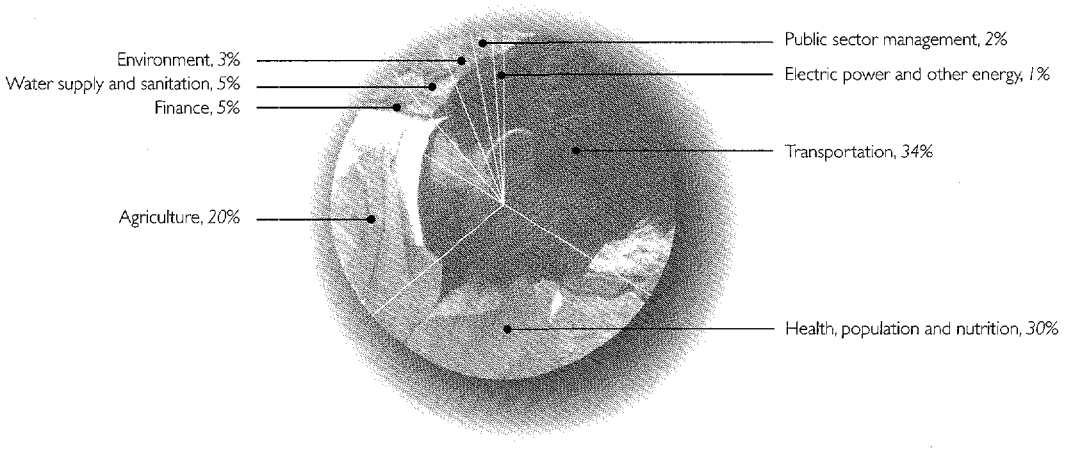
TABLE 3-7. LENDING TO BORROWERS IN SOUTH ASIA, BY SECTOR, FISCAL YEARS 1988–97

(millions of US dollars)

Sector	Annual average, FY88–92	FY93	FY94	FY95	FY96	FY97
Agriculture	684.0	334.9	387.8	551.3	420.6	409.0
Education	272.0	339.0	220.0	423.7	499.8	—
Electric power and other energy	813.1	770.0	230.0	250.0	700.0	24.2
Environment	97.6	28.8	14.7	168.0	263.9	64.8
Finance	221.1	65.8	—	916.0	205.0	105.0
Health, population and nutrition	220.0	327.0	233.1	257.9	376.7	593.8
Industry	255.7	190.0	250.3	3.2	—	—
Mining	—	12.0	—	—	63.0	—
Multisector	168.8	503.5	—	—	—	—
Oil and gas	360.0	—	—	120.8	—	—
Public sector management	33.0	—	296.8	—	92.0	31.7
Social Sector	11.5	500.0	—	—	—	—
Telecommunications	22.4	—	—	—	35.0	—
Transportation	317.1	137.0	491.3	—	—	684.5
Urban development	161.5	—	246.0	39.0	21.5	—
Water supply and sanitation	104.3	208.2	—	275.8	251.6	98.6
Total	3,742.2	3,416.2	2,370.0	3,005.7	2,929.1	2,011.6
Of which: IBRD	2,006.1	1,145.0	474.0	1,584.8	1,161.6	626.5
IDA	1,736.1	2,271.2	1,896.0	1,420.9	1,767.5	1,385.1

Note: Details may not add to totals because of rounding.
—Zero.

FIGURE 3-6 South Asia: IBRD and IDA Commitments by Sector, Fiscal Year 1997



Asia (SAS) region approved by the Executive Board during fiscal 1997 by country. In addition to Bank and IDA operations, the Bank's private sector affiliate, the International Finance Corporation (IFC), invested in twenty-nine operations during the year for a total of $409 million, compared to the twenty-nine investments totaling $575.4 million in fiscal 1996. The Multilateral Investment Guarantee Agency (MIGA) issued six guarantees contracts for $38 million during the year for projects in Pakistan and Bangladesh.

Improving the economic environment

The Bank is supporting fiscal reform tailored to country-specific circumstances. In Pakistan, for example, analytical support for the government's new agricultural tax system was provided, and in partnership with the British Overseas Development Administration, a public expenditure review was prepared to give the government a sound basis for setting its fiscal 1998 budget. In collaboration with the Asian Development Bank and Japan's Overseas Economic Cooperation Fund (OECF), the Bank continues to evaluate Pakistan's public investment program annually to protect high-priority social spending from budget cuts.

In India the Bank is assisting reform of state governments. About 50 percent of India's infrastructure spending and about 90 percent of social sector spending are undertaken by the states. And state subsidies, for example, in power tariffs and water charges for irrigation create large fiscal burdens. In fiscal 1997, at the request of the state authorities, the Bank completed evaluations of the financial situations of Andhra Pradesh, Orissa, Rajasthan, and Karnataka to identify policy options for implementing a sustainable fiscal strategy.

To better support its clients' reform efforts, the Bank improved its nonlending services by speeding up response time, broadening the dissemination of analysis, and strengthening collaboration with other multilateral organizations to build partnerships and reduce overlap. The widely disseminated Bangladesh report[5] is an example of a timely intervention designed to provide the newly elected government with a set of policy choices for reducing poverty through rapid and sustainable growth. Far more attention was paid this year to making the results of economic and sector work known to a broad audience, including parliamentarians, the press, academia, and business groups. To complement this effort, the South Asia regional office and EDI joined forces to disseminate international best practices in an ambitious program of activities ranging from a conference on competitive advantage in a global economy, to small workshops on resettlement policies, and establishing securities markets. A series of EDI-supported workshops aimed at helping strengthen financial markets provided training

5. World Bank. 1996. "Bangladesh—An Agenda for Action." Washington, D.C. June.

in diversification of financial instruments, containment of market risk, management of treasury assets, and internationalization for stock exchange officials and treasury and fund managers.

As the first wave of reforms that started in the early 1990s gained roots, the Bank helped countries shift the focus to a second generation of reforms. In India this involved addressing reform at the state level, and in Bangladesh and Pakistan it involved addressing governance issues, which, though long present, have become key constraints to reform. Governance issues were addressed through nonlending services, such as the Bangladesh report, "Government that Works,"[6] prepared in close consultation with civil society and the government. It sets out a phased approach to public sector reform tailored to the country's political and economic realities. The report was translated into Bangla and disseminated widely to parliamentarians, NGOs, and academia, and a healthy national debate ensued. Improving governance was also addressed within ongoing projects. Pakistan's Financial Reporting and Auditing Project, for example, is helping the authorities strengthen their accounting and financial systems, enhance accountability, and improve capacity for economic policymaking and management. Ongoing Bank-financed projects in Pakistan are promoting transparent procurement, and provincial education and health projects are helping develop management information systems on which rational choices for school and clinic locations and expenditure decisions are based.

Private sector development. Fostering private sector growth is key to reducing poverty and sustaining growth. To this end, the Bank is helping Pakistan and Bangladesh prepare financial sector reforms and India to broaden ongoing reforms to include regional rural banks. There are roles for the Bank, IFC, and MIGA in promoting private sector development, and often programs are undertaken collaboratively. In Pakistan, where a joint Bank-IFC working group has been established to coordinate private sector development, the Bank and IFC are collaborating on power sector development through ongoing loans and partial risk guarantees. Since its first guarantees for investments in Pakistan were issued in 1992, MIGA has issued 25 guarantee contracts for investments worth more than $155 million in coverage outstanding in the country's power, banking and manufacturing sectors. MIGA has also issued coverage for agribusiness and

6. World Bank. 1996. "Bangladesh: Government that Works—Reforming the Public Sector." Report No. 15182 BD. Washington, D.C. March.

TABLE 3-8. WORLD BANK COMMITMENTS, DISBURSEMENTS, AND NET TRANSFERS IN SOUTH ASIA, FISCAL YEARS 1992–97

(millions of US dollars)

	Bangladesh			India			Pakistan			Total region		
Item	start 1997	1997	1992–97[a]	start 1997	1997	1992–97[a]	start 1997	1997	1992–97[a]	start 1997	1997	1992–97[a]
Undisbursed commitments	1,402			9,506			2,774			14,441		
Commitments		321	1,762		1,530	11,469		85	2,745		2,012	16,731
Gross disbursements		315	1,763		1,563	10,556		645	3,597		2,673	16,989
Repayments		57	230		1,070	5,781		260	1,257		1,411	7,393
Net disbursements		258	1,543		493	4,775		385	2,339		1,262	9,596
Interest and charges		45	248		790	5,024		222	1,289		1,079	6,691
Net transfer		213	1,286		-297	-249		163	1,050		183	2,905

NOTE: The countries shown in the table are those with the largest borrowings of Bank funds during fiscal 1996–97. Details may not add to totals because of rounding.

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

TABLE 3-9. OPERATIONS APPROVED DURING FISCAL YEAR 1997, SOUTH ASIA

Country/project name	Date of Approval	Maturities	Principal amount (millions) SDR	Principal amount (millions) US$
Bangladesh				
Fourth Dhaka Water Supply Project	Dec 19, 1996	2007/2036	51.00	80.30
Second Rural Roads and Markets Improvement and Maintenance Project	Dec 19, 1996	2007/2036	91.20	133.00
Jute Sector Adjustment Credit	Nov 14, 1996	2004/2034	2.00	2.90
Poverty Alleviation Microfinance Project	Sep 17, 1996	2006/2036	72.70	105.00
India				
Andhra Pradesh State Highway Project	Jun 17, 1997	2003/2017	n.a.	350.00
Malaria Control Project	Jun 12, 1997	2007/2032	119.20	164.80
Reproductive and Child Health Project	May 28, 1997	2007/2032	179.50	248.30
Third Andhra Pradesh Irrigation Project	May 20, 1997	2003/2017	n.a.	175.00
Third Andhra Pradesh Irrigation Project	May 20, 1997	2007/2032	108.10	150.00
Andhra Pradesh Hazard Mitigation and Emergency Cyclone Recovery Project	May 6, 1997	2003/2017	72.10	100.00
Andhra Pradesh Hazard Mitigation and Emergency Cyclone Recovery Project	May 6, 1997	2007/2032	n.a.	50.00
Rural Women's Development and Empowerment Project	Mar 27, 1997	2007/2032	13.50	19.50
Tuberculosis Control Project	Jan 30, 1997	2007/2032	98.40	142.40
Environmental Management Capacity Building Technical Assistance Project	Dec 23, 1996	2007/2031	34.70	50.00
States' Road Infrastructure Development Technical Assistance Project	Dec 5, 1996	2002/2016	n.a.	51.50
Ecodevelopment Project	Sep 5, 1996	2007/2031	19.50	28.00
Nepal				
Rural Water Supply and Sanitation Project	Sep 3, 1996	2006/2036	12.80	18.28
Pakistan				
Improvement to Financial Reporting and Auditing Project	Sep 17, 1996	2007/2031	20.10	28.80
Punjab Private Sector Groundwater Development Project	Jul 11, 1996	2006/2031	38.50	56.00
Sri Lanka				
Environmental Action Project I	Mar 27, 1997	2007/2037	10.70	14.80
Energy Services Delivery Project	Mar 18, 1997	2007/2037	16.90	24.20
Health Services Project	Dec 19, 1996	2007/2036	13.00	18.80
Total			973.90	2,011.58

n.a. = not applicable (IBRD loan).

banking projects in Bangladesh. And in India, the Bank and IFC are working closely to promote private sector participation in power distribution and manufacturing capacity for medical supplies and instruments. In line with a growing Bank trend, the next CAS for India will be undertaken jointly by the Bank and IFC. It will elaborate a joint strategy for private sector development.

Infrastructure development. Because good infrastructure not only provides the basis for private sector growth but helps attract foreign direct investment, particularly to export-oriented sectors, the Bank is helping to improve the utilization and maintenance of roads and to facilitate rural access to markets. Bangladesh's Second Rural Roads and Markets Project is improving rural transport and trading infrastructure by facilitating exploitation of the opportunities presented by the Jamuna Bridge, which will link the northwest region with the rest of the country. Local participation is emphasized in the project, which is using labor-intensive technologies and employing the landless poor and disadvantaged women. The Bank has long supported efforts to help South Asia meet its vast energy needs. The Nepal Power Development Fund, under preparation, will support the identification and evaluation of potential small and medium-size hydroelectric power projects suitable for private sector funding.

Previously excluded from formal credit markets, the poor—and particularly women—are increasingly borrowing small amounts of business start-up funds through microcredit programs.

Rural Development. Because of the importance of promoting rural growth, the Bank is helping raise commitment for decentralized and participatory rural development programs that increase farm productivity. Pakistan's Private Sector Groundwater Development Project, for example, is mobilizing farmers to operate and maintain groundwater irrigation and new community tubewells. To ensure sustainability, Nepal's Rural Water and Sanitation Project, which supports water and sanitation schemes for 900 communities, includes a community development subcomponent to help local people organize water-user groups to identify, design, construct, and maintain water schemes. The project was based on lessons learned from a three-year pilot program that verified that locally designed and managed projects met community needs in a cost-effective and sustainable manner.

Quality investment—the region's people

A key component of the Bank's poverty reduction strategy is to develop human capital by focusing on delivering quality health and nutrition services to underserved areas and expanding and improving basic education, particularly for girls and disadvantaged groups. To reach these goals more effectively, community participation is being increased, and the private sector and NGOs are being encouraged to deliver services. In India's Malaria Control Project, for example, community organizations are delivering services to tribal people who are disproportionately affected by the disease. In Sri Lanka, a Health Systems project supporting the fights against malaria and AIDS uses NGOs to identify and train volunteers to establish community centers. India's Tuberculosis Control Project was designed in partnership with the government, the World Health Organization, the Union Against Tuberculosis and Lung Disease, and other donors and supports a significant shift in strategy to fight the disease.

In Pakistan, where social indicators, although still poor, have improved since the launch of the government's Social Action Program in 1992, the social sector continues to suffer from governance problems, including political interference in recruitment and site selection, lack of transparent procurement, and weak accountability. The Bank is leading a multidonor effort to develop a second phase of the Social Action Program and is working closely with the authorities to improve project implementation, strengthen governance, and encourage greater stakeholder involvement and NGO and private sector participation in service delivery.

Sharp gender disparities continue to constrain economic growth and poverty reduction. In fiscal 1997 the Poverty Alleviation Microfinance Project in Bangladesh and the Rural Women Development and Empowerment Project in India were specifically targeted to broaden poor women's access to credit and self-employment opportunities by supporting the institutional provision of microcredit. By strengthening community links, these projects also contribute to social capital building *(see box 3-3)*.

Improving development effectiveness

To improve operational effectiveness, strengthen frontline operations, and respond to a broader development agenda, the South Asia regional office further increased the role of field offices in implementing and managing country work programs. Guided by the need to work closer to clients and to understand the political,

BOX 3-3. BUILDING SOCIAL CAPITAL

The ability of microfinance programs to help the poor is well known. Perhaps the most visible is the highly successful experiment based on mutually liable, self-regulating borrower groups of the Grameen Bank in Bangladesh. An equally important but less well known development benefit of these programs is their contribution to building social capital—they build relationships, networks, and formal and informal institutions that link individuals and help them achieve specific objectives. Microfinance institutions also influence how markets operate, and they shape the relationships between civil society, the state, and markets.

The poor, and particularly women, tend to be excluded from formal credit markets because they have no credit history and lack collateral and because of the high costs of enforcing contracts and gathering information about small borrowers. By building on peer monitoring and trust to substitute for physical collateral, microlending relaxes the constraints on poor people's credit while avoiding the problems associated with indiscriminate credit subsidies and government loans. Because each member stands to lose if another member does not comply, cosigning a loan with members of a group creates an incentive for the group to screen members and monitor their actions. Repeated borrowing and repayment creates a credit record, strengthens the links within the group, and builds up social capital, thus contributing to broad-based growth.

The Poverty Alleviation and Microfinance Project in Bangladesh channels funds through a quasi-governmental organization, the Palli Kharma Sahayak Foundation (PKSF), to small and medium-size NGOs so they can expand their microcredit programs. The PKSF, with more than 120 affiliated organizations, has mobilized 1.2 million poor women into small groups, but shortage of funds has limited its reach. India's Rural Women Development and Empowerment Project is helping women gain access to credit and increasing their ability to generate income. Through thrift and the credit-based Self Help Groups (SHGs), a system of revolving credit for the benefit of members and based on their own savings has been developed. The project builds on the successful experience with SHGs, the positive response of banks to group lending, the increasing opportunities offered by the Panchayati Raj Act—which ensures representation of women in local government—and experience from previous operations. The project is helping SHGs establish a track record of sound credit management so they can access group loans from lending institutions. The project has a strong capacity-building emphasis and supports a comprehensive training program. NGOs have the major responsibility to form and sustain democratically managed SHGs. The association of mature SHGs is also being encouraged to support existing groups and further expand the SHG movement.

social, and cultural dimensions of client countries better, country managers with full responsibility are now located in client countries.

To provide Bank staff with a deeper perspective and understanding of community development, some operational staff spent two weeks living in villages in client countries. The first of these immersion programs, which took place in Pakistan, was formulated by the Aga Khan Rural Support Program and the Balochistan Rural Support Program. Others followed in Sri Lanka and Bangladesh. In addition to facilitating interaction with local people, the programs exposed Bank staff to community initiatives such as microcredit and health programs.

Portfolio management has improved in recent years as monitorable performance indicators have been agreed on with borrowers and incorporated into new lending operations. Ongoing projects have been retrofitted with similar performance indicators. By using these indicators on supervision missions, and with greater management attention to results, the disconnect between evaluation of project performance by the regional office and Operations Evaluation Department (OED) staff has been virtually eliminated. To foster a stronger implementation culture, the Bank is insisting on closing projects on schedule and is using midterm reviews to restructure slow-disbursing projects. The restructuring of Pakistan's social sector has shifted much of the responsibility for project supervision, and upstream work has been shifted to the resident mission where 40 percent of the port-

folio is now managed, compared to 30 percent at the beginning of fiscal 1996.

The Bank is helping clients battle corrupt practices through project design and supervision and helping them improve the efficiency and transparency of procurement under Bank-financed projects. This effort has been complemented by greater attention to improving the audit and monitoring functions under Bank-fnanced projects. The procurement disbursement and audit team in the New Delhi office, for example, was strengthened to provide in-country expertise to assist implementing agencies in all aspects of procurement, disbursement, and audit. Similar steps are being taken in the Bangladesh and Pakistan field offices.

EUROPE AND CENTRAL ASIA

Progress in the transition to market-based economies varies considerably across the countries of Europe and Central Asia, as do countries' policy priorities and resulting economic growth. The objective of eventual membership in the European Union (EU) unifies the challenges of many of the Central and Eastern Europe (CEE) countries, and in fiscal 1997 the Bank's assistance strategy for CEE countries focused on supporting them in their preparation. Because these countries benefit from large private financial flows, the Bank's attention is focusing on systemic economic issues, increasingly through nonlending services. For the countries of the Commonwealth of Independent States (CIS) the challenges, and thus the assistance strategy, are different. Here the emphasis is to help countries make their fiscal adjustment more sustainable and efficient, strengthen law enforcement, basic social services, and safety nets, and accelerate implementation of the numerous market-oriented reforms that remain.

Progress toward creating market economies varies widely across countries in the Europe and Central Asia region (ECA). In 1996 the CEE countries, including the Baltics, experienced a third consecutive year of output growth and a fourth year of declining inflation. Strong advances in creditworthiness in international capital markets and a continued appeal to foreign direct investors enabled the CEE countries to attract external private financing. Fiscal deficits were generally kept under control, although at the price of high tax rates. These positive results, together with the prospect of membership in the EU, continue to encourage the CEE countries to keep up the reform momentum.

Progress in Albania, Bulgaria, and Romania has been much more patchy. Continued stalling on enterprise and banking reforms in Bulgaria contributed to deterioration of the economy in 1996, leading to hyperinflation and macroeconomic crisis. The caretaker government, which took office in April 1997, has begun to implement a program to stabilize the situation and start long-overdue structural reforms. In Albania—after considerable success in implementing reform in the early years—lax fiscal policies and inattention to the danger of pyramid schemes caused a major political and economic crisis that has dominated 1997. And the Romanian situation was typified by some growth but little structural reform until a reform-minded government, elected in November 1996, proceeded quickly to take many previously neglected actions.

Economic performance also differed widely among the CIS[7] in 1996. Armenia experienced its third consecutive year of recovery from a deep recession and Georgia and Kyrgyz Republic their second year. Kazakhstan and Uzbekistan recorded positive, albeit low growth for the first time. Elsewhere, however, expectations that the recession would bottom out in 1996 proved premature. In Russia and Ukraine, output shrank by an estimated 6 percent and 8.5 percent, respectively. Policy and legal reforms continued to be implemented at a slow pace—particularly in Ukraine—resulting in a climate unfriendly to private investors and businesses.

It is against this backdrop and to meet the challenges ahead that the Bank set its assistance strategy for the region in fiscal 1997.

The ECA region serves twenty-seven active borrowing countries, including Turkey and all European and Central Asian transition economies except the Federal Republic of Yugoslavia (Serbia and Montenegro). New operations increased from sixty-one, totaling $4,395 million, in fiscal 1996 to sixty-seven, totaling $5,055 million, in fiscal 1997, led by a rapid expansion of reconstruction projects in Bosnia and Herzegovina. Table 3-10 shows the sectoral distribution of lending to the region for the 1988–97 period. In Ukraine, new lending commitments in fiscal 1997 tripled to just under $1 billion, as the government began implementing reforms across a wide front. Disbursements increased to $4,453 million in

7. Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyz Republic, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, Uzbekistan.

TABLE 3-10. LENDING TO BORROWERS IN EUROPE AND CENTRAL ASIA, BY SECTOR, FISCAL YEARS 1988–97

(millions of US dollars)

Sector	Annual average, FY88–92	FY93	FY94	FY95	FY96	FY97
Agriculture	221.6	448.4	502.9	202.0	185.8	771.7
Education	77.6	—	59.6	40.0	5.0	137.8
Electric power and other energy	297.2	93.0	164.8	191.7	325.4	504.9
Environment	3.6	77.0	80.0	123.0	30.1	—
Finance	323.2	55.0	280.0	232.0	638.9	290.3
Health, population and nutrition	71.0	91.0	—	220.4	350.4	95.5
Industry	184.9	—	375.0	—	—	111.8
Mining	—	—	—	—	540.8	300.0
Multisector	461.6	1,245.0	506.3	2000.0	656.8[a]	1227.0
Oil and gas	72.0	610.0	691.3	226.3	10.0	135.6
Public sector management	109.8	335.0	270.0	70.9	505.6	109.1
Social sector	20.0	67.0	10.9	127.5	212.0	935.2
Telecommunications	54.0	30.0	153.0	—	—	—
Transportation	216.2	378.0	352.0	486.0	868.0	312.7
Urban development	40.0	285.0	171.0	418.0	44.3	56.0
Water supply and sanitation	101.6	129.5	109.6	161.0	21.5	67.3
Total	2,254.3	3,843.9	3,726.4	4,498.8	4,394.6	5,054.8
Of which: IBRD	2,246.1	3,739.5	3,533.3	3,953.8	3,918.2	4,560.9
IDA	8.2	104.4	193.1	545.0	476.4	493.9

NOTE: Details may not add to totals because of rounding.
— Zero.
a. Includes the refinanced/rescheduled overdue charges of $168 million for Bosnia and Herzegovina.

fiscal 1997, compared to $3,736 million in fiscal 1996. Table 3-11 compares commitments, disbursements and net transfers to the region for fiscal years 1992–97. Table 3-12 shows operations in the ECA region approved by the Executive Board during fiscal 1997 by country. In addition to Bank and IDA operations, the Bank's private sector affiliate, the International Finance Corporation (IFC), invested in fifty-seven operations during the year for a total of $1,214 million, compared to the forty-two investments totaling $835 million in fiscal 1996. The Multilateral Investment Guarantee Agency (MIGA) issued ten guarantee contracts for almost $90 million, including first guarantees to Azerbaijan, Georgia, and Romania. MIGA also created the special Investment Guarantee Fund for Bosnia and Herzegovina, sponsored by the EU, to further facilitate the flow of small and medium-size investments into the country. The Economic Development Institute's (EDI) activities in the region helped strengthen training and capacity building in many critical areas of reform.

Challenges ahead

EU membership now represents the major challenge for many CEE countries. A strategy to achieve the requirements rapidly for participat-

TABLE 3-11. WORLD BANK COMMITMENTS, DISBURSEMENTS, AND NET TRANSFERS IN EUROPE AND CENTRAL ASIA, FISCAL YEARS 1992–97

(millions of US dollars)

	Romania			Russia			Ukraine			Total region		
Item	start 1997	1997	1992–97[a]	start 1997	1997	1992–97[a]	start 1997	1997	1992–97[a]	start 1997	1997	1992–97[a]
Undisbursed commitments	958			4,723			512			12,045		
Commitments		625	2,361		1,716	8,163		990	2,005		5,055	23,662
Gross disbursements		182	1,138		2,086	3,795		567	1,071		4,453	16,252
Repayments		14	14		—	—		—	—		1,724	7,681
Net disbursements		168	1,123		2,086	3,795		567	1,071		2,729	8,571
Interest and charges		61	197		125	287		43	67		1,002	5,458
Net transfer		107	926		1,961	3,508		524	1,004		1,727	3,113

NOTE: *The countries shown in the table are those with the largest borrowings from the World Bank in fiscal 1996–97. Details may not add to totals because of rounding.*

—Zero.

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

ing in the single-market and the monetary union, if combined with accelerated privatization, reduction of excessive tax burdens, and social security reform, will help to sustain high growth. Financing necessary environmental investments, however, will be demanding. And while economic recovery has begun to reduce poverty, structural shifts are expected to cause pockets of poverty in regions with declining industries and in remote rural areas. Policy reforms are needed to encourage mobility, promote efficient rural markets, and better target social assistance.

Deep and widespread poverty due to the plummeting output of the past several years poses a different challenge in most of the CIS countries, where more fundamental reform is needed to reverse negative growth trends, raise income levels, and bring about reductions in poverty. Ensuring minimum benefits for vulnerable people, preventing the collapse of basic health services, and mitigating the social impact of restructuring, particularly the potential disruption of social services, are key. In some countries, obstacles to economic recovery remain; to overcome them, economic management must be strengthened, enterprise and banking reform speeded up, and the energy and agriculture sectors brought into the market economy. Stemming severe environmental degradation and resolving cross-border issues in infrastructure also remain major challenges. The need to reduce pollution in industrial centers, improve water and sewerage infrastructure, attract investment to integrated energy sectors and pipelines, and manage shared water resources—particularly in Central Asia—are high on the agenda.

In Bosnia and Herzegovina the phase of emergency reconstruction is coming to an end. Increasingly, attention is focusing on improving policies and institutions to achieve sustainable recovery.

Supporting reform

In line with the CEE countries' objectives, a major emphasis in Bank assistance during fiscal 1997, both in lending and nonlending services, was to support preparation for EU membership. The Bank's Country Economic Memoranda for Poland and Slovakia, for example, focused on defining policies helpful both to facilitating EU membership and to increasing overall economic efficiency. Significant analytical work on pension reform was carried out in Croatia, Hungary, Latvia, providing the basis for important reforms in the sector (*see box 3-4*). The Bank also advised the Czech Republic, Latvia, and Poland on least-cost strategies for reaching EU environmental

standards, and in Slovenia, the EDI supported the establishment of the Center for International Competitiveness to help enterprises better position themselves in the European market.

In the CEE countries the Bank has a comparative advantage in linking macro- and microeconomic expertise and being able to mobilize relatively large-scale resources quickly; and in fiscal 1997, it helped several of these countries confront macroeconomic or sectoral crises. During the Bulgarian crisis, for example, the Bank moved rapidly to provide the Rehabilitation Loan, which financed the severance payments needed to close major loss-making enterprises, and later a loan for critical imports when that need developed. Also in Bulgaria, preparation of the Enterprise Structural Adjustment Loan began. It will support a comprehensive finance and enterprise sector reform program to be implemented by the newly elected government. The Bank helped identify one of the key underlying causes of the Latvia and Lithuania banking crises—the structural deficit of the wider public sector, including public utilities and social security institutions—and provided adjustment lending to support a comprehensive reform package.

Since many CEE countries benefit from high and increasing private financial flows, the Bank shifted its attention to analyzing systemic problems in the economy while letting the private sector provide much of the investment financing. The Welfare Reform Project in Latvia, for example, provided assistance for the first reform of pension systems in the region. The loan helped consolidate the public unfunded system and introduced a privately managed funded system. In Hungary the cycle of state bank recapitalizations caused by bad loans to loss-making state enterprises was broken by a comprehensive program for bank and enterprise privatization, restructuring, or liquidation, supported by the Enterprise and Financial Sector Adjustment Loan. A similar operation in Croatia supports banking sector reform and privatization of state-owned energy and infrastructure enterprises. The Bank played a critical role in setting the policy and institutional framework for the agriculture sector with the Agriculture Sector Adjustment Loan in Romania and major components of structural adjustment loans (SALs) to Lithuania and Former Yugoslav Republic of Macedonia.

The Bank's strategy for supporting reforms in the CIS countries in fiscal 1997 focused on bolstering and sustaining growth. This required strengthening the state's role in managing the core functions of macroeconomic policy, law enforcement, and basic social services and implementing the large number of market-oriented reforms that still remain. Throughout the CIS countries, and particularly in Russia, the Bank worked in partnership with the International Monetary Fund (IMF), providing analytical support to bring about fiscal adjustment and

FIGURE 3-7 Europe and Central Asia: IBRD and IDA Commitments by Sector, Fiscal Year 1997

BOX 3-4. ASSISTING REFORMS IN THE PENSION SYSTEM

Pension reform has moved into the mainstream of public sector reform in the region. Many pay-as-you-go (PAYG) systems now account for 10–15 percent of countries' GDP and are financed by high payroll contributions. These systems support an increasing number of pensioners while the number of contributors has declined sharply; they drain public resources through an increasing deficit and fail to provide satisfactory income security for the elderly. As a result, pensioners have seen their incomes drop dramatically during the transition.

Public opinion has shifted toward accepting higher retirement ages and tighter rules for the PAYG schemes and supporting a mixed system that will combine public and private sources for financing pensions. Workers expect that new private or privately managed schemes will provide higher rates of return on their pension savings and will restore the value of pensions, while governments and the private sector expect that the new schemes will generate more long-term savings that could help promote capital markets and growth. In Croatia, Hungary, Latvia, and Poland, legislative work to reform the pension system has proceeded to an advanced stage, and in Kazakhstan and Russia and the process has started.

The Bank is helping countries design and launch new mixed-pension systems that include a fully funded and mandatory component. Bank projects such as those in Hungary and Latvia finance both technical assistance and some of the costs associated with introducing the new system.

Latvian pension reforms have been supported by extensive technical assistance during preparation of the Latvia Welfare Reform Project. The reforms avoided the incremental costs of transition to a new system by phasing in only the fully funded "second pillar" as cost-saving measures in the reformed public PAYG system were realized. The new pension law will lower the expenditure on the first PAYG pillar by one-third over ten years. The privately managed pension system is expected to reach 20 percent of GDP by 2025 through a combination of mandatory second- and voluntary third-pillar contributions.

Russia also began pension reform with support of the Bank. A Social Protection Adjustment Loan was approved in fiscal 1997 and a related Implementation loan was under preparation. These loans will help the government shore up the PAYG system and design comprehensive reforms, including one or more publicly financed programs to protect vulnerable groups; one or more fully or partly capitalized earnings-related programs; and a framework for voluntary schemes.

make it more sustainable. These were central to the Extended Fund Facility (EFF) and Enhanced Structural Adjustment Facility (ESAF) programs. Continued support for economywide reforms included the structural adjustment loan to Russia. Establishing budget processes as the key instrument of expenditure management was supported through an adjustment loan to Kyrgyz Republic and through public expenditure reviews in Armenia, Georgia, Moldova, and Ukraine. And financial support was provided to set up a bureau of economic analysis in Russia to strengthen the country's institutional capacity for economic policymaking.

Several CIS countries, previously hesitant to privatize large enterprises, made significant progress in fiscal 1997, including Ukraine, which had support of World Bank technical and financial assistance through an adjustment loan. World Bank assistance to the banking sector is exemplified by supporting the development of rural finance systems in Georgia and Kyrgyz Republic strengthened banking supervision in Armenia. The International Finance Corporation (IFC) was instrumental in supporting Kazakhstan's financial sector with a broad-based program covering banking, leasing, and registry services. In addition, about 350 trainers from the CIS received instruction under EDI's banking and finance program; they in turn worked with trainer teams and have ultimately trained more than 2,500 banking and finance practitioners.

With extensive technical advice and lending from the World Bank, Georgia and Ukraine began to separate the entities responsible for

TABLE 3-12. OPERATIONS APPROVED DURING FISCAL YEAR 1997, EUROPE AND CENTRAL ASIA

Country/project name	Date of Approval	Maturities	Principal amount (millions) SDR	Principal amount (millions) US$
Armenia				
Highway Project—Supplemental Financing	Jun 25, 1997	2006/2030	11.00	15.00
Enterprise Development Project	Dec 24, 1996	2007/2031	11.60	16.75
Azerbaijan				
Farm Privatization Project	Jan 16, 1997	2007/2031	10.20	14.70
Gas System Rehabilitation Project	Sep 19, 1996	2007/2031	14.10	20.20
Bosnia and Herzegovina				
Emergency Industrial Re-Start Project	Dec 13, 1996	2007/2031	7.00	10.00
Local Initiatives Project	Dec 13, 1996	2007/2031	4.90	7.00
Essential Hospital Services Project	Dec 13, 1996	2007/2031	10.40	15.00
Transition Assistance Credit	Sep 5, 1996	2006/2031	62.40	90.00
Emergency Housing Repair Project	Jul 30, 1996	2006/2031	10.50	15.00
Emergency Electric Power Reconstruction Project	Jul 30, 1996	2006/2031	24.90	35.60
Emergency Public Works and Employment Project	Jul 30, 1996	2006/2031	7.00	10.00
Emergency Landmines Clearance Project	Jul 30, 1996	2006/2031	5.30	7.50
Emergency Demobilization and Reintegration Project	Jul 30, 1996	2006/2031	5.30	7.50
Bulgaria				
Critical Imports Rehabilitation Loan	May 8, 1997	2001/2016	n.a.	40.00
Social Insurance Administration Project	Sep 3, 1996	2001/2016	n.a.	24.30
Rehabilitation Loan	Aug 1, 1996	2001/2016	n.a.	30.00
Croatia				
Enterprise and Financial Sector Adjustment Loan	May 13, 1997	2002/2012	n.a.	95.00
Coastal Forest Reconstruction and Protection Project	Dec 11, 1996	2002/2013	n.a.	42.00
Emergency Transport and Mine Clearing Project	Nov 21, 1996	2002/2012	n.a.	102.00
Georgia				
Power Rehabilitation Project	Jun 3, 1997	2007/2031	37.70	52.30
Oil Institution Building Project	Apr 8, 1997	2007/2032	1.00	1.40
Agricultural Development Project	Mar 25, 1997	2007/2032	10.40	15.00
Hungary				
Quick Start Gas Turbine Project	Jun 25, 1997	2002/2012	n.a.	60.00
Enterprise and Financial Sector Adjustment Loan	Mar 11, 1997	2000/2011	n.a.	225.00
Public Finance Management Project	Dec 5, 1996	2000/2011	n.a.	7.75
Kazakhstan				
Real Estate Registration Pilot Project	Apr 3, 1997	2003/2017	n.a.	10.00
Pilot Water Supply Project	Dec 23, 1996	2002/2017	n.a.	7.00
Treasury Modernization Project	Jul 30, 1996	2001/2016	n.a.	15.80
Uzen Oil Field Rehabilitation Project	Jul 2, 1996	2001/2013	n.a.	109.00
Kyrgyz Republic				
Rural Finance Project	Jun 5, 1997	2007/2032	11.90	16.00
Public Sector Resource Management Adjustment Credit	Apr 16, 1997	2007/2031	32.00	44.00
Latvia				
Welfare Reform Project	May 6, 1997	2001/2012	n.a.	18.10
Highway Project	Mar 27, 1997	2002/2014	n.a.	20.00
Structural Adjustment Loan	Dec 19, 1996	2000/2012	n.a.	60.00
Lithuania				
Social Policy and Community Social Services Development Project	Feb 18, 1997	2002/2014	n.a.	3.70
Structural Adjustment Loan	Oct 15, 1996	2000/2011	n.a.	80.00
Highway Project	Sep 5, 1996	2002/2013	n.a.	19.00
Energy Efficiency/Housing Pilot Project	Jul 11, 1996	2001/2016	n.a.	10.00

Country/project name	Date of Approval	Maturities	Principal amount (millions) SDR	Principal amount (millions) US$
Macedonia, former Yugoslav Republic of				
Structural Adjustment Loan	May 6, 1997	2007/2032	n.a.	30.00
Structural Adjustment Credit	May 6, 1997	2002/2017	20.60	30.00
Moldova				
Second Private Sector Development Project	Jun 10, 1997	2007/2032	6.60	9.00
General Education Project	Apr 22, 1997	2003/2017	n.a.	16.80
Poland				
Port Access and Management Project	Aug 1, 1996	2001/2013	n.a.	67.00
Romania				
Agricultural Sector Adjustment Loan	Jun 3, 1997	2002/2017	n.a.	280.00
Agricultural Sector Adjustment Loan	Jun 3, 1997	2002/2017	n.a.	70.00
Social Protection Adjustment Loan	Jun 3, 1997	2002/2017	n.a.	50.00
Second Roads Project	Jun 3, 1997	2002/2017	n.a.	150.00
Reform of Higher Education and Research Project	Sep 19, 1996	2001/2016	n.a.	50.00
Bucharest Water Supply Project	Aug 1, 1996	2001/2016	n.a.	25.00
Russia				
Social Protection Adjustment Loan	Jun 25, 1997	2003/2014	n.a.	800.00
Structural Adjustment Loan	Jun 5, 1997	2003/2014	n.a.	600.00
Electricity Sector Reform Support Project	Jun 5, 1997	2003/2014	n.a.	40.00
Health Reform Pilot Project	Jun 5, 1997	2003/2014	n.a.	66.00
Education Innovation Project	Jun 5, 1997	2003/2014	n.a.	71.00
Enterprise Restructuring Services Project	Jun 5, 1997	2003/2014	n.a.	85.00
Bureau of Economic Analysis Project	Jun 5, 1997	2003/2012	n.a.	22.60
St. Petersburg Center City Rehabilitation	Mar 27, 1997	2003/2014	n.a.	31.00
Slovenia				
Investment Recovery Project	Jul 25, 1996	2001/2011	n.a.	49.30
Tajikistan				
Pilot Poverty Alleviation Project	Apr 10, 1997	2007/2037	8.70	12.00
Agricultural Recovery and Social Protection Project	Sep 12, 1996	2007/2036	34.80	50.00
Turkey				
Primary Health Care Services Project	Jun 24, 1997	2001/2012	n.a.	14.50
Baku-Ceyhan Oil Export Pipeline Technical Assistance Project	Sep 12, 1996	2000/2005	n.a.	5.00
Turkmenistan				
Urban Transport Project	May 27, 1997	2002/2017	n.a.	34.20
Water Supply and Sanitation Project	May 27, 1997	2002/2017	n.a.	30.30
Ukraine				
Coal Sector Adjustment Loan	Dec 11, 1996	2002/2013	n.a.	300.00
Export Development Project	Nov 21, 1996	2002/2013	n.a.	70.00
Agriculture Sector Adjustment Loan	Oct 17, 1996	2002/2013	n.a.	300.00
Electricity Market Development Project	Oct 10, 1996	2002/2013	n.a.	317.00
Social Protection Support Project	Sep 19, 1996	2002/2013	n.a.	2.60
Uzbekistan				
Pilot Water Supply Engineering Project	Sep 12, 1996	2002/2016	n.a.	5.00
Total			348.30	5,054.90

n.a. = not applicable (IBRD loan).

Pension reform has moved into the mainstream of public sector reform in Central and Eastern Europe.

electricity generation, transmission, and distribution in fiscal 1997, thus opening the way for privatizing their power industries. Partnership between the Bank and other multilateral and bilateral donors was particularly important in helping the Ukrainian authorities manage a large volume of technical assistance for energy reform. Parallel to institutional changes, governments are restoring the financial viability of their power industries by cutting off delinquent customers, increasing payment discipline among budgetary entities, and discouraging barter arrangements. In Azerbaijan, the Bank supported more efficient use of gas by upgrading meters and rehabilitating pipelines. And it helped Kazakhstan to restructure and privatize old oil fields.

Safety nets are key

Strengthening social safety nets continues to be a high Bank priority, particularly in the CIS countries. Sharp declines in recorded wage bills, and hence payroll taxes, resulted in a severe erosion of cash benefits, such as pensions, unemployment benefits, and child allowances. In Russia, a social sector adjustment operation supports better targeting of social benefits and transferring federal funds to regional budgets on a matching grant basis. The Bank is supporting innovations in generating income and creating assets for the poor through loans for social investment funds. Since NGOs can be an innovative and effective force in implementing social investment fund projects, the Bank is supporting them and in some cases—notably in the Tajikistan Pilot Poverty Alleviation Project—is contracting NGOs as implementing agencies.

Providing support for those adversely affected by enterprise restructuring is an important function of social safety nets. In fiscal 1997, the Bank helped the Ukrainian authorities mitigate the social impact of coal sector restructuring by supporting severance pay, worker redeployment, and divestiture of enterprise social assets (such as housing, health facilities, and kindergartens) to municipalities.

Robust and transparent intergovernmental finance systems are required to ensure that basic social services are delivered. Historically, revenue sharing in most CIS countries has been based on annual budget negotiations, which are nontransparent and create uncertainty about ultimate resource levels. But with the support

of an IDA adjustment credit, Kyrgyz Republic has adopted a system that allocates resources—using a transparent revenue-sharing arrangement—and dedicates resources for providing minimum health and education services. Ensuring that local governments have the institutional and financial capacity to provide basic social services is a key component of the health reform pilot project in Russia.

Environmental cleanup and protection high on the CIS agenda

Stemming environmental degradation in the CIS remains a difficult task in view of limited domestic resources. The Bank has supported efforts to tackle this issue by helping governments to develop national environmental action plans (NEAPs), which emphasize sustainable policy changes and further institution building. In fiscal 1997, the NEAP for Kazakhstan was completed, adding to twelve NEAPs delivered previously: those for Armenia, Azerbaijan, Georgia, and Uzbekistan will be completed in fiscal 1998. Progress was also made in addressing global environmental issues. In Russia, the Bank and the Global Environment Fund (GEF) are establishing an ozone-depleting substance (ODS) phaseout trust fund that will be financed by bilateral donors. In Russia a greenhouse gas reduction project attracted donor cofinancing, and the Biodiversity Conservation Project achieved strong local ownership. Bank support of international programs to clean up the Aral Sea, Baltic Sea, Black Sea, Caspian Sea, and the Danube River continued. To enhance the role of NGOs in the design and impact of environmental projects, the Bank cosponsored an international workshop of NGOs in May in Budapest.

Reconstruction after conflict remains a major Bank activity

Emergency reconstruction from the devastating war in the Balkans remained a major objective of Bank support to Bosnia and Herzegovina, although at the request of the international community, the Bank and the EU took a lead coordinating role in beginning to move the focus toward sustainable recovery as the year progressed. Bank operations helped rehabilitate damaged infrastructure, clear land mines, repair houses and hospitals, create jobs, reintegrate demobilized soldiers, and create government institutions. In close coordination with other donors, the Bank is preparing a postcrisis recovery program for Albania that will serve as a basis for initiating a dialogue with a new government.

Portfolio management

The ECA portfolio has grown rapidly in recent years, doubling between fiscal 1992 and fiscal 1997, with a total of 270 operations under supervision during fiscal 1997—almost half of which are in the new borrowing countries of the CIS. This rapid increase in lending to countries with little or no previous experience in borrowing from the Bank resulted in unexpected delays in project execution, particularly in formalizing legal agreements, completing procurement procedures, and processing disbursements. To resolve these problems, Country Portfolio Performance Reviews (CPPRs) were initiated with new borrowers, starting with Russia in mid-fiscal 1996 and during fiscal 1997 with Armenia, Romania, and Russia, as well as a multicountry review held in Istanbul in which all Central Asia countries participated. These reviews have had considerable impact, yielding clear improvements in the portfolio. The Russian example, where visits by the Bank's top management have played a pivotal role, is illustrative: the Russian portfolio is now the largest in ECA, disbursements to Russia have tripled, and the percentage of unsatisfactory projects has been reduced. EDI's Moscow team also helped assess the role of training in Russia's portfolio improvement and prepared a training action plan for each project and for the overall portfolio.

These reviews have also highlighted the need for increased training in Bank procurement and disbursement processes—subsequently provided, in most cases, through resident missions—and the need to move more authority to field offices (four of the eleven ECA directors will be moved to the field during fiscal 1998).

LATIN AMERICA AND THE CARIBBEAN

Having successfully contained the financial repercussions of the 1994–95 Mexican peso crisis, the Latin America and Caribbean (LAC) region still faces continuing development challenges, including serious poverty, inequality, and unemployment. To help its clients meet those challenges, the World Bank Group especially focused on supporting national and regional economic reform efforts, financial sector restructuring, and human development through lending and nonlending instruments and through stronger partnerships. To help improve the effectiveness of its own operations, the regional office began a broad-ranging modernization effort geared to helping staff work more closely with clients, more quickly react to requests for assistance, and enhance technical skills.

Stronger growth in Latin America in 1996 reflected resumed positive growth in Mexico and Argentina (at 5.1 percent and 4.4 percent, respectively). Both countries managed to rebound from the 1994–95 crisis with restored growth and access to international capital. Uruguay also enjoyed growth of 4.9 percent after a decline the previous year. This reflected strong policy responses as well as strengthened economic fundamentals resulting from earlier reforms. In Chile, one of the earliest and most consistent reformers in the region, growth performance remained strong at 7.1 percent, but in many other countries, including Brazil, the region's biggest economy, growth slowed (*see figure 3-8*). Inflation continued to decline while net long-term private capital flows gained ground, with an estimated $74 billion of investments, of which $26 billion was in the form of foreign direct investment.

In the Caribbean, 1996 saw newly elected governments in the Dominican Republic, Haiti, and Suriname. The Dominican Republic and Guyana began to recover from recession and grew at more than 5 percent, but in Haiti and Jamaica, which still await the dividends from politically difficult reform programs, growth was close to zero. Stronger links to the North American Free Trade Agreement (NAFTA) and other regional trade groups, which will substitute for preferential trade programs, have not yet materialized. Prices for Caribbean bananas, which are a major merchandise export for several countries, have eroded significantly under evolving rules for preferential access to the European Union (EU).

With the exception of Bolivia, economic growth in the Andean countries was sluggish. The poorest performer was Venezuela where, in response to a combined economic and financial crisis, GDP declined by 1.6 percent and inflation topped 100 percent; in early 1997, however, stronger oil prices contributed to an incipient recovery in growth. Bolivia's sound macroeconomic management and accelerated structural reforms led to real GDP growth of about 4 percent. Peru's tight fiscal policy resulted in a sharp slowdown in growth from the previous year.

With the exception of 1995, GDP growth in the typical Latin American country this decade has ranged between 3 percent and 4 percent per year—insufficient to permit sustained progress on poverty reduction. About a quarter of the region's people live on less than a dollar a day. To overcome this magnitude of poverty and achieve sustainable development, governments must consolidate stabilization; achieve higher and less volatile growth; ensure that growth is environmentally, economically, and socially sustainable; and more effectively involve the poor in the growth process.

Analysis undertaken within the World Bank and elsewhere suggests that LAC countries that have undertaken serious reform have enjoyed an average 2 percent higher per capita income growth in the 1990s than those that have not. It is encouraging, therefore, that over the last year, a number of countries, including Argentina, Brazil, El Salvador, Mexico, and Peru, have shown deep commitment to reform.

To achieve higher, less volatile growth, governments must preserve the earlier gains made on price stability, fiscal balance, and trade openness. In addition, they need to pay attention to five critical policy areas:

- improving human and social development;

• strengthening public finances;
• reforming and strengthening financial markets;
• improving legal and regulatory environments to promote private sector activity
• reforming the public sector and improving governance.

It is against this backdrop that the Bank's assistance strategy for fiscal 1997 was set.

World Bank loans and International Development Association (IDA) credits approved by the executive directors in fiscal 1997 totaled $4,562 million—compared to $4,437 million in fiscal 1996. Table 3-13 shows the sectoral distribution of lending to the region for the 1988–97 period. Table 3-14 compares commitments, disbursements and net transfers to the region for fiscal years 1992–97, and table 3-15 shows operations in the LAC region approved by the Executive Board during fiscal 1997 by country. Fifty-two operations were approved, compared to fifty-four in fiscal 1996. In addition to Bank and IDA operations, the Bank's private sector affiliate, the International Finance Corporation (IFC), invested in fifty-seven operations during the year for a total of $2,762 million, compared to the sixty-eight investments totaling $3,628 million in fiscal 1996. The Multilateral Investment Guarantee Agency (MIGA) issued twenty-six guarantee contracts in nine countries in the region for about $365 million in coverage. These guarantees facilitated investments in the financial, manufacturing, mining, telecommunications and tourism sectors.

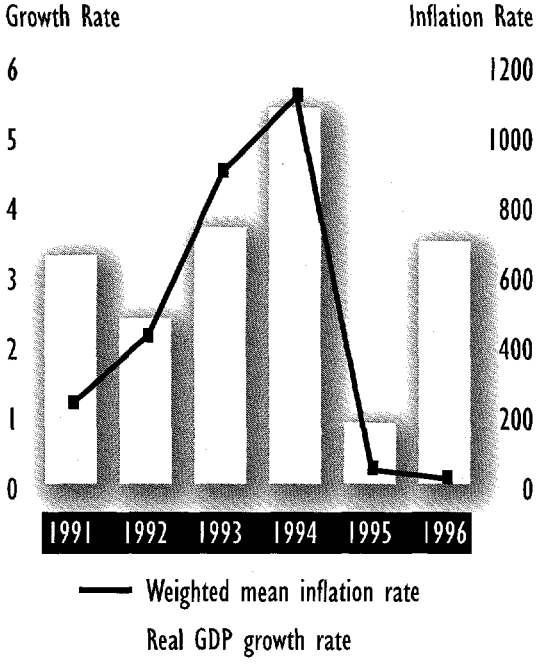
Improving human and social development

Attention to the region's human and social development has increased in recent years, partly because the dividends from an outward-oriented development strategy depend increasingly on the quality of human resources but also because unequal access to education and health services is a powerful determinant of inequality and poverty.

Surveys indicate the quality of education in LAC is low at all levels; there is also a high degree of inequality of educational opportunity in terms of both access and quality. In addition, the region's middle-income countries, such as Brazil, are confronting some of the same difficult issues facing the countries of the Organisation for Economic Co-operation and Development (OECD), including managing the school-to-work transition, keeping up with changing technology, and improving school management. The Bank is supporting improvements in the quality and accessibility of education.

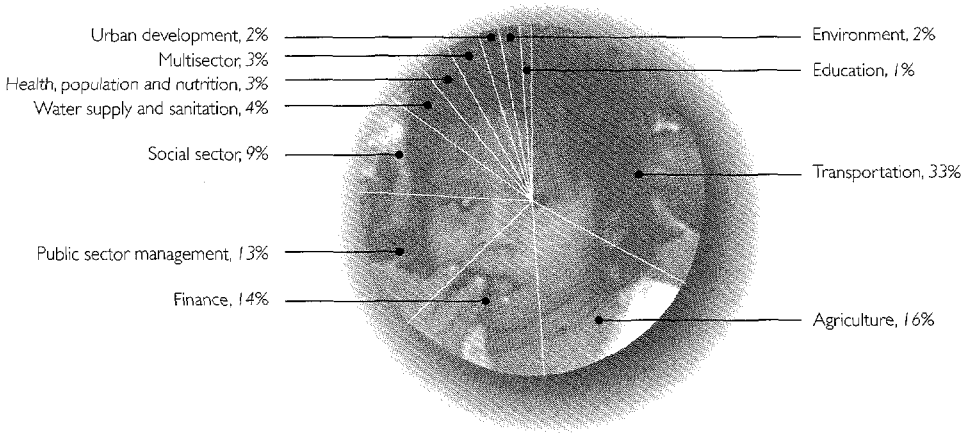
About 100 million people in the region do not have regular access to a formal health care system. The Bank is helping strengthen health care delivery systems so they can provide cost-effective, efficient, and quality preventive and curative health services and is helping ensure that health services are financially sustainable. A new role for the Bank is helping governments to redefine their role in the sector—that is, to diminish the role of providing direct services while creating a "friendly environment" for nongovernmental involvement and increased competition among service providers.

FIGURE 3-8
Latin America and Caribbean GDP Growth Rate and Inflation Rate, Fiscal 1991–96
(percent)



Source: World Bank and IMF.

FIGURE 3-9 Latin America and the Caribbean: IBRD and IDA Commitments by Sector, Fiscal Year 1997



Strengthening public finances

Fiscal strength and stability are more important today than ever before because economies are more open and are increasingly dependent on market-driven, private capital flows. Well-managed public finances also facilitate increased domestic savings and allow governments to invest in those elements of infrastructure and human development in which the private sector will not.

Colombia has recently established stabilization arrangements to smooth the impact of oil-related financial flows on public finances and the domestic economy. The Bank has encouraged Ecuador and Venezuela to consider such schemes and has discussed them with Suriname and Trinidad and Tobago. In Guatemala the Bank undertook a public investment review in close collaboration with the government; the Bank is also playing a central role in supporting implementation of the country's peace accords (*see box 3-5*).

Fiscal imbalances at the provincial or state levels can quickly spread to the national level. This often occurs through loans made by public banks to insolvent local entities or through bonds issued by these entities, which the national treasury is later forced to redeem. Where subnational governments have been interested in reform, such as in some Brazilian states and Argentine provinces, the World Bank (often in collaboration with the Inter-American Development Bank—IDB) has helped to design programs to manage revenue and expenditure better, privatize public enterprises, reform the civil service, and reorganize debt obligations.

To cushion the impact of cutbacks in the public sector in the Argentine provinces of Cordoba and Tucuman, the Bank and IFC joined forces to help create an environment conducive to private sector development. Following up on a joint IFC-Bank study of the Tucuman Province, IFC is providing a $30 million credit line to Banco Roberts for onlending to companies in the northern provinces of Argentina. In addition, IFC is providing a $10 million subordinated convertible loan to Banco del Suquia to enable this regional bank to further develop its business in Cordoba and surrounding provinces. And in Mexico, following joint IDB, IFC, and World Bank analysis of the southern states, the IFC created the Fondo Chiapas to provide risk capital to support small and medium-size enterprises.

Reforming social security systems helps countries maintain long-term fiscal sustainability. Increased reliance on private funding of social security reduces governments' long-term liabilities, while a strong fiscal position facilitates the transition to private management. In fiscal 1997 the Bank supported Mexican social security reform; aided Peru in undertaking initial reforms of its system; and helped the Argentine authorities transfer provincial social security obligations to a national system.

Reforming financial markets

The legacy of recent years has made Latin American countries only too aware of the importance of sound financial markets—not only for maintaining economic stability and efficient resource allocation but also for attracting and managing cross-border capital flows. Macroeconomic instability weakens financial systems, particularly banking systems, especially where supervision and regulation are poor. Since weak banking systems in turn make economies vulnerable to shocks, it is important to address these vulnerabilities quickly.

Argentina, Mexico, and Venezuela were among countries facing such difficulties in 1995 and 1996. The Bank, together with the IDB, helped the Argentine and Mexican governments address weaknesses and restore confidence in their financial systems. In Argentina, the ongoing Provincial Bank Privatization Loan and the Banking Sector Reform Loan helped consolidate the banking system, with fourteen provincial bank privatizations completed or under way and seventeen private bank consolidation transactions concluded. In Mexico an earlier loan to restructure the financial system was fully disbursed in fiscal 1997, and Bank support continued through ongoing technical assistance

TABLE 3-13. LENDING TO BORROWERS IN LATIN AMERICA AND THE CARIBBEAN, BY SECTOR, FISCAL YEARS 1988–97

(millions of US dollars)

Sector	Annual average, FY88–92	FY93	FY94	FY95	FY96	FY97
Agriculture	759.5	390.0	363.9	440.3	226.3	730.6
Education	289.7	548.7	1,083.3	747.1	493.1	61.5
Electric power	419.8	345.1	—	161.5	465.4	—
Environment	149.8	16.3	501.0	103.9	301.5	86.5
Finance	515.8	525.0	604.5	1,909.5	11.9	630.2
Health, population and nutrition	182.0	329.0	331.0	94.6	1,086.4	136.8
Industry	565.9	—	—	—	8.0	—
Mining	50.0	250.0	14.0	—	41.0	—
Multisector	937.0	918.1	122.2	328.6	110.9	132.1
Oil and gas	86.5	11.8	—	11.0	10.6	—
Public sector management	292.2	443.0	58.3	596.4	666.4	584.0
Social sector	19.8	85.0	130.0	500.0	262.0	405.0
Telecommunications	13.4	—	—	—	—	—
Transportation	515.8	1,697.5	595.0	371.0	530.0	1,496.0
Urban development	535.1	170.0	422.0	575.0	20.0	100.0
Water supply and sanitation	261.5	439.0	521.5	221.5	204.0	200.0
Total	5,593.8	6,168.5	4,746.7	6,060.4	4,437.5	4,562.7
Of which: IBRD	5,381.2	5,851.8	4,434.5	5,715.2	4,047.2	4,437.5
IDA	212.6	316.7	312.2	345.2	390.3	125.2

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

for establishing an incentive framework for financial intermediaries, strengthening banking supervision and regulation, and improving legal and regulatory infrastructure for credit and capital market transactions.

Improving the legal and regulatory environment

To facilitate private sector development, as well as to safeguard consumer interests, the Bank is helping several countries establish clear, impartial legal and regulatory environments with predictable enforcement. It is helping Guatemala prepare selected infrastructure sectors for privatization and concessioning through a technical assistance project that includes support to prepare legislation and strengthen regulatory agencies. A technical assistance loan to Colombia is also supporting regulatory reform. El Salvador's overall competitive posture is being revised through the ongoing Competitiveness Enhancement Technical Assistance Project, and during the 1996 Annual Meetings a special country seminar on El Salvador's competitiveness program was widely attended by potential investors. The IFC is also playing a key role in supporting the competitiveness program through its Extended Reach Initiative program. IFC's field presence in the country is forging deeper links with private firms, and a separate financing facility, the Small Enterprise Fund, has been established. The competitiveness strategy is also being supported by the Foreign Investment Advisory Service (FIAS) and MIGA through investment promotion and information dissemination services. FIAS is also a partner in the Bank-financed Trinidad and Tobago Business Expansion and Industrial Restructuring Project, where it is providing advice on investment regime reforms. In Brazil the Bank undertook a study of the elements of "Custo Brazil," the various financial, regulatory, and infrastructure costs that have impaired Brazilian producers' competitiveness.

Governance and public sector modernization

To be sustainable, reforms depend on efficient, modern states, professionally staffed and focused on policy formulation and evaluation. A large Bank program is helping to sustain reforms through modernizing public sectors and improving governance. In fiscal 1997, eight loans totaling $600 million supported public sector management and modernization (including three loans totaling $420 million to support pension reform); these included loans to El Salvador,

TABLE 3-14. WORLD BANK COMMITMENTS, DISBURSEMENTS, AND NET TRANSFERS IN LATIN AMERICA AND THE CARIBBEAN, FISCAL YEARS 1992–97

(millions of US dollars)

	Argentina			Brazil			Mexico			Total region		
Item	start 1997	1997	1992–97[a]	start 1997	1997	1992–97[a]	start 1997	1997	1992–97[a]	start 1997	1997	1992–97[a]
Undisbursed commitments	3,152			4,236			3,893			17,431		
Commitments		1,480	7,355		993	5,173		960	8,047		4,563	31,637
Gross disbursements		1,127	4,795		1,560	5,133		943	7,246		5,018	25,692
Repayments		295	2,003		1,099	7,575		1,363	7,018		4,193	26,692
Net disbursements		831	2,793		461	-2,442		-421	228		825	-1,000
Interest and charges		326	1,635		351	3,114		803	5,404		2,198	16,235
Net transfer		505	1,158		110	-5,556		-1,224	-5,176		-1,373	-17,235

NOTE: The countries shown in the table are those with the largest borrowings of Bank funds during fiscal 1996–97. Details may not add to totals because of rounding.

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

BOX 3-5. SUPPORTING PEACE IN GUATEMALA

The final peace accord signed in Guatemala on December 29, 1996, saw all of Central America finally free of civil strife and under democratically elected governments. The region's priority battle now is against poverty, which affects about half the population. Bank strategies focus on improving social infrastructure and services by modernizing the public sector; promoting increased reliance on community-based project management; strengthening basic education; removing constraints to rural growth, such as restricted access to small-scale credit; and continuing structural reforms to enhance competitiveness. The Central America Department was established by the Bank early in fiscal 1997 to support this important agenda; and to maintain a strong working transition to sustained peace, a resident mission has been established in Guatemala City.

Guatemala's poor are overwhelmingly indigenous people, those living in rural areas, and women. The peace accord recognized this and committed the government to rapidly improve poor people's access to social services and community infrastructure while recognizing and nurturing the nation's linguistic, ethnic, and cultural diversity. To ensure commitments are met efficiently, the accord stressed the need for greater consultation with communities and NGOs *as well as including them in the implementation of new programs. To facilitate this, a meeting was held with 200 Mayan elders from twenty-one groups, Xinca people, and Bank staff in December 1996.*

While the Bank is supporting many of Guatemala's programs, the government also needs to collect greater revenues to finance the peace program. At less than 8 percent of GDP, *revenue collection is historically among the lowest in Latin America. A Bank loan to support the government's tax and customs law reform is under preparation. It will make tax evasion a criminal offense and set up a modern tax administration. These important initiatives, which will provide funding for the social commitments of the peace accord, are also part of the government's bold anticorruption initiative.*

Honduras, and Jamaica. In addition, two loans to Brazil are supporting reform at the state level. The Colombian national evaluation system for assessing public sector performance was reviewed, drawing on New Zealand and Australia's experience of civil service reform. An important goal for countries modernizing their public sectors is reducing opportunities for corruption. Many of the market-oriented reforms undertaken over the last decade have reduced the scope for discretionary economic action and therefore for corruption. Though not containing explicit anticorruption objectives, nearly all of the Bank-financed public sector reform loans in fiscal 1997 contain anticorruption objectives. An Economic Development Institute (EDI) seminar on governance and public sector management in El Salvador focused on methods of improving service delivery, increasing accountability and transparency, and promoting more regular communication between governments and stakeholders.

Improving operations

A major focus in fiscal 1997 was to improve the quality and effectiveness of Bank operations through greater attention to portfolio management and encouraging greater participation in, and sharpening client focus on, new projects.

Portfolio management. Improving portfolio performance remains a major priority in the LAC region. Issues that negatively affect project implementation include lack of availability of counterpart funds; weak project management; delays in procurement for procedural reasons; slow legislative action; and difficulties in adapting project designs to reflect decentralized powers in federal systems. To address these weaknesses, an increased share of the Bank's administrative budget is being allocated to portfolio management, while resident missions are playing an increasing role and discussions of portfolio issues are taking place at a senior level.

In some cases, joint Bank-government commissions have been set up to address portfolio issues. In Brazil, an open and intense process led to an historic opportunity to effect portfolio-wide change. The final report of the respective

TABLE 3-15. OPERATIONS APPROVED DURING FISCAL YEAR 1997, LATIN AMERICA AND THE CARIBBEAN

Country/project name	Date of Approval	Maturities	Principal amount (millions) SDR	Principal amount (millions) US$
Argentina				
Second Social Protection Project	Jun 20, 1997	2003/2012	n.a.	200.00
AIDS and Sexually Transmitted Diseases Control Project	May 22, 1997	2002/2012	n.a.	15.00
Buenos Aires Urban Transport Project	May 15, 1997	2002/2012	n.a.	200.00
Second Maternal and Child Health and Nutrition Project	May 15, 1997	2003/2012	n.a.	100.00
Provincial Agricultural Development Project	Apr 22, 1997	2002/2012	n.a.	125.00
National Pension Administration Technical Assistance Project	Jan 21, 1997	2002/2012	n.a.	20.00
Provincial Pension Reform Adjustment Loan	Dec 11, 1996	2002/2012	n.a.	300.00
Flood Protection Project	Dec 11, 1996	2002/2012	n.a.	200.00
Provincial Roads Project	Sep 12, 1996	2002/2011	n.a.	300.00
Native Forests and Protected Areas Project	Sep 5, 1996	2002/2011	n.a.	19.50
Belize				
Social Investment Fund Project	Mar 18, 1997	2002/2014	n.a.	7.00
Bolivia				
Capitalization Program Adjustment Credit	Nov 14, 1996	2005/2035	3.80	5.40
Brazil				
Federal Highway Rehabilitation and Decentralization Project	Jun 12, 1997	2002/2012	n.a.	300.00
Mato Grosso State Privatization Project	Jun 12, 1997	2001/2012	n.a.	45.00
Water Resources Management Pilot Project—State of Ceara	Jun 12, 1997	2001/2012	n.a.	9.60
Agricultural Technology Development Project	May 22, 1997	2002/2012	n.a.	60.00
Rio Grande do Sul State Highway Management Project	May 15, 1997	2001/2012	n.a.	70.00
Land Reform and Poverty Alleviation Pilot Project	Apr 22, 1997	2000/2012	n.a.	90.00
Natural Resources Management and Rural Poverty Alleviation Project	Apr 22, 1997	2000/2012	n.a.	100.00
Rio Grande do Sul State Reform Project	Mar 4, 1997	2000/2012	n.a.	125.00
Bahia Municipal Infrastructure Development and Management Project	Mar 4, 1997	2000/2012	n.a.	100.00
Northeast Rural Poverty Alleviation Project—Rio Grande do Norte	Dec 12, 1996	2002/2011	n.a.	24.00
Northeast Rural Poverty Alleviation Project—Piaui	Dec 12, 1996	2002/2011	n.a.	30.00
Northeast Rural Poverty Alleviation Project—Pernambuco	Dec 12, 1996	2002/2011	n.a.	39.00
Colombia				
Financial Markets Development Project	Jun 20, 1997	2001/2012	n.a.	15.00
Regulatory Reform Technical Assistance Project	Feb 25, 1997	2000/2012	n.a.	12.50
Dominican Republic				
National Highway Project	Dec 19, 1996	2000/2012	n.a.	75.00
Ecuador				
Agricultural Research Project	Jul 25, 1996	2003/2017	n.a.	21.00
Judicial Reform Project	Jul 18, 1996	2002/2016	n.a.	10.70
El Salvador				
Public Sector Modernization Technical Assistance Loan	Sep 3, 1996	2002/2013	n.a.	24.00

commission emphasizes the need for more efficient procedures, stronger dialogue on country assistance strategy, and new forms of assistance to meet the needs of a changed environment. The report recommends dividing projects into successive multistage phases; preparing "envelope programs" in which a framework for assistance is approved and in which several projects are developed to suit different state borrowers; decentralizing project implementation in line with location advantage; and simplifying both Bank and borrower procedures.

Country/project name	Date of Approval	Maturities	Principal amount (millions) SDR	Principal amount (millions) US$
Guatemala				
Basic Education Reform Project	May 20, 1997	2001/2012	n.a.	33.00
Private Participation in Infrastructure Technical Assistance Loan	Apr 22, 1997	2000/2012	n.a.	13.00
Guyana				
Private Sector Development Adjustment Credit	Nov 14, 1996	2005/2035	1.50	2.20
Haiti				
Second Technical Assistance Project	Sep 17, 1996	2006/2036	8.30	12.00
Forest and Parks Protection Technical Assistance Project	Sep 17, 1996	2007/2036	15.00	21.50
Honduras				
Rural Land Management Project	Mar 20, 1997	2007/2037	23.50	34.00
Public Sector Modernization Structural Adjustment Credit	Nov 14, 1996	2006/2035	14.00	20.10
Jamaica				
Social Investment Fund Project	Sep 5, 1996	2002/2013	n.a.	20.00
Public Sector Modernization Project	Sep 3, 1996	2002/2013	n.a.	28.40
Student Loan Project	Jul 25, 1996	2002/2013	n.a.	28.50
Mexico				
Federal Roads Modernization Project	Jun 25, 1997	2002/2012	n.a.	475.00
Aquaculture Development Project	May 1, 1997	2001/2012	n.a.	40.00
Community Forestry Project	Feb 18, 1997	2002/2012	n.a.	15.00
Contractual Savings Development Program	Dec 17, 1996	2000/2008	n.a.	400.00
Rural Finance Technical Assistance and Pilot Project	Oct 10, 1996	2000/2012	n.a.	30.00
Nicaragua				
Rural Municipalities Project	Sep 12, 1996	2006/2036	20.90	30.00
Panama				
Social Investment Fund Project	Jun 17, 1997	2003/2014	n.a.	28.00
Rural Poverty and Natural Resources Project	May 8, 1997	2002/2014	n.a.	22.50
Paraguay				
Maternal Health and Child Development Project	Sep 5, 1996	2000/2011	n.a.	10.90
Maternal Health and Child Development Project	Sep 5, 1996	2000/2013	n.a.	10.90
Peru				
Debt and Debt Service Reduction Loan	Feb 11, 1997	2002/2014	n.a.	183.00
Pension Reform Adjustment Loan	Feb 11, 1997	2002/2014	n.a.	100.00
Sierra Natural Resources Management and Poverty Alleviation Project	Jan 16, 1997	2001/2014	n.a.	51.00
Irrigation Subsector Project	Jul 25, 1996	2001/2013	n.a.	85.00
Second Social Development and Compensation Fund Project	Jul 16, 1996	2002/2013	n.a.	150.00
Uruguay				
Forest Products Transport Project	Jun 25, 1997	2002/2012	n.a.	76.00
Total			87.00	4,562.70

n.a. = not applicable (IBRD loan).

Greater participation. Facilitating greater participation in projects is one of the Bank's guiding principles. The LAC region's resident missions in Argentina, Bolivia, Brazil, Colombia, Costa Rica, Ecuador, Jamaica, Mexico, Peru, and Venezuela have NGO coordinators on staff whose roles are to ensure that local and community concerns are incorporated into programs and projects. In Central America and the Andean countries, where indigenous peoples represent significant percentages of the population, the Bank has extended Institutional

The Bank is supporting implementation of Guatemala's peace accords.

Development Fund grants to help eleven indigenous NGOs in nine countries strengthen their capacity to define their own development needs.

Partnerships. To take advantage of the special skills and expertise of others, the Bank began working with the IDB and the Pan American Health Organization (PAHO) on a pilot program to address serious emerging issues related to rapid urbanization—problems of at-risk youth, urban poverty, and crime and violence. These concerns also were discussed at length at the second Annual Bank Conference for Development Economics for Latin America and the Caribbean.[8] EDI was a partner in organizing this conference, which brought together policymakers, private sector participants, and leading academics to focus on international economic integration and commerce.

Another partnership is helping secure better, more accurate statistics crucial to improving the design and monitoring of poverty reduction programs. The Bank joined forces with the IDB and the United Nations Economic Commission for Latin America and the Caribbean (ECLAC) in a multiyear regional and country program to help national statistical offices improve the collection and interpretation of national living-condition surveys. The first four countries to participate in this project are Argentina, El Salvador, Paraguay, and Peru; additional countries under consideration are the Dominican Republic and Haiti.

An innovative environment project that supports the Mesoamerican Biological Corridor exemplifies the strength of working with partners. Here the Bank and the Global Environment Facility (GEF) are working to help conserve Central

8. Jointly sponsored with the government of Colombia and the University of the Andes and held in Bogota in July 1996.

America's biodiversity through projects in Honduras, Nicaragua, and Panama. They are also contributing to a joint initiative of the seven countries in Central America to ensure that a mosaic of natural habitats extending from southern Mexico to Colombia is conserved and that the critical natural link between the continental masses of North America and South America is maintained. This biological link is important to sustain not only Central America's biological processes but also those of North and South America.

Increasing client focus. Consistent with the Bankwide renewal effort, the Latin America and Caribbean regional office is improving its business processes to focus more closely on client needs, strengthen accountability and delegation, improve cost effectiveness, simplify procedures, and enhance professional standards. A range of alternative models was tested and evaluated, based on which an overall design for regionwide renewal was prepared. Consequently, country assistance strategy and client relationships will, as of July 1, 1997, be managed by seven country-management units, which in turn will contract with four regionwide sector departments to deliver most operational products. The Mexico country-management unit is already managed from the field, and others are also expected to be devolved.

MIDDLE EAST AND NORTH AFRICA

Countries in the Middle East and North African region experienced significant economic growth and stability for the second year in a row. The Bank's assistance strategy in fiscal 1997 centered on supporting countries as they built on earlier reform efforts—especially those that promote rapid private sector–led growth (with IFC and MIGA also playing significant roles); encourage human capital development and help to ensure that the fruits of growth are widely shared; and support environmentally sustainable growth. New and innovative products and instruments—including a World Bank guarantee—have been key to meeting changing clients needs in the region. And efforts to improve and speed up lending processes, reduce problem projects by intensified portfolio management, and work more closely with clients and local people have been central elements. In the West Bank and Gaza, the Bank's support through the Trust Fund for Gaza and the West Bank is expanding and moving from a concentration on emergency assistance to promoting private sector–led growth and development.

After a long period of slow growth, most economies in the Middle East and North Africa (MENA) region in which the Bank has current operations[9] recorded significant improvements in gross domestic product (GDP) for the second year in a row. Growth estimates for 1996 ranged from a high of nearly 12 percent in Morocco, nearly 7 percent in Tunisia, 4–5 percent in Egypt, Iran,[10] Jordan, and Lebanon, and 3–4 percent in Algeria and Yemen. Only the West Bank and Gaza, where economic performance continues to be bound up with progress on the Middle East peace process, was unable to share in the brightening picture—growth during 1996 was marginally negative.

The improvement in growth prospects reflects a payoff from the determined efforts by the countries of the region to secure and maintain macroeconomic stability and to undertake fundamental programs of economic reform. The depth and pace of progress in individual cases reflect specific country conditions, but there is now a broad consensus among the Bank's active borrowers on the need to open up economies to the outside world and create market-friendly domestic policy and operational environments in which the private sector is increasingly the engine of growth.

Rapid private sector–led growth is at the core of the Bank's strategy for the region, along with two other critical factors—support for human capital development and programs to ensure that the fruits of growth are widely shared throughout society; and support for environmentally responsible growth to ensure that development is sustainable. Both lending and nonlending services during fiscal 1997 reflect these priorities within the framework of country-specific needs. The fiscal year's operations also reflect a broadening product mix, renewed efforts to enhance responsiveness to clients, and closer partnerships with counterparts at the grassroots. Capacity building was supported by the Economic Development Institute (EDI), which organized the Mediterranean Development Forum in May 1997 in Marrakech, Morocco. Policymakers, parliamentarians, NGOs, academics, and journalists from around the world came together to participate in more than a dozen learning programs on regional development issues ranging from unleashing the economic potential of the rural poor to managing reform.

World Bank loans and International Development Association (IDA) credits (including financing on IDA terms provided from the Trust Fund for Gaza and the West Bank) approved by the executive directors in fiscal 1997 totaled $998.3 million. Table 3-16 shows the sectoral distribution of lending to the region for the 1988–97 period. Table 3-17 compares commitments, disbursements and net transfers to the region for fiscal years 1992–97, and table 3-18

9. Algeria, Egypt, Iran, Jordan, Lebanon, Morocco, Tunisia, the West Bank and Gaza, and Yemen.

10. Source: Islamic Republic of Iran government estimates.

shows IBRD and IDA-funded operations in the MENA region approved by the Executive Board during fiscal 1997 by country. The number of operations approved rose to a historic high of twenty-four compared with a 1994–96 average of seventeen, largely reflecting a sharp upswing in the West Bank and Gaza program (*see box 3-6*). In addition to Bank and IDA operations, the Bank's private sector affiliate, the International Finance Corporation (IFC), invested in twenty-five operations in MENA countries during the year. IFC financing totaled $420 million, an increase over the eighteen investments totaling $288 million in fiscal 1996. Meanwhile, the Multilateral Investment Guarantee Agency (MIGA) issued seven guarantee contracts for investments in Algeria, Bahrain, Egypt and Saudi Arabia totaling $23 million in issued coverage and facilitating more than $250 million in foreign investment. Both IFC and MIGA provided technical advice to support private sector and financial market-development and investment-promotion activities in MENA countries.

While individual country circumstances vary, the prospects for achieving and maintaining a regional average annual rate of growth on the order of 5–6 percent now look brighter than they have at any time over the past decade. But turning these prospects into reality will require continuing work on a substantial unfinished

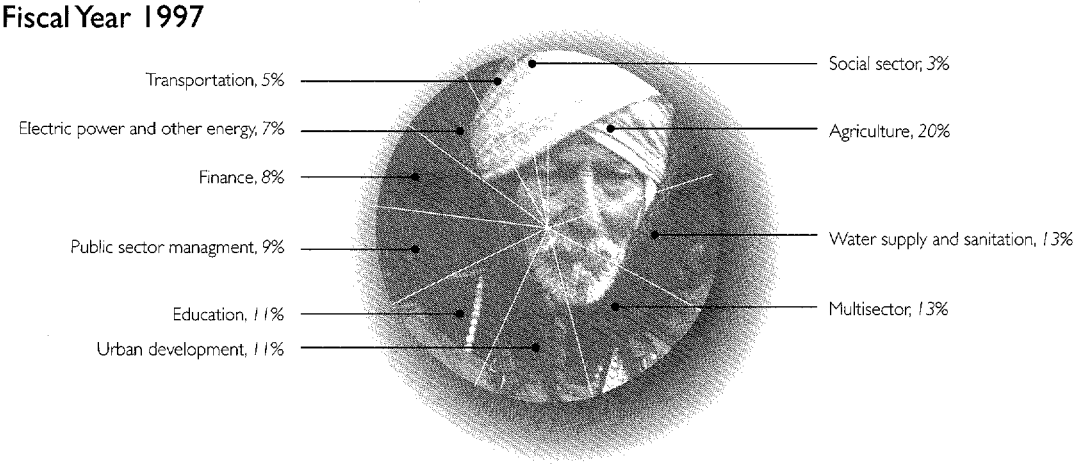
TABLE 3-16. LENDING TO BORROWERS IN MIDDLE EAST AND NORTH AFRICA, BY SECTOR, FISCAL YEARS 1988–97

(millions of US dollars)

Sector	Annual average, FY88–92	FY93	FY94	FY95	FY96	FY97
Agriculture	283.6	463.0	574.2	231.6	100.0	176.5
Education	138.4	115.2	33.0	158.3	138.3	98.0
Electric power and other energy	152.9	165.0	80.0	—	—	65.0
Environment	—	—	33.5	113.0	78.0	—
Finance	83.2	—	120.0	—	408.7	75.0
Health, population and nutrition	53.1	188.0	—	35.7	85.2	—
Industry	98.5	—	—	—	—	—
Mining	11.2	—	—	—	—	—
Multisector	325.0	—	—	150.0	380.0	120.0
Oil and gas	49.9	—	—	—	35.0	—
Public sector management	37.6	—	19.9	—	20.0	85.0
Social sector	28.0	—	—	—	223.0	30.0
Telecommunications	7.2	100.0	20.0	—	—	—
Transportation	105.6	35.0	—	239.1	37.0	42.0
Urban development	108.7	684.0	—	51.0	50.0	100.0
Water supply and sanitation	23.4	130.0	270.0	—	40.0	123.3
Total	1,506.2	1,880.2	1,150.6	978.7	1,595.2	914.8
Of which: IBRD	1,396.0	1,756.4	1,050.6	925.4	1,276.7	769.6
IDA	110.2	123.8	100.0	53.3	318.5	145.2

NOTE: Does not include loans to the West Bank and Gaza from the Trust Fund for Gaza and the West Bank. Details may not add to totals because of rounding.
— Zero.

FIGURE 3-10 Middle East and North Africa: IBRD and IDA Commitments by Sector, Fiscal Year 1997



policy agenda and on large investments in key areas for securing rapid, widely shared, and environmentally sustainable growth. Bank Group operations during the year were designed to support countries' efforts in each of these respects.

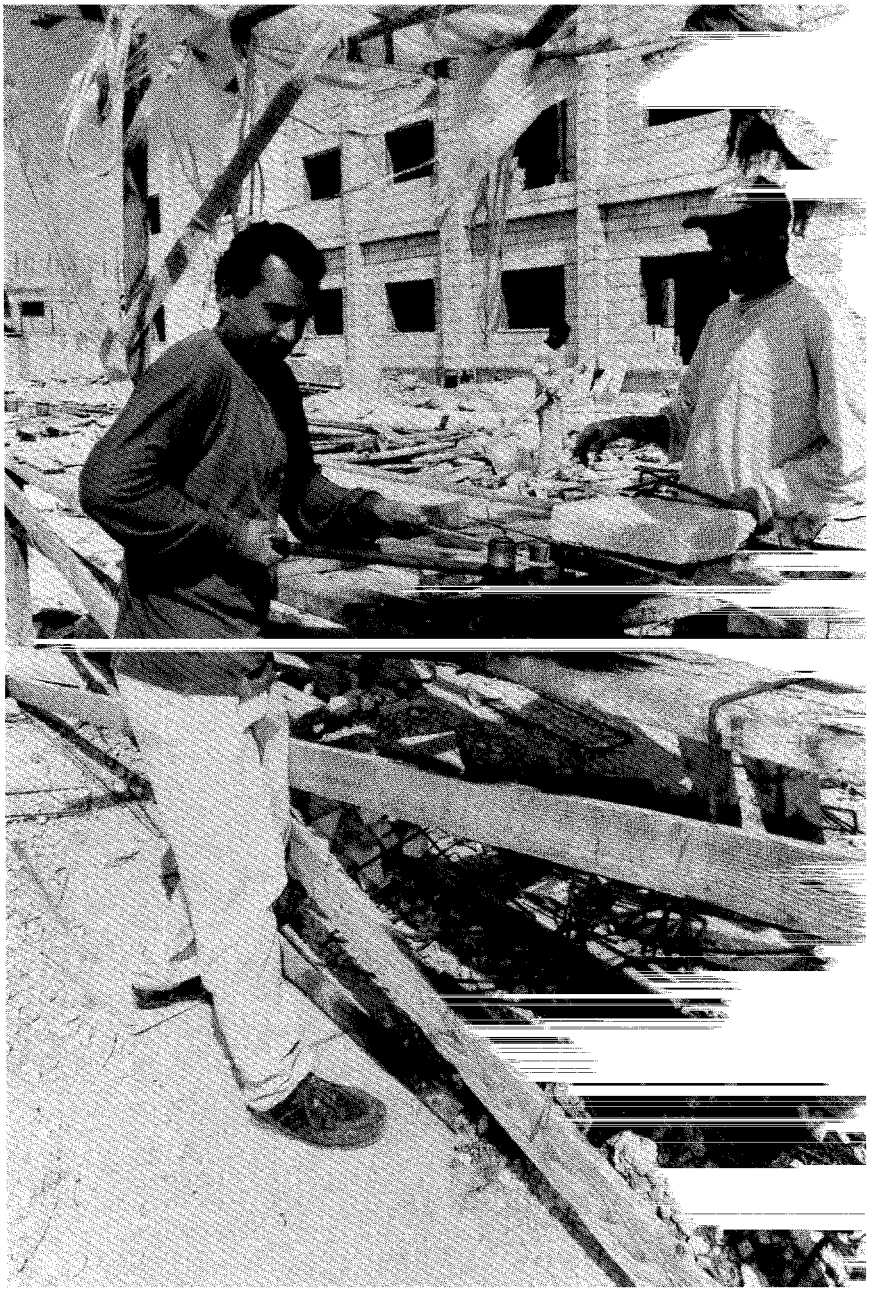
Promoting rapid growth

Support for countries' programs of policy reform to speed the growth process by promoting international competitiveness and opening up to global markets continues to be a major strategic focus of Bank operations. Two of the year's larger Bank operations—the $120 million Jordan Second Economic Reform and Development Loan and the $75 million Tunisia Economic Competitiveness Adjustment Loan—provide good examples of such support. Both were designed to promote enhanced private sector participation in the wider world economy, thereby also facilitating important recent initiatives such as the proposed association of MENA countries with the European Union (EU); Tunisia was the first country in the region to sign a Free Trade Agreement (FTA) with the EU, and Jordan has also signed. Egypt and Lebanon are currently negotiating an agreement. The Tunisia operation was prepared in cooperation with the EU and features efforts to ready Tunisian firms for full participation in the FTA and to accelerate FTA implementation; the Jordan loan, in addition to supporting a range of measures to promote economic integration, investment, and savings, will help develop Jordan's banking and financial sectors. Both operations also feature support for government privatization programs.

Earlier reform efforts undertaken with Bank support are beginning to pay off in terms of improved growth prospects and other benefits that are reflected in the daily lives of ordinary people. One dramatic example is the $80 million Yemen Economic Recovery Credit, approved by the Bank's board in fiscal 1996. As a result of the stabilization and reform program supported by the credit, the inflation rate has already dropped to less than one-third of its 1994 level, the exchange rate has stabilized, and the growth rate has improved to the point where the erosion in living standards has been halted. The main beneficiaries have included wage earners and the poor, who have seen prices of basic commodities that figure heavily in their expenditures—such as wheat and wheat flour, sugar, rice, and milk—level off or even decline.

At the other end of the scale in terms of project size, an innovative $5 million loan on IDA terms is helping promote microenterprise development in the West Bank and Gaza, focusing on firms with less than ten employees and limited access to credit. This operation was the first in the region to be jointly prepared by the Bank and the IFC; its financing includes a $7.5 million IFC investment as well as the Bank loan.

Well-functioning infrastructure services—especially electric power, transportation systems, and telecommunications networks—are critical for the growth of internationally competitive private sectors. Despite heavy past investment, much of the region's infrastructure is unable to provide the levels of service that industry needs. Meanwhile, government budgets are increasingly constrained, both by the need to maintain fiscal balances and by new demands for expenditures in other areas, such as human resources development. In recent years there has been a growing worldwide trend for private investment to supplement or supplant public financing of infrastructure, but private participation has as yet been very limited in MENA. During fiscal 1997, however, the Bank helped to promote private financing with a $100 million guarantee for a power sector restructuring and transmission expansion operation in Lebanon (for which the Bank also made a $65 million loan). This guarantee operation, and the expected further expansion of the guarantee program, represents an important broadening of the product mix that the Bank offers its clients. In addition to the direct financial impact of guarantees, their spin-off benefits are expected to be substantial—for example, helping to improve the overall climate for private investment in MENA infrastructure by introducing MENA borrowers to the longer end of the international bond market; reducing private investors' perception of risk; and lowering the costs of funds to borrowers. Meanwhile, the IFC has been a leader in promoting private participation in infrastructure and expects to increase its infrastructure support activities substantially in MENA. In fiscal 1997, the IFC invested in the first regionwide specialized leasing management company, headquartered in the United Arab Emirates; the company will help meet infrastructure requirements by providing lease finance.



Bank support for the West Bank and Gaza is evolving away from emergency assistance toward support for broad-based economy building.

Sharing the fruits of growth

The World Bank has historically devoted substantial resources to supporting expanded and upgraded education and health services in MENA countries so that more people could share the opportunity to find jobs and participate fully in the economy. Education is increasingly important because it provides the essential foundation for a well-trained, flexible, internationally competitive labor force. Past Bank support for major overhauls of education systems—such as Jordan's comprehensive ten-year education reform program—are beginning to bear fruit. In Jordan's case the payoffs include a range of

quantitative and qualitative improvements, including more and better classrooms, reduction in class crowding and double-shifting, and teachers who are better trained to use teaching methods based on problem solving rather than rote learning. A $75 million fiscal 1997 IDA credit to Egypt for a national education enhancement program is expected to help promote a similarly significant outcome over time. The credit, expected to be the first in a series of operations, is designed to support Egypt's long-term basic education goals—to improve access to school, especially for girls; raise the quality of student learning and performance; and enhance overall system efficiency.

Supporting shared growth also involves providing assistance for countries' efforts to enhance socioeconomic cohesion and reduce poverty by bringing new opportunities to people who may have been previously neglected or whose current prospects may be at least temporarily worsened by the effects of reform. An $89 million loan to Algeria for the Rural Employment Project addresses these concerns. The operation is helping create jobs for rural people (whose unemployment rate—26 percent—is substantially above the national average of 20 percent) through support for labor-intensive public works, focusing on agricultural infrastructure and environmental protection. The project will not only help generate short-term jobs but also improve long-term employment prospects through asset creation via, for example, on-farm land improvement, better erosion control, and opening of rural roads.

Securing environmentally sustainable growth

A number of operations approved in fiscal 1997 focused on environmental constraints to growth—especially in the water sector, where the region faces increasing shortages of renewable freshwater. A $25 million Water and Sanitation Services project in Gaza approved in fiscal 1997 (*see box 3-6*) will support the development of water and sanitation services by an international private contractor under a management contract. This is the first project of its kind in the region and an example of the Bank's interest in encouraging the injection of not only private capital but also private sector management expertise into activities previously exclusively carried out by public authorities. A $10.2 million IDA credit to Yemen (the Taiz Water Supply Project) exemplifies the participatory approach increasingly being used in project development. The operation involves bringing wa-

TABLE 3-17. WORLD BANK COMMITMENTS, DISBURSEMENTS, AND NET TRANSFERS IN MIDDLE EAST AND NORTH AFRICA, FISCAL YEARS 1992–97

(millions of US dollars)

	Algeria			Morocco			Tunisia			Total region		
Item	start 1997	1997	1992–97[a]	start 1997	1997	1992–97[a]	start 1997	1997	1992–97[a]	start 1997	1997	1992–97[a]
Undisbursed commitments	921			1,330			707			5,114		
Commitments		89	1,443		108	1,992		242	1,410		915	8,002
Gross disbursements		118	1,860		302	2,182		203	1,096		1,214	7,727
Repayments		249	1,251		326	1,827		175	1,016		1,057	6,023
Net disbursements		-131	609		-24	355		28	80		157	1,075
Interest and charges		129	737		231	1,548		102	709		641	4,241
Net transfer		-260	-128		-255	-1,393		-74	-629		-484	-2,536

NOTE: The countries shown in the table are those with the largest borrowings of Bank funds during fiscal 1996–97. Details may not add to totals because of rounding.

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

ter to the city of Taiz from rural communities about thirty kilometers away. Such transfers can be difficult, but in this case, local communities were consulted fully and early by the government; they participated in the process of water allocation; and they will take part in monitoring water extraction from local aquifers.

Participatory analytical work

A participatory approach was also used in preparing a number of important pieces of analytical work in fiscal 1997. These included Country Assistance Strategy Papers for Egypt and Morocco; a major review of the status and prospects of Morocco's rural sector (where living standards and the quality of life are substantially lower than in urban areas) along with proposals for integrating the rural sector more effectively into the economy as a whole; a water strategy study in Yemen (one of the countries already hardest hit by water scarcity); and a groundbreaking health sector study in Jordan, which is expected to presage a major reform of the sector. Health was also the subject of intensified dialogue with Egypt, involving a large conference attended by international experts,

TABLE 3-18. OPERATIONS APPROVED DURING FISCAL YEAR 1997, MIDDLE EAST AND NORTH AFRICA

Country/project name	Date of Approval	Maturities	Principal amount (millions) SDR	Principal amount (millions) US$
Algeria				
Rural Employment Project	Mar 25, 1997	2002/2014	n.a.	89.00
Egypt				
Education Enhancement Program	Dec 24, 1996	2007/2031	51.50	75.00
Jordan				
Second Economic Reform and Development Loan	Dec 11, 1996	2001/2014	n.a.	120.00
Housing Finance and Urban Sector Reform Project	Jul 25, 1996	2002/2016	n.a.	20.00
Lebanon				
Coastal Pollution Control and Water Supply Project	Feb 18, 1997	2002/2014	n.a.	53.10
Power Sector Restructuring and Transmission Expansion Project	Nov 26, 1996	2006/2006	n.a.	65.00
Agriculture Infrastructure Development Project	Sep 12, 1996	2002/2013	n.a.	31.00
National Roads Project	Jul 11, 1996	2002/2013	n.a.	42.00
Morocco				
Railway Restructuring Project	Dec 19, 1997	2002/2016	n.a.	85.00
Third Private Sector Development Project	Sep 12, 1996	2002/2016	n.a.	23.00
Tunisia				
Second Municipal Development Project	Jun 24, 1997	2001/2012	n.a.	80.00
Greater Tunis Sewerage and Reuse Project	May 29, 1997	2001/2013	n.a.	10.00
Greater Tunis Sewerage and Reuse Project	May 29, 1997	2001/2013	n.a.	50.00
Natural Resources Management Project	May 13, 1997	2000/2011	n.a.	26.50
Economic Competitiveness Adjustment Loan	Jul 25, 1996	2000/2011	n.a.	75.00
Yemen				
Social Fund for Development Project	May 22, 1997	2007/2037	21.70	30.00
Emergency Flood Rehabilitation Project	Dec 23, 1996	2007/2036	20.80	30.00
Taiz Water Supply Pilot Project	Sep 3, 1996	2007/2036	7.10	10.20
Total			101.10	914.80

n.a. = not applicable (IBRD loan).

NOTE: Excludes loans on IDA terms to the West Bank and Gaza from the Bank-managed Trust Fund for Gaza and the West Bank.

BOX 3-6. THE WEST BANK AND GAZA—EXPANDING AND DIVERSIFYING BANK GROUP SUPPORT

The World Bank has played a prominent role in supporting economic development in the West Bank and Gaza since 1993. During fiscal 1997 this role expanded substantially in terms of the number and value of operations approved by the executive directors. It also broadened in the scope and diversity of activities supported as the lending program evolved away from its initial concentration on emergency assistance and toward support for broad-based economy building over the medium term. Over the past three years the program has grown in aggregate volume and value from one commitment for $20 million in fiscal 1995, to two commitments for a total of $60 million in fiscal 1996, to seven for a total of $83.5 million in fiscal 1997. This year's lending focused on support for sector policy and institution building as well as on helping to build a better enabling environment for private sector development. It included operations for:

- ***Water and sanitation*** *in Gaza, the first project in the region to involve contracting out the management of water and wastewater services to an international commercial operator;*
- ***Microenterprise development,*** *the first joint operation in the region with the* IFC*, providing credit to small businesses through local commercial banks;*
- ***Community development,*** *supporting community participation in designing, implementing and maintaining small-scale public works, building on the job-creation programs initiated under the Holst Fund* (see below);
- ***Housing,*** *a market-oriented initiative to establish institutional and financial mechanisms to promote long-term development of the housing sector, including a secondary mortgage facility and support for low-income housing;*
- ***Guarantee trust fund for private investment.*** *MIGA signed an agreement with the Palestine Liberation Organization, on behalf of the Palestinian Authority, to establish the West Bank and Gaza Investment Guarantee Fund. The Fund will enable MIGA to provide investment guarantees against the major political risks of expropriation, transfer restriction, war and civil disturbance, and breach of contract, for new cross-border investments in West Bank and Gaza.*
- ***Legal development,*** *under which technical assistance, training and materials will be provided to help build the legal framework essential for a modern market economy; and*
- ***Palestinian expatriate professionals program,*** *under which skilled expatriates are being recruited to fill skills and experience gaps in the upper ranks of Palestinian Authority ministries. Substantial support has also been provided by bilateral and multilateral donors and the private sector.*

Financing for these operations was provided on IDA terms from the Bank-managed Trust Fund for Gaza and the West Bank, which is supported by transfers from IBRD income. During fiscal 1997 the executive directors approved a transfer of $90 million to the trust fund, raising trust fund financing since fiscal 1994 to a total of $230 million, about one-third of which had already been disbursed by the close of fiscal 1997. The Bank also administers the multidonor Holst Trust Fund, which helps to finance the Palestinian budget as well as emergency employment programs. At the height of their operation at the beginning of fiscal 1997, Holst Trust Fund employment schemes provided the bulk of the funding for more than 40,000 jobs.

The Bank also played a leading role in helping to coordinate overall donor support for Palestinian economic development, as Chair of the Consultative Group (CG) for the West Bank and Gaza, as the Secretariat for the multidonor Ad Hoc Liaison Committee (AHLC), and as Co-Chair of the Local Aid Coordination Committee (LACC). During fiscal 1997 the CG held one ministerial meeting, the AHLC met three times, and the LACC met on ten occasions.

donors, and stakeholders. The Bank is using its policy dialogue to support Egyptian-generated strategies for comprehensive health reform.

Responding to clients

Substantial efforts went into improving the Bank's responsiveness to clients' needs during the year. Project processing was streamlined (to shorten the time between identification of country need and project approval); undisbursed balances on loans were reduced (so that more money went to beneficiaries faster); and intensified portfolio management has reduced the proportion of "problem projects" in the

portfolio for the fourth year in succession. Authority continues to be delegated to the field through existing regional offices, and decisions were taken during the year to relocate the new Egypt Country Management Unit to Cairo and to open a new resident mission in Morocco.

Technical cooperation with Gulf countries

Over the past twenty years the Bank has operated a technical cooperation program (TCP) of reimbursable (and sometimes nonreimbursable) technical assistance to support the development efforts of the upper-middle- and high-income countries of the Cooperation Council for the Arab States of the Gulf (GCC)—Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates (UAE). The program helps GCC countries realize key aspects of their economic development strategies (for example, in the areas of economic diversification, private sector development, human resources policy, and environmental protection); supports partnerships for pursuing local and regional development activities; and makes available to GCC partners technical advice and best professional practice based on Bank experience.

During fiscal 1997, TCP activities included macroeconomic analyses and policy advice in the areas of labor markets, private sector development and privatization, and export promotion, together with sectoral studies in power, health, tourism, and water. Reimbursable activities during the year accounted for nearly fifteen years of staff time and were valued at nearly $5 million. Nonreimbursable activities amounted to an additional two years of staff time and nearly $0.5 million.

Summaries of Operations Approved for IBRD, IDA, IDA Interim Trust Fund, and Trust Fund for Gaza and the West Bank Assistance in Fiscal 1997

AGRICULTURE

‡§◊**Algeria**	IBRD—$89 million. Some 40,000 man-years of rural employment will be generated in poor rural areas of northwest Algeria to create productive assets through natural resources management and to protect the environment. Total cost: $123.6 million.
‡◊ **Argentina**	IBRD—$125 million. About 120,000 small and medium-size commercial farmers will benefit as land use is intensified to increase and diversify agricultural productivity, and basic agricultural support services and rural infrastructure are improved. Total cost: $357.2 million.
◊ **Argentina**	IBRD—$19.5 million. Native forests and protected areas will be better managed and conserved, and the rural economy will be boosted as tourism is increased while ensuring the sustainability of natural resources. Total cost: $30 million.
§ **Azerbaijan**	IDA—$14.7 million. Farm incomes are expected to rise as land is privatized and farms are restructured in six *raions*. Vulnerable groups will be provided with training and employment opportunities. Total cost: $28.82 million.
‡◊§**Brazil**	IBRD—$90 million. About 15,000 poor farmer families will be able to own land thus raising their incomes, quality of life, and productivity. The project is testing a new approach to land reform which, if successful, will be replicated. Total cost: $150 million.
‡◊§**Brazil**	IBRD—$24 million. Some 520,000 poor people in the rural areas of Rio Grande do Norte will benefit from access to water supply and other basic infrastructure and services, and from increased production, incomes, and employment. Total cost: $32 million.
‡◊§**Brazil**	IBRD—$39 million. Some 650,000 of Pernambuco's rural poor will benefit from access to water and other basic infrastructure and services, and from increased production, incomes, and employment. Total cost: $52 million.
‡◊§**Brazil**	IBRD—$100 million. About 132,000 rural households, especially small farmer and poor households, will benefit from better land management, soil and water conservation, increased incomes, better living conditions and access to basic services. Total cost: $208.4 million.
‡◊§**Brazil**	IBRD—$30 million. Some 810,000 poor people living in the rural areas of Piaui will benefit from access to water and other basic infrastructure and services, and from increased production, incomes, and employment. Total cost: $40 million.

Data in this section have been compiled from documentation provided at the time of project approval. Projects marked by § are included in the Program of Targeted Interventions, and those marked by † are poverty-focused adjustment operations. Projects marked by ◊ indicate NGO involvement, from information sharing and consultation to active participation. Projects with mechanisms for stakeholders to exercise shared decisionmaking and higher levels of control and ownership are marked by ‡. Other projects, although not so marked, also involve significant and systematic consultation with stakeholders to enhance the prioritization of local needs and to engender ownership.

‡◊§ **Brazil**	IBRD—$60 million. A competitive grants system will promote high-quality agricultural research and technological transfer in family farm development, advanced technologies, natural resource management, and agribusiness. Priority will be given to the generation and transfer of technology for poor, smallholder farmers. Total cost: $120 million.
◊§ **Brazil**	IBRD—$9.6 million. A pilot project will test and evaluate water resource management methodologies for a major project targeted to provide water supplies to poor rural and urban populations in the semiarid State of Ceara. Total cost: $12 million.
§ **Cambodia**	IDA (ITF)—$27 million. Smallholder farmers will benefit from increased food security and income-earning opportunities. Total cost: $35.1 million.
‡◊§ **China**	IBRD—$30 million; IDA (ITF)—$150 million. Poverty will be reduced in twenty-six of western China's poorest counties by increasing the incomes and productivity and improving the health and educational status of about 2.3 million upland poor. Total cost: $360 million.
◊ **China**	IBRD—$430 million. About 103 million people in the North China Plain will be protected from floods, much needed hydropower will be generated, irrigation water for about 2 million hectares provided, and stable water supplies ensured for downstream cities and industries. Total cost: $2,855.8 million.
China	IBRD—$400 million. Water supply will be expanded and the land and water environment improved in Shanxi Province. Total cost: $1,351.6 million.
◊ **China**	IBRD—$120 million. About 53,000 rural families will increase their farm incomes; livestock, fishery, and agroprocessing production will increase; employment opportunities will be generated; and agricultural and rural enterprises will be commercialized. Total cost: $239.8 million.
‡◊ **Comoros**	IDA—$1.6 million. Foodcrop production will be increased through a pilot project to improve agricultural services and strengthen institutional capacity. Total cost: $2.8 million.
‡◊§ **Côte d'Ivoire**	IDA (ITF)—$41 million. Natural resource and environmental degradation will be reversed to secure sustainable agricultural production and growth, alleviate poverty, and improve the living conditions of rural people. Total cost: $61.5 million.
◊ **Croatia**	IBRD—$42 million. Coastal forests destroyed by the war will be restored and protected from fire. Total cost: $67.3 million.
◊ **Ecuador**	IBRD—$21 million. Agricultural research capacity will be strengthened, leading to increased agricultural productivity and output at the same time as the natural resource base is enhanced or preserved. Total cost: $27 million.
§ **Georgia**	IDA—$15 million. Agricultural productivity will be increased through development of private sector farming and agroprocessing, the establishment of credit unions, and land registration for the majority of the country's poorest farmers. Total cost: $26.3 million.

‡◊§ **Ghana**	IDA (ITF)—$30 million. Poverty will be reduced and the quality of life improved for at least 500,000 rural households through development of basic sustainable village-level infrastructure. Total cost: $60 million.
‡◊§ **Haiti**	IDA—$21.5 million. A program to protect Haiti's forest and parks will be initiated and alternative employment opportunities and agricultural support services will be available to farmers in the areas surrounding the Pine Forest National Reserve and the Pic Macaya and La Visite National Parks Reserve. Total cost: $22.5 million.
‡◊ **India**	IDA—$150 million; IBRD—$175 million. The productivity and income of farm families in two regions of Andhra Pradesh will be improved by completing irrigation works and a social improvement program begun under the Second Andhra Pradesh Irrigation project. Total cost: $473.97 million.
‡◊§ **India**	IDA—$28 million. Local communities will be involved in conserving globally significant biodiversity in seven protected areas. The project targets the poorest people including tribal people and forest fringe villagers. Total cost: $67 million.
‡◊ **Kenya**	IDA—$39.7 million. The second phase of the national agricultural research program will be supported. Total cost: $179.9 million.
◊§ **Lebanon**	IBRD—$31 million. Farmers' incomes will increase and the environment will be protected as agricultural land is terraced, runoff water harvested, and new agricultural roads reach isolated areas. Poor farmers and the most depressed rural areas are targeted. Total cost: $104.8 million
‡◊§ **Mali**	IDA (ITF)—$4.2 million. Technical assistance will relieve constraints to small-scale private irrigation development, helping to increase farm productivity and food security of smallholders. Total cost: $4.67 million.
‡◊§ **Mauritania**	IDA—$18 million. Farmers and herders from the poorest areas of the rural community will be empowered to better manage their natural resources so that crop and livestock production are increased, and village habitats preserved. Total cost: $25.9 million.
‡◊§ **Mexico**	IBRD—$15 million. The people of 236 poor, indigenous communities will be empowered to manage their forestry resources sustainably, and the range of income-generating options available to them will be increased. Total cost: $23.6 million.
◊§ **Mexico**	IBRD—$40 million. About 7,800 low-income and poor aquaculture producers and their families will benefit from better living standards, enhanced rural productivity, and proper environmental management in the aquaculture sector. Total cost: $58.8 million.
‡◊§ **Pakistan**	IDA—$56 million. Groundwater resources will be privatized and some 380,000 farm families, mostly small farmers cultivating less than six hectares, will benefit from reduced water costs and enhanced agricultural production. Total cost: $104.8 million.
‡◊ **Peru**	IBRD—$85 million. Twenty-five irrigation systems will be rehabilitated, benefiting more than 50,000 families, enhancing agricultural productivity, and promoting a market-oriented approach to water. Total cost: $172.4 million.

‡◊ **Peru** — IBRD—$51 million. The incomes of 75,000 poor rural families will increase and poverty will be reduced through better natural resource management, soil conservation and reforestation, increased irrigation, and improved agricultural practices. Total cost: $93.2 million.

‡◊§ **Philippines** — IBRD—$58 million. Improvements and repairs to the national irrigation system and better water resources planning, development, and management will increase the productivity and incomes of about 20,000 small-farmer families. Total cost: $85.2 million.

‡◊§ **Philippines** — IBRD—$50 million. Farmers in agrarian reform communities will benefit from improved rural infrastructure, agriculture and enterprise development, and community development. Total cost: $105.7 million.

† **Romania** — IBRD—$350 million. Support for the government's medium-term agricultural policy will improve agricultural production, provide income-earning opportunities for rural people, contribute to rural employment generation, and raise rural living standards.

Senegal — IDA—$1.8 million. Funds from IDA reflows will be used to supplement the Agricultural Sector Adjustment Credit approved in fiscal 1995.

† **Tajikistan** — IDA—$50 million. The government's reform program, aimed at stabilizing the economy, easing foreign exchange shortages, reforming agricultural policy, and targeting and improving social safety nets, will be supported.

‡◊ **Tanzania** — IDA—$31.1 million. Smallholder farmers, many of whom are women, will benefit from improved extension services that will increase livestock and agricultural productivity. Total cost: $32.9 million.

‡◊ **Tanzania** — IDA—$26.3 million. Water resources will be better managed and the efficiency of smallholder farmers' irrigation schemes will be improved. Total cost: $30.8 million.

‡§ **Tunisia** — IBRD—$26.5 million. Natural resources will be restored and conserved and the incomes of poor smallholders in fragile rural areas will increase. Local people will be involved in development programs. Total cost: $51.32 million.

† **Ukraine** — IBRD—$300 million. Support for the government's reform program to transform the agriculture sector to a market-based system will increase market competition and encourage private ownership and investment in land and other productive assets.

Yemen — IDA—$30 million. More than 124,000 people affected by the floods of the summer of 1996 will benefit from restoration of agricultural infrastructure, roads, bridges, and water supply. The impact of future floods will also be reduced. Total cost: $35 million.

EDUCATION

‡◊§ **Burkina Faso** — IDA (ITF)—$26 million. More and better-trained students will graduate from secondary schools at reduced subsidy costs, and gender and income equality will be increased. The project targets ten provinces with the lowest access to secondary education and the highest percentage of people living below the poverty line. Total cost: $36.6 million.

China	IBRD—$10 million; IDA—$20 million. The supply of skilled labor will be improved and increased as eighty-two secondary schools, which helped prepare the project, upgrade the quality and efficiency of their vocational education programs. Total cost: $68.4 million.
‡◊§ **China**	IDA—$85 million. About 6.2 million of the poorest children will benefit from increased access to schools and better quality education. Total cost: $136.6 million.
‡◊§ **Comoros**	IDA (ITF)—$7 million. Access to quality basic education, especially for the poor, will be improved; learning and academic achievement at the primary school level improved; and a vocational training system will be launched. Total cost: $7.53 million.
◊ **Egypt**	IDA (ITF)—$75 million. Girls will have greater access to education, instructional quality will be improved at all levels, and the education system's efficiency will be improved. Total cost: $835 million.
‡◊§ **Guatemala**	IBRD—$33 million. More children will be enrolled in pre-primary and primary schools and the quality of education will be improved. The project targets the rural population, in particular indigenous children and girls, in the poorest areas. Total cost: $46.8 million.
‡◊§ **Guinea-Bissau**	IDA—$14.3 million. The first stage of the government's ten-year education sector development program will be supported, expanding the coverage of basic education and improving the quality of schools, especially in poor rural areas. Total cost: $18.8 million.
‡◊§ **Indonesia**	IBRD—$104 million. Schoolchildren and out-of-school youth, particularly those from rural areas and particularly girls, will benefit as junior and secondary education is expanded and improved. Total cost: $154.1 million.
Indonesia	IBRD—$71.2 million. The quality of undergraduate study programs will be improved, providing a pool of better-trained graduates in fields of national priority, and public funds will be allocated more cost-effectively. Total cost: $109.06 million.
§ **Indonesia**	IBRD—$98 million. Schoolchildren and out-of-school youth in five provinces will have access to more and better Junior Secondary education. The project is targeted especially to reach poor children in rural areas, and girls. Total cost: $144 million.
§ **Jamaica**	IBRD—$28.5 million. The student loan program will be expanded, releasing public resources for basic education and increasing opportunities for students from poor families to finance their higher education. Total cost: $38.5 million.
‡◊§ **Kenya**	IDA (ITF)—$27.8 million. About 1.5 million pre-schoolers from poor families will have access to early childhood development centers providing education, nutrition, and health services. Total cost: $35.1 million.
Moldova	IBRD—$16.8 million. About 636,000 students and 45,000 teachers will benefit from education reforms, including improved curricula, new textbooks, in-service teacher training, and a modern assessment system. Total cost: $20 million.
Morocco	IBRD—$23 million. Workers' skills will be improved and enterprise competitiveness increased. Total cost: $95.3 million.

‡◊§ **Philippines**	IBRD—$113.4 million. About 2.3 million 6- to 12-year-old children—70 percent of whom are from poor families—will benefit from improved schools, textbooks, and educational material and better-quality education. Total cost: $569.4 million.
Romania	IBRD—$50 million. The higher education system will be reformed to provide the skilled and knowledgeable managers, technical professionals, entrepreneurs, and societal leaders needed to sustain the transition to a market economy. Total cost: $84 million.
◊ **Russia**	IBRD—$71 million. The quality, quantity, governance, and efficiency of education will be improved through a higher education innovation fund, school textbook reform, and a pilot textbook procurement fund. Total cost: $96.6 million.
Thailand	IBRD—$143.4 million. To provide more and better-trained scientists and engineers to industry, undergraduate science and engineering programs will be improved in twenty-one public universities. Total cost: $261.5 million.

ELECTRIC POWER AND OTHER ENERGY

Bosnia and Herzegovina	IDA—$35.6 million. Electricity services will be restored in major cities and vital industries. Total cost: $196.4 million.
China	IBRD—$400 million. Electricity supply and trade will be increased in North China through construction of the Tuoketuo thermal power plant and improvements in electricity transmission and distribution in Beijing. Total cost: $1,103.6 million.
China	IBRD—$400 million. Shanghai's power shortages will be reduced, a program for cost-effective air quality management developed, power sector reform supported, and power entities' access to international financial markets promoted. Total cost: $1,656.6 million.
◊ **Georgia**	IDA—$52.3 million. Electricity supply will be increased, power shortages reduced, and the security, reliability, and quality of the power supply improved. Total cost: $75.8 million.
Hungary	IBRD—$60 million. Two complete single-cycle gas turbines will provide more than 200 MW of generation reserve capacity enabling reliable and stable power supply consistent with international standards. Total cost: $96.1 million.
Indonesia	IBRD—$20 million. Rural households without access to grid electricity will be able to improve their living conditions as solar home systems and related credit are made available. Total cost: $118.1 million.
Indonesia	IBRD—$66.4 million. Private sector–led development of small power projects, using renewable energy, will be promoted. Total cost: $141 million.
◊ **Kenya**	IDA—$125 million. Support will be extended for major policy and institutional reforms to create an efficient and environmentally sustainable energy sector and promote investments to meet electric power demand. Total cost: $699.9 million.
Lebanon	IBRD—$65 million. Power sector restructuring will be supported and transmission capacity will be expanded. Total cost: $486 million.

Mali	IDA—$17.1 million. 200 MW of power generation capacity will be installed at the Manantali dam to provide electric power to Mali, Senegal, and Mauritania through about 1,300 kilometers of transmission lines. Total cost: $445 million.
Mauritania	IDA—$11.1 million. See project description for the regional hydropower development project in Mali, above.
Russia	IBRD—$40 million. Government planning and implementation of an electricity sector reform will be supported. Total cost: $70.3 million.
◊ **Senegal**	IDA—$10.5 million. See project description for the regional hydropower development project in Mali, above.
◊ **Sri Lanka**	IDA—$24.2 million. About 26 MW of environmentally sustainable generating capacity, including a pilot wind farm and grid-connected mini-hydros, will be installed and electricity services will be available for up to 32,000 off-grid rural customers through solar home systems and village hydro schemes. Total cost: $55.3 million.
Thailand	IBRD—$145 million. The power distribution system in Bangkok will be upgraded and electricity distribution reliability improved. Total cost: $373 million.
Thailand	IBRD—$100 million. The power distribution network will be automated, upgraded, and expanded to deliver power to new areas and meet a surge in demand. Total cost: $347 million.
Ukraine	IBRD—$317 million. A competitive electricity market will be developed to increase power supply, improve maintenance of power plants, and upgrade emission control equipment. Total cost: $377.6 million.

ENVIRONMENT

‡◊§ **Honduras**	IDA—$34 million. Modernizing the land administration system and improving natural resources management will enhance land security for more than 1 million people, improve nutrition and food security for 6,500 rural poor families, and improve forest and biodiversity conservation. Total cost: $41.8 million.
India	IDA—$50 million. Environmental management capacity will be enhanced to help the government implement environmental priorities outlined in the Environment Action Program. Total cost: $61.48 million.
‡◊ **Kenya**	IDA—$12.8 million. Fisherfolk, smallholder farmers, and local communities surrounding Lake Victoria in Kenya, Tanzania and Uganda will benefit from restoration of the lake's ecosystem. Total cost: $77.6 million.
‡◊ **Madagascar**	IDA (ITF)—$30 million. Environmental degradation will be reversed and sustainable use of natural resources promoted through support of the second phase of Madagascar's National Environmental Action Plan. Total cost: $155 million.
‡◊ **Malawi**	IDA (ITF)—$12.4 million. Environmentally sustainable development will be promoted and environmental issues integrated throughout the development process through support for Malawi's Environmental Support Programme. Total cost: $13.7 million.

‡◊§ **Nicaragua** — IDA—$30 million. Rural poverty will be reduced and natural resources management improved to benefit about 300,000 people—mainly poor farmers and fisherfolk. Total cost: $40.4 million.

‡◊§ **Panama** — IBRD—$22.5 million. Rural poverty and natural resource degradation will be reduced and priority biodiversity areas conserved through a pilot program to channel financial resources to rural communities to help them promote sustainable productive systems. Total cost: $39 million.

‡§ **Senegal** — IDA—$5.2 million. The growing demand for household fuels will be met without loss of forest cover, the ecosystem's carbon sequestration potential, or biodiversity. Rural communities, and especially rural women, will benefit from employment opportunities and economic development. Low-income households will have increased access to more reliable and efficient charcoal stoves and modern fuels. Total cost: $19.9 million.

‡◊ **Sri Lanka** — IDA (ITF)—$14.8 million. The government's program to improve environmental management, integrate environmental considerations in the development process, and pilot programs to reverse environmental degradation will be supported. Total cost: $20.76 million.

‡◊ **Tanzania** — IDA—$10.1 million. See project description for Kenya, above.

‡◊ **Uganda** — IDA—$12.1 million. See project description for Kenya, above.

‡◊ **Zambia** — IDA—$12.8 million. The government's efforts to achieve sustainable development by building capacity to improve the management of natural resources at the national and local level will be supported. Total cost: $20.8 million.

FINANCE

◊§ **Bangladesh** — IDA—$105 million. About 1.2 million poor people, 90 percent of whom are women, will have access to credit so they can start small businesses such as basket weaving, poultry and livestock rearing, street vending, and rice husking. Total cost: $137 million.

Colombia — IBRD—$15 million. The environment and regulatory capacity for financial markets and pension reform will be improved. Total cost: $20 million.

Ghana — IDA—$20.9 million. Support will be provided for the government's Public Financial Management Reform Program to enhance efficiency, accountability, and transparency of public financial management functions. Total cost: $30.81 million.

Guyana — IDA—$2.2 million. Funds from IDA reflows will be used to supplement the Private Sector Development Adjustment Credit, approved in fiscal 1995.

Hungary — IBRD—$225 million. Enterprise and financial sector reform will be supported.

Indonesia — IBRD—$16.4 million. The financial and performance audit capabilities of the country's supreme audit board will be enhanced. Total cost: $26.5 million.

‡◊ **Kyrgyz Republic** — IDA—$16 million. Private farmers and agribusiness enterprises will have access to credit and community-based financial institutions will provide financial services to rural people. Total cost: $21 million.

◊§	**Mexico**	IBRD—$30 million. Technical assistance to establish rural financial markets and pilot a project to test and develop financial services for small and microentrepreneurs in rural areas will help reduce rural poverty and will demonstrate the suitability of rural financial markets for private sector participation. Total cost: $103 million.
	Mexico	IBRD—$400 million. The first phase of the government's Contractual Savings Development Program, which will establish legal, regulatory, and institutional frameworks for reforming the old-age security system, will be supported.
	Mongolia	IDA—$10 million. The government's banking and enterprise reform program will be supported.
	Mongolia	IDA—$2 million. The government's program to restructure the enterprise and financial sectors will be supported.
	Peru	IBRD—$183 million. Support will be provided to restructure commercial bank and private suppliers' debt.
	Slovenia	IBRD—$49.3 million. The investment needs of the emerging private sector will be supported as long-term financing is made available through three borrowing banks.
	Tunisia	IBRD—$75 million. International competitiveness will be improved and the private sector upgraded to accelerate Tunisia's integration in world markets.
	West Bank and Gaza	Trust Fund for Gaza and West Bank—$5 million. A microenterprise credit program, provided through three participating banks, will help reduce poverty, promote private sector development, and create employment. Total cost: $23 million.
	West Bank and Gaza	Trust Fund for Gaza and West Bank—$10 million. The climate for attracting foreign investment and promoting private sector development will be improved through a political risk guarantee scheme. Total cost: $50 million.
	West Bank and Gaza	Trust Fund for Gaza and West Bank—$3 million. Management and technical skills will be improved in key ministries and agencies and transparent, independent, and international recruitment processes established. Total cost: $9 million.
◊	**Zambia**	IDA—$45 million. The ongoing reform program will be supported through private sector, financial intermediation, and institutional development. New investments will be generated, exports will increase, and new employment will be created as firms become and stay internationally competitive. Total cost: $52.25 million.

HEALTH, POPULATION, AND NUTRITION

‡◊§	**Argentina**	IBRD—$100 million. The health of women and children in about twenty poor municipalities will be improved through maternal, child health and nutrition, and early childhood development programs. Total cost: $171 million.
◊§	**Argentina**	IBRD—$15 million. The risk of contracting HIV will be reduced through HIV/AIDS- and STD-related health promotion and disease prevention activities. Total cost: $30 million.

Bosnia and Herzegovina	IDA (ITF)—$15 million. Support for developing a modern, cost-effective, and fiscally sustainable hospital service to reduce the burden of disease and suffering for people most affected by the war, will be provided. Total cost: $33.5 million.
‡◊§ **Cambodia**	IDA (ITF)—$30.4 million. Death and sickness from preventable diseases, especially malaria, tuberculosis and HIV/AIDS—to which the rural poor disproportionately fall victim—will be reduced and the health system infrastructure will be rehabilitated. Total cost: $35.6 million.
◊§ **India**	IDA—$142.4 million. More than 1.5 million tuberculosis patients will be cured and many more people potentially freed from risk of infection: the poor are most susceptible to tuberculosis and are the main users of TB services. Total cost: $176.4 million.
‡◊§ **India**	IDA—$164.8 million. An enhanced and more effective malaria control program mainly to benefit the rural poor, including tribal and indigenous people, will reduce death and illness from malaria. Total cost: $203.9 million.
‡◊§ **India**	IDA (ITF)—$248.3 million. The government's family welfare program will be improved, reducing death and sickness among mothers and infants and reducing unwanted fertility. Total cost: $308.8 million.
‡◊§ **India**	IDA—$19.5 million. The health, economic and social status of women living in rural areas in six participating states will be improved. Total cost: $53.8 million.
§ **Indonesia**	IBRD—$28.5 million. The prevalence of iodine deficiency will be lowered. Total cost: $45.3 million.
‡◊§ **Niger**	IDA—$40 million. Health sector development will be supported in five districts, resulting in improved access to preventive and curative health care for 1 million people.
§ **Paraguay**	IBRD—$21.8 million. The health of poor people, particularly women and children, will be improved in six of the poorest and most rural departments of Paraguay. Total cost: $31.2 million.
Russia	IBRD—$66 million. Improving the quality and efficiency of health care in two pilot oblasts will test and evaluate reform measures for national replication. Total cost: $98.4 million.
Senegal	IDA—$14.9 million. The burden of malaria, schistosomiasis and onchocerciasis, and other infectious diseases will be reduced, especially benefiting people in rural areas where the diseases are most prevalent. Total cost: $17 million.
‡◊ **Sri Lanka**	IDA—$18.8 million. The government will address major public health problems, including malaria, STD/AIDS, and malnutrition. Total cost: $22.6 million.
§ **Turkey**	IBRD—$14.5 million. The access and quality of primary health care services, particularly for poorer people, will be improved in two provinces and will serve as the basis for extending primary health care reforms nationwide. Total cost: $18.6 million.

INDUSTRY

◊ **Armenia**	IDA(ITF)—$16.8 million. The viability and bankability of Armenian companies will be increased and the lending capacity of the banking system strengthened. Total cost: $40.33 million.
Bosnia and Herzegovina	IDA(ITF)—$10 million. Industry and production will be supported through an emergency industrial restart project, which includes a set-aside for a political risk guarantee facility. Total cost: $350 million.
◊ **Madagascar**	IDA—$23.8 million. The government's reform program aimed at developing the private sector and privatizing state-owned enterprises will be supported. Total cost: $35.5 million.
Philippines	IBRD—$60 million. The Subic Bay Metropolitan Authority's regulatory and management capacity will be strengthened and infrastructure development supported. Total cost: $108 million.
Russia	IBRD—$85 million. Enterprise reform will be supported. More than 250 medium and large private enterprises will be restructured and a sustainable capacity will be developed in the private sector for market-based restructuring. Total cost: $100 million.

MINING/OTHER EXTRACTIVE

◊§ **Burkina Faso**	IDA(ITF)—$21.4 million. Private investment in mining will be promoted, the capacity for environmental management established, and social, health, safety, and environmental conditions in the artisan mining community, a disadvantaged group, will be improved. Total cost: $22.5 million.
† **Ukraine**	IBRD—$300 million. The first stage of the coal sector reform program will be supported, reducing the need for fiscal subsidies by enhancing productivity and addressing urgent social issues.

MULTISECTOR

Bosnia and Herzegovina	IDA—$90 million. Economic growth and political stability will be supported through measures to develop new government structures on the state and federation levels, reintegrate the economic system, reorganize public finance, and create employment.
† **Bulgaria**	IBRD—$40 million. Shortages of vital commodities will be reduced to alleviate some of the day-to-day hardship of the public and build confidence in the government's stabilization and reform program.
† **Bulgaria**	IBRD—$30 million. The government's stabilization and reform program will be supported and social safety nets strengthened.
† **Chad**	IDA(ITF)—$25 million. The government's program to restore critical public sector capacity, reorient expenditures toward priority developmental sectors, and create an environment favorable to private sector development will be supported.
Croatia	IBRD—$95 million. The government's enterprise and banking reform program will be supported.

	Croatia	IBRD—$102 million. Transport networks within Croatia and between Croatia and Bosnia and Herzegovina will be repaired and reconstructed and land mines will be cleared. Total cost: $122.3 million.
	Ghana	IDA—$3.5 million. Funds from IDA reflows will be made available to finance the Private Sector Adjustment Credit approved in fiscal 1995.
	Haiti	IDA—$12 million. Institutions implementing the government's economic reform program will receive technical and financial support to improve tax and customs administration, public expenditure management and human resources management and to modernize and reorient the role of the state. Total cost: $58.2 million.
	Honduras	IDA—$20.1 million. Funds from IDA reflows will be made available to supplement the Public Sector Modernization Structural Adjustment Credit, approved in fiscal 1996.
	Jordan	IBRD—$120 million. The government's cross-cutting reforms targeted at close integration with global markets and establishing an investment-friendly, efficient business environment will be supported.
	Kenya	IDA—$26.6 million. Funds from IDA reflows will be used to finance the Structural Adjustment Credit approved in fiscal 1996.
†	**Latvia**	IBRD—$60 million. The government's efforts to promote private sector development and improve public sector management, including delivery of basic social services, will be supported.
	Lithuania	IBRD—$80 million. Government reforms to continue the transition toward a market economy will be supported, placing the economy on a sustainable growth path with a dynamic private sector as its engine of growth.
†	**Macedonia, Former Yugoslav Republic of**	IBRD—$30 million; IDA—$30 million. The government's reform program, which includes measures to help mitigate the adverse affects of unemployment and the losses of small producers, will be supported.
†	**Madagascar**	IDA (ITF)—$70 million. Government reforms aimed at reviving investor confidence and accelerating investment and economic activity, and increased social spending, in particular on basic health and primary education, will be supported.
	Madagascar	IDA—$0.6 million. Funds from IDA reflows will be used to supplement the Structural Adjustment Credit (*see immediately above*).
	Malawi	IDA—$3.4 million. Funds from IDA reflows will be used to supplement the Fiscal Restructuring and Deregulation Program Credit, approved in fiscal 1996.
	Mauritania	IDA—$0.6 million. Funds from IDA reflows will help finance the Public Resource Management Credit approved in fiscal 1996.
†	**Mozambique**	IDA (ITF)—$100 million. The government's medium-term economic reform program will be supported. The component to liberalize the cashew market will enhance the incomes of over 1 million small farmers, half of whom are women.

†	**Niger**	IDA—$30 million. Government reforms aimed at restoring macroeconomic balance and confidence, improving public resource management—including reallocating public funds for primary education and basic health care—and promoting efficient private sector growth will be supported.
	Peru	IBRD—$100 million. The pension system will be reformed and capital market efficiency will be improved.
	Russia	IBRD—$600 million. The government's reform program, to lay the foundation for renewed economic growth and maintain macroeconomic stabilization over the medium term, will be supported.
	Rwanda	IDA—$50 million. The Emergency Reintegration and Reconstruction Program will be supported providing basic services to returning refugees and the existing population and consolidating economic recovery and stability.
	Sierra Leone	IDA—$0.15 million. Funds from IDA reflows will be provided to supplement the structural adjustment credit approved in fiscal 1994.
	South Africa	IBRD—$46 million. Sustainable economic growth and job creation will be promoted as South African firms, especially smaller firms, become more effective in adjusting to ongoing trade liberalization and meeting the challenges of competing in global markets. Total cost: $88.6 million.
†	**Tanzania**	IDA—$125 million. The government's program to reform public expenditure, social services (particularly basic education and primary health services for the rural poor), privatization of parastatals and the banking and petroleum sectors will be supported.
	Tanzania	IDA—$3.9 million. Funds from IDA reflows will be provided to support the structural adjustment credit (*see immediately above*).
◊†	**Uganda**	IDA(ITF)—$125 million. The government's reform program to enhance fiscal sustainability and public expenditure management—including allocating public funds to improve services delivery in primary health and education, agricultural extension services, and road maintenance—will be supported.
	Ukraine	IBRD—$70 million. The export potential of newly emerging private and privatized enterprises will be developed. Total cost: $84 million.
	West Bank and Gaza	Trust Fund for Gaza and West Bank—$5.5 million. Support for establishing a modern and unified legal framework and an effective and efficient judiciary will be provided. Total cost: $5.624 million.
†	**Zambia**	IDA—$90 million. The government's economic reform program—aimed at reducing poverty through private sector–led growth and improving the delivery of social services—will be supported.
	Zambia	IDA—$7.8 million. Funds from IDA reflows will be used to finance the Second Economic and Social Adjustment Credit (*see immediately above*).

OIL AND GAS

Azerbaijan	IDA—$20.2 million. The country's natural gas system will be rehabilitated and modernized. Total cost: $24.6 million.
Georgia	IDA—$1.4 million. Georgia's capacity to develop its oil sector, by attracting large-scale private investment in oil transit, will be enhanced. Total cost: $1.5 million.

Kazakhstan	IBRD—$109 million. The Uzen oil field will be rehabilitated and modernized to reduce declining oil production, clean up and protect the surrounding environment, and facilitate commercialization. Total cost: $136 million.
Turkey	IBRD—$5 million. The viability of building an environmentally sustainable pipeline route for exporting crude oil from Baku in Azerbaijan through Turkey to the international markets will be independently evaluated. Total cost: $5.25 million.

PUBLIC SECTOR MANAGEMENT

Argentina	IBRD—$300 million. The government's provincial pension fund reform program will be supported.
Argentina	IBRD—$20 million. About 3.4 million pensioners will benefit from improved allocation of pension benefits and payments. Total cost: $40 million.
Bangladesh	IDA—$2.9 million. Funds from IDA reflows will be made available to help finance the Jute Sector Adjustment Credit, approved in fiscal 1996.
Bolivia	IDA—$5.4 million. Funds from IDA reflows will be made available to help finance the Capitalization Program Adjustment Credit, approved in fiscal 1996.
Brazil	IBRD—$125 million. The costs of reform and high-priority investments in the state of Rio Grande do Sul will be supported. Total cost: $461 million.
Brazil	IBRD—$45 million. Support for the State of Mato Grosso's reform efforts will enhance efficiency in public service delivery through privatization, restructuring, or liquidation of state enterprises, and concessioning of public services. Total cost: $281 million.
Cameroon	IDA—$25.2 million. Funds from IDA reflows will help finance the Second Structural Adjustment Credit approved in fiscal 1996.
Colombia	IBRD—$12.5 million. Regulatory and policy reform will promote private participation in infrastructure services. Total cost: $33 million.
Côte d'Ivoire	IDA—$54.6 million. Funds from IDA reflows will be made available to help finance the Private Sector Development Adjustment Credit approved in fiscal 1996.
Djibouti	IDA—$6.5 million. Technical assistance will help the government implement its economic reform program. Total cost: $7.3 million.
◊ **Ecuador**	IBRD—$10.7 million. Support for this first phase of the government's judicial reform program will improve the efficiency of the judicial system and make decisionmaking more predictable. Total cost: $14.3 million.
El Salvador	IBRD—$24 million. Technical assistance support will assist the government in modernizing and more effectively and efficiently managing the public sector, and enhancing private sector development. Total cost: $51.5 million.
Gabon	IBRD—$10 million. Technical assistance for privatization and regulatory capacity building to increase private sector investment will be supported. Total cost: $12 million.

Guatemala	IBRD—$13 million. Selected infrastructure sectors will be readied for privatization and concessioning and related legal and regulatory frameworks will be established. Total cost: $18.5 million.
Hungary	IBRD—$7.75 million. The government's borrowing needs and borrowing costs will be reduced through development of the central treasury system and optimization of the budgeting and debt-management processes. Total cost: $10.7 million.
Jamaica	IBRD—$28.4 million. The government's efforts to modernize public entities into performance-oriented executive agencies, operating with greater autonomy and a modern resource base, will be supported. Activities that can be better performed by the private sector will be privatized. Total cost: $57 million.
Kazakhstan	IBRD—$15.8 million. The treasury department's management will be modernized and computerized to help improve management of government expenditure. Total cost: $21.7 million.
Kazakhstan	IBRD—$10 million. A pilot real estate registration system will be established in accordance with recently adopted legislation. Total cost: $13.28 million.
† **Kyrgyz Republic**	IDA (ITF)—$44 million. The government's program to streamline the budgetary planning, execution and audit system, and intergovernmental relations, will be supported and essential social services in health and education, including those targeted to the poorest *oblasts*, will be ensured.
Madagascar	IDA—$13.83 million. Reform of public administration and the judiciary will be supported, thereby increasing effectiveness, efficiency, and transparency in the public sector and providing critical support to the long-term success of economic and social reform. Total cost: $15.09 million.
Moldova	IDA—$9 million. Support for government reforms to strengthen the competitive environment and develop the private sector will be provided and the managerial capacity of recently privatized enterprises will be increased. Total cost: $14 million.
Morocco	IBRD—$85 million. The railway system will be restructured. Total cost: $614 million.
Pakistan	IDA—$28.8 million. Public sector accounting standards, reporting systems, and financial administrative procedures that conform to internationally accepted accounting principles will be developed. Total cost: $37.2 million.
Russia	IBRD—$22.6 million. The institutional capacity for sound economic analysis in support of market-oriented structural reforms will be built. Total cost: $36.8 million.

SOCIAL SECTOR

‡◊§ **Argentina**	IBRD—$200 million. Temporary income support will be provided for about 350,000 poor unemployed workers to implement public works programs that will improve social and economic infrastructure in poor communities. Total cost: $1,200 million.

‡◊§ **Belize**	IBRD—$7 million. Poor people in disadvantaged communities will have greater access to basic social and economic infrastructure and services, including water and sanitation, health, education and training, and credit. Total cost: $11.67 million.
◊ **Bosnia and Herzegovina**	IDA—$7.5 million. Demobilized soldiers, returning refugees, and others displaced by war will be reintegrated into productive jobs in the civilian economy. Total cost: $20 million.
◊ **Bosnia and Herzegovina**	IDA—$10 million. 100,000 man-months of labor-intensive employment will be created and people unemployed as a result of war will clear war damage and rehabilitate small-scale public infrastructure. Total cost: $45 million.
‡◊§ **Bosnia and Herzegovina**	IDA (ITF)—$7 million. About 7,000–10,000 microenterprises or income-generating activities will provide employment and help restart the economy and local institutions. NGOs that provide services to the self-employed and microenterprises will be strengthened. Total cost: $18 million.
Bulgaria	IBRD—$24.3 million. The government's reform of the social insurance program will be supported to eliminate the need for budgetary subsidy and lay the groundwork for guaranteeing old-age income security. Total cost: $32.3 million.
‡◊§ **Jamaica**	IBRD—$20 million. Support for small-scale social and economic infrastructure and social services will be channeled to the poorest and most vulnerable communities through the Jamaica Social Investment Fund. Total cost: $50 million.
‡◊§ **Latvia**	IBRD—$18.1 million. The social insurance program will be reformed to improve the affordability and equity of the social safety net and improve resource allocation while increasing public savings. Total cost: $38.6 million.
‡◊§ **Lithuania**	IBRD—$3.7 million. Government institutions will be strengthened to provide affordable social security and develop community social care services. Total cost: $12.31 million.
◊§ **Panama**	IDA—$28 million. Communities in the poorest districts will have access to small-scale infrastructure and disadvantaged people will have access to social services. Pilot programs will improve school attendance of children in the poorest districts and microcredit will be provided to poor microentrepreneurs. Total cost: $80 million.
‡◊§ **Peru**	IBRD—$150 million. The government's poverty alleviation efforts will be supported; they target the poorest areas and people, including indigenous people, by providing social infrastructure and assistance. Total cost: $430 million.
† **Romania**	IBRD—$50 million. Support for the government's social protection program will protect the most vulnerable groups of society from the negative effects of economic reform and stabilization measures to be carried out throughout 1997–98.

† **Russia**	IBRD—$800 million. The adverse effects of the transition to a market economy on poor and vulnerable people will be mitigated and an effective and sustainable system of income support and poverty relief, to meet the requirements of a market economy, will be built.
‡◊§ **Tajikistan**	IDA—$12 million. The incomes of about 250,000 poor people will be improved and local capacity to implement participatory methods of reducing poverty will be developed. Total cost: $12.7 million.
Ukraine	IBRD—$2.6 million. The government's housing and municipal pricing reform program will be supported. Administration of the Housing and Municipal Services Allowance Program will be improved by automating applications and data. Total cost: $3 million.
West Bank and Gaza	Trust Fund for Gaza and West Bank—$10 million. Financing for small-scale infrastructure projects in villages and small municipalities will be provided. Total cost: $30 million.
‡◊§ **Yemen**	IDA—$30 million. Poverty will be reduced, living conditions improved and income-generation opportunities for the poor will result from community development services for poor communities and development of small and microenterprises. Total cost: $80 million.

TRANSPORTATION

Argentina	IBRD—$300 million. Provincial roads will be improved and maintained. Total cost: $1,500 million.
◊ **Argentina**	IBRD—$200 million. The Buenos Aires mass transport system will be improved, private sector participation in railways will be supported, traffic accidents will be reduced, and air quality improved. Total cost: $400 million.
Armenia	IDA—$15 million. Supplemental financing will be provided for the Armenia Highway Project approved in fiscal 1996 to expand the level of maintenance of Armenia's road network. Total cost: $36.9 million.
‡◊§ **Bangladesh**	IDA—$133 million. Improved rural transport and markets will reduce poverty by creating employment and income-generating opportunities. Total cost: $192.36 million.
◊ **Benin**	IDA—$40 million. Support for the government's Transport Investment Program will reduce transport time and vehicle operating costs, reduce the cost of transporting goods, and encourage trade and agricultural production. Total cost: $45.22 million.
Bosnia and Herzegovina	IDA—$7.5 million. Land mines will be cleared to make way for urgent reconstruction and recovery priorities. Total cost: $67 million.
Brazil	IBRD—$300 million. Improvements and sustainable maintenance of the main highway network will reduce road transport costs. Total cost: $1,250 million.
Brazil	IBRD—$70 million. The Rio Grande do Sul State highway network will be made more serviceable and road transport costs will be reduced. Total cost: $168 million.

	China	IBRD—$300 million. Traffic congestion will be relieved and socio-economic development stimulated along the Urumqi-Kuitun Highway. Total cost: $658 million.
	China	IBRD—$400 million. Two key sections of the Jingzhu expressway will be constructed, relieving traffic congestion and improving interregional trade and commerce between Hunan and Guangdong. Total cost: $1,132.8 million.
◊	**Dominican Republic**	IBRD—$75 million. The highway network will be modernized and bottlenecks to the main engines of development growth, tourism, and free trade zones will be removed. Total cost: $122.5 million.
	Eritrea	IDA—$6.32 million. A feasibility study and technical assistance will provide the basis for improving the road network. Total cost: $7.2 million.
	India	IBRD—$350 million. Lower freight and passenger transport costs will reduce transport bottlenecks affecting economic development and will benefit the traveling public, agricultural and industrial producers, consumers, and local communities in Andhra Pradesh. Total cost: $485.5 million.
◊	**India**	IBRD—$51.5 million. Technical assistance will be provided to state governments to support road infrastructure finance and maintenance reform. Total cost: $68 million.
‡◊	**India**	IBRD—$50 million; IDA—$100 million. Assets lost in the floods and cyclones in Andhra Pradesh last year will be restored and actions will be taken to reduce future hazards. Total cost: $220 million.
	Indonesia	IBRD—$105 million. The service and economic efficiency of Indonesia's railways will be improved. Total cost: $207.3 million
	Lao People's Democratic Republic	IDA—$48 million. Transport costs will be reduced through construction and upgrading roads and establishing a road maintenance program. Total cost: $68.92 million.
	Latvia	IBRD—$20 million. Roads will be safer and better maintained, transport costs will be reduced, and a private road construction industry will be developed. Total cost: $56.9 million.
	Lebanon	IBRD—$42 million. A component of the government's road rehabilitation program (about 400 kilometers of road) will be supported and a user charge system established to help finance the overall program. Total cost: $67.8 million.
	Lithuania	IBRD—$19 million. The road network will be preserved and road maintenance operations improved, prolonging the life of the highway system, reducing road maintenance costs, improving road conditions, and reducing vehicle operating costs. Total cost: $45 million.
	Mexico	IBRD—$475 million. Transport efficiency will be increased and costs on the federal road network, particularly along major export transport corridors, will be reduced. Total cost: $865 million.
◊	**Poland**	IBRD—$67 million. Access to the ports of Gdansk, Gdynia, and Szczecin-Swinoujscie will be improved making services more efficient and competitive. Total cost: $145.6 million.

Romania	IBRD—$150 million. Roads will be rehabilitated and brought to international standards, traffic congestion will be reduced and traffic safety improved. Total cost: $553 million.
Senegal	IDA (ITF)—$6.6 million. More affordable, more reliable and safer public transport services will be provided in Dakar, and private sector provision of urban transport services will be promoted. Total cost: $8.7 million.
Turkmenistan	IBRD—$34.2 million. The efficiency and cost-effectiveness of urban transport will be improved, on a sustainable basis, in three municipalities. Total cost: $38.29 million.
Uruguay	IBRD—$76 million. Transport infrastructure will be rehabilitated to facilitate cost-efficient transport of forestry products from forest to port-of-exit. Total cost: $152 million.
Vietnam	IDA (ITF)—$195.6 million. Transport infrastructure will be improved and transport costs reduced. Total cost: $236.7 million.
§ **Vietnam**	IDA—$55 million. Access to rural communities will be improved and upgraded in fifteen of the country's poorest provinces. Total cost: $60.9 million.

URBAN DEVELOPMENT

Bosnia and Herzegovina	IDA—$15 million. About 20,000 war-damaged homes will be repaired on an emergency basis enabling displaced people to return to their communities. Total cost: $50 million.
§ **Brazil**	IBRD—$100 million. Low-income residents' access to basic urban infrastructure will be improved in seventy-seven of Bahia's municipalities. Total cost: $222 million.
◊ **Indonesia**	IBRD—$110 million. About 1.6 million people living in fifty-three of Bali's urban centers will benefit from improved urban infrastructure services including water, sanitation, roads, drainage and flood control, and solid waste management. Total cost: $334.7 million.
‡§ **Indonesia**	IBRD—$155 million. Urban services—including roads, water supply, sanitation, drainage, solid waste management, markets, and transport terminals—will be improved in Sulawesi, where a disproportionately large percentage of people still live in poverty. Total cost: $272 million.
‡◊§ **Indonesia**	IBRD—$140.1 million. Five million villagers on Java and Sumatra will have better lifestyles as drinking water is made available in the dry season and roads, bridges, and other infrastructure give them access to markets and basic services, normally unreachable in the rainy season. Total cost: $159.6 million.
Jordan	IBRD—$20 million. Market-based financing for mortgage lending will be mobilized and responsibility for developing land and housing will be shifted to the private sector. Total cost: $142 million.
‡◊ **Lithuania**	IBRD—$10 million. Energy efficiency will be improved in residential and public buildings and privatization of the housing sector will be supported. Total cost: $20.6 million.

‡◊§ **Madagascar**	IDA—$35 million. Roads, drainage, and other infrastructure will be improved in Antananarivo and six regional towns, and poor people's income and employment will be increased. Total cost: $45.8 million.
◊§ **Mali**	IDA (ITF)—$80 million. One-and-a-half million people in ten cities will benefit from improved basic infrastructure services. Living conditions, especially of low-income people, will be improved through affordable infrastructure services and income-generating employment opportunities. Total cost: $93.5 million.
§ **Niger**	IDA—$20 million. Labor-based methods of rehabilitating urban infrastructure will reduce poverty by creating employment opportunities for the unskilled urban poor, provide municipalities with skills to develop and manage their infrastructure, and promote local firms and materials. Total cost: $28 million.
Russia	IBRD—$31 million. A program to rehabilitate St. Petersburg's City Center will be supported. Total cost: $46.1 million.
‡◊ **Tunisia**	IBRD—$80 million. Local government infrastructure and services will be enhanced and efficiency of public sector management at the local level will increase. Total cost: $220 million.
West Bank and Gaza	Trust Fund for Gaza and West Bank—$25 million. More and better affordable housing will be available and housing mortgage and buyer assistance systems will be established to benefit lower-income families. Total cost: $30 million.
◊ **Zimbabwe**	IDA (ITF)—$12.25 million. Rural District Councils' capacities to plan, implement, and manage essential welfare, growth, and rural development services will be developed within the context of the government's overall decentralization program. Total cost: $19.75 million.

WATER SUPPLY AND SANITATION

‡◊ **Argentina**	IBRD—$200 million. Loss of life and devastation of property from flooding will be reduced and flood-damaged infrastructure will be restored. Total cost: $488 million.
Bangladesh	IDA—$80.3 million. Dhaka's first primary water treatment plant will be built to relieve the city's water shortages. Total cost: $175.8 million.
‡◊§ **China**	IDA(ITF)—$70 million. The well-being of 4.6 million poor rural people will improve through better drinking water and sanitation conditions. Total cost: $134 million.
◊§ **Guinea**	IDA(ITF)—$25 million. Living and health condition's of poor people will be improved through better access to safe, affordable water and sanitation. Total cost: $28 million.
◊§ **Kazakhstan**	IBRD—$7 million. A pilot water supply project will be implemented in the Aralsk and Kazalinsk Rayons in the Aral Sea disaster zone and a detailed engineering design for an Aral Sea Community Rehabilitation Project will be prepared. Total cost: $7.4 million.
Lebanon	IBRD—$53.1 million. Water resources will be protected, safe drinking water provided, and harmful wastewater pollution in three coastal cities will be eliminated. Total cost: $308 million.

‡◊ **Nepal**	IDA—$18.3 million. About half a million rural people will benefit from raised living standards and better health and hygiene through improvements in water supply and sanitation. Total cost: $21.25 million.
Romania	IBRD—$25 million. Bucharest's water supply system will be rehabilitated and repaired giving the city's people more reliable and better quality water. Total cost: $50 million.
◊ **Tunisia**	IBRD—$60 million. The health of the urban population, including about 150,000 people living in low-income areas, will be improved, the sewerage infrastructure to meet future demand provided, urban and coastal pollution reduced, and natural resources conserved. Total cost: $106.74 million.
‡◊§ **Turkmenistan**	IBRD—$30.3 million. Safe drinking water, basic sanitation, and basic public health interventions will be provided to about 200,000 people in an area where 50 percent of the population are children under age 14 and women. Total cost: $33.7 million.
‡◊§ **Uzbekistan**	IBRD—$5 million. A pilot project will provide citizens of Kizkitken, a peri-urban settlement of 34,000 people in the Aral Sea disaster zone, with access to safe drinking water, while laying the groundwork for a full-scale project. Total cost: $5.4 million.
‡ **Vietnam**	IDA (ITF)—$98.61 million. About 2.5 million residents in four major cities will have improved access to acceptable quality water. Total cost: $142.66 million.
West Bank and Gaza	Trust Fund for Gaza and West Bank—$25 million. The quality, quantity and management of water and wastewater services will be improved in sixteen towns and villages in Gaza. Total cost: $28 million.
‡◊ **Yemen**	IDA—10.2 million. A pilot project to mitigate immediate water shortages in the city of Taiz and identify new water sources to avert a sustained water shortage will, if successful, be replicated in other parts of the country. Total cost: $11.1 million.

A project must meet at least one of two criteria to be included in the PTI: (a) the project includes a specific mechanism for identifying and reaching the poor; or (b) the proportion of the poor among project beneficiaries is significantly larger than their proportion in the overall population. An adjustment operation is considered to be poverty-focused when it meets at least one of the following criteria: (a) it reorients public expenditures in favor of the poor, including spending on basic social services and rural infrastructure; (b) it eliminates distortions and regulations that limit poor people's access to labor and credit markets, productive resources, and basic social services—as well as policy-induced distortions in input or output pricing—in order to help the poor to increase their income-generating opportunities; (c) or it supports safety nets that protect the most vulnerable.

Institutional renewal

Throughout the fiscal year, every part of the Bank has been involved in shaping a long-term framework for the institution's future direction and laying the groundwork for renewal. At the heart of the resulting Strategic Compact lies the objective of increasing development impact to reduce poverty more effectively.

The compact requires sustained commitment to four related priorities for renewing the Bank over the next thirty months.

Refueling current business activity. Reallocating resources to frontline services to protect the level and quality of client service will enable the Bank to respond to priority programs, such as the rapid growth of the Europe and Central Asia regional portfolio. It will allow the Bank to fund the increased costs of operating field offices, speed up improvement of portfolio management, strengthen overall quality assurance, meet its commitments under the HIPC Debt Initiative, and meet new client demands.

Refocusing the development agenda. Effectiveness is being increased through more attention to social and environmental sustainability and the changing roles of the private and public sectors. The groundwork for refocusing the development agenda already has begun, through building and strengthening partnerships, developing better products and services, and strengthening staff capacities; many examples are discussed throughout the regional and program sections of this *Annual Report.*

Retooling the Bank's knowledge base. Because access to lessons learned and best practice is key to development effectiveness, a world-class knowledge-management system is being built across the institution to collect, synthesize, and disseminate knowledge and make it more readily accessible to staff, clients, and partners. Better access to information is also a prerequisite for a more decentralized Bank—a key factor for the institution's renewal. The four thematic networks set up during fiscal 1997,[1] the capacity-building work of the Economic Development Institute (EDI), and the Learning and Leadership Center's expanded training programs already are playing pivotal roles in making learning a priority throughout the institution.

Revamping institutional capabilities. To achieve the objectives of the Strategic Compact, the Bank is realigning its information systems, location of work, human resource strategy, and financial management to support a more agile, creative, and client-oriented work environment.

The Strategic Compact demands that the Bank be accountable, and the results of the Bank's renewal program will be measured and justified by the development impact of everything it does. Demand for products and services and progress in meeting business standards and performance will be among the indicators of success. The Bank will track progress made by client countries using the *World Development Indicators.*[2] This assessment of broad development progress in borrowing member countries complements the Bank's ongoing work to enhance the quality and impact of its operations by strengthening evaluation of its activities; and it is in line with recommendations made by the Development Committee's Task Force on Multilateral Development Banks and the IDA Deputies. The foundation for establishing a stronger more comprehensive framework to track the progress of Bank operations and assess their impact was put in place in July 1996, when all new operations were required to be fitted with specific performance-monitoring indicators. For education projects, for example, performance is monitored through indicators such

1. The Human Development Network; the Environmentally and Socially Sustainable Development Network; the Finance, Private Sector and Infrastructure Network; and the Poverty Reduction and Economic Management Network.

2. World Bank. 1997. *World Development Indicators 1997.* Washington, D.C.

as net enrollment by level and gender, repetition and dropout rates, student-teacher ratios and textbook-pupil ratios; for environment projects, indicators include rate of deforestation, area of natural habitat, soil nutrient levels, pollution levels, and water quality.

Performance indicators are drawn from sixteen sector-specific "menus" (such as agriculture, education, finance, and poverty reduction) adjusted to the needs of each operation and the feasibility of collecting data in particular countries. About 40 percent of operations approved before July 1996 have also been retrofitted with performance indicators, and the remainder will be retrofitted before the end of fiscal 1998.

The Bank has also set targets for its own performance that are measured in terms of responsiveness to clients (setting business standards for elapsed times between the stages of project development, for example) and by quality-at-entry and portfolio-management evaluations. Progress toward these targets will be reported annually to the Executive Board.

Good performance is a prerequisite for effectiveness. Therefore, in addition to improving portfolio-management practices, selectivity in lending will be exercised through the country assistance strategy (CAS) process. Policy performance will continue to be reflected in the assessment of creditworthiness and risk for IBRD countries and the criteria for IDA lending allocations.

Development effectiveness

Quality in operations. Improving the quality of the portfolio has been a prominent objective in fiscal 1997. Senior management elevated it to the highest levels in discussions with clients, and regional management has pursued it aggressively. To spearhead efforts to develop improved systems for measuring operational effectiveness and for strengthening dissemination and learning, a vice president was appointed to address three major issues: to find ways to evaluate lending and other services more systematically and comprehensively; to evaluate the impact of Bank operations at an earlier stage so programs can be amended, redesigned, and refined as they are being implemented; and to develop better systems for distilling and using the lessons learned from evaluations and from successes and failures.

Quality Assurance Group. Established in fiscal 1996 to help improve development effectiveness, QAG encourages quality in Bank performance by undertaking assessments of a sample of the Bank's work and promoting systemic improvements by catalyzing changes in the Bank's policies, programs, and processes based on assessment results. QAG operates mainly through expert panels, which are customized for each assignment and are drawn from Bank managers and staff as well as experts from outside the Bank.

During fiscal 1997, QAG supported two main objectives: improving the quality of the overall portfolio through the Portfolio Improvement Program (PIP) and ensuring the highest quality in new projects entering the portfolio through quality-at-entry assessments.

The PIP uses the new concept of "projects at risk" to identify projects that may not achieve their objectives and focuses on projects, sectors, lending instruments, and countries with the most serious performance problems, where increased management attention is expected to have a high payoff. In fiscal 1997, for example, the PIP targeted twenty-five country portfolios, fourteen sectors or lending instruments, and fifty of the largest projects at risk. Proactive portfolio management had a positive impact on several country portfolios that had high concentrations of projects at risk; for example, almost half of projects in the Brazilian portfolio were restructured, closed, or upgraded, and intensive supervision of the Russian portfolio paid off through fewer problem projects and higher disbursement ratios.

Quality-at-entry assessments aim to improve the quality of new projects entering the portfolio. Twenty-five sample projects were assessed for appropriate project concept, institutional capacity, technical, economic and social soundness, and for the quality of Bank decisionmaking. Both Bank staff and borrowers responded well to the program, and based on experience with quality-

at-entry assessments, work began in 1997 to develop similar programs to assess the quality of supervision and the quality of Bank economic and sector work.

Despite these efforts and the significant improvement in some country portfolios this year, it will take many years before work done in fiscal 1997 is fully reflected in improved project completion ratings and evaluation results.

The *Annual Report on Portfolio Performance (ARPP)* for fiscal 1996,[3] which informed the board of the status of the portfolio of ongoing operations, used the concept of projects at risk this year to better identify projects likely to require attention.

The *ARPP* showed that problem projects were concentrated in a relatively small number of countries and noted the importance of country- or borrower-related factors for portfolio performance—especially those related to political stability, macroeconomic policies and performance, and implementation capacity. While the Bank has little control over these factors, other inputs under Bank control can and are being addressed. In fiscal 1997 these included improving project design, promoting greater borrower commitment and beneficiary participation, increasing supervision, and focusing management attention more directly, all of which are expected to improve the ultimate development impact of Bank-financed operations.

Operations evaluation

Operations evaluation at the World Bank has a twofold mandate: to measure the extent and efficiency of results of operational programs and activities and to feed the information back into the formulation of new directions, policies, and procedures. The results and recommendations drawn from evaluation are reported to the Board of Executive Directors and form the basis for designing and implementing policies and new lending operations.

Operations evaluation is overseen by the director general (DGO), who reports directly to the executive directors through the Committee on Development Effectiveness (CODE). In addition to monitoring the large volume of self-evaluation work undertaken by the regional offices and other departments, independent evaluation is undertaken by the Operations Evaluation Department (OED). While CODE, Bank management, and OED maintain their distinctive institutional roles and perspectives, they work collaboratively to encourage learning, dissemination, and organizational change.

In fiscal 1997, OED shifted its emphasis from mainly project-by-project reviews to more country program evaluations (the country assistance reviews) and assessments of the Bank's overall contribution to global development priorities.

Participatory evaluation. The Bank's ongoing transition toward a full-service institution requires a self-evaluation system for nonlending services as well as increased involvement of borrowers and stakeholders in evaluation. To measure development effectiveness properly, the views of people affected by a project are considered.

In Sri Lanka, two rural development projects were evaluated using stakeholder participation. Evaluators obtained the views of principal stakeholders, direct beneficiaries, line agencies, project managers, and the government through interviews and focus groups. Conclusions of the resulting report were discussed at a workshop organized by the Sri Lankan authorities. Similar techniques were used to evaluate two projects in support of Bolivia's successful social investment fund.

Lending. While much of the evaluation of completed operations in the Bank is decentralized and is based on self-assessments, such as implementation completion reports (ICRs) prepared by the regional offices, these assessments are subject to independent OED review, and a sample of operations is subjected to field performance audits. In fiscal 1997, OED reviewed 313 ICRs and reported on their quality to the Bank's board and management; issued Project Performance Audits for seventy-nine completed operations; and completed impact evaluation

3. World Bank. 1997. *Annual Report on Portfolio Performance for Fiscal 1996.* Washington, D.C.

reports for eighteen projects and two sectors along with six sector policy evaluations and two country assistance reviews. The cumulative total of operations subjected to ex post evaluation totaled 4,442 at the end of the fiscal year. Several studies were completed during the year, including a synthesis of the Bank's experience with fifty agricultural adjustment operations since 1979.[4]

OED's country assistance reviews evaluate the relevance of the Bank's overall country assistance strategy and the efficacy of lending and nonlending instruments. The Zambia country assistance review, for example, examined the Bank's focus on policy-based operations and its effects on the country's adjustment efforts over the last decade. It recommended continued attention to coordination with other donors, an increased role for the Bank's resident mission, and more economic and sector work and portfolio management. The OED country assistance review for Morocco identified obstacles to stabilization and recommended a stronger focus on fiscal problems. Many of the recommendations made in an OED study of the Bank's assistance to Poland were reflected in the 1997 country assistance strategy. And an OED study of the Bank's relationship with Argentina led to greater focus on the fiscal performance of provincial governments, the level and efficiency of social sector spending, and the financial sector in the CAS.

4. Meerman, Jacob. 1997. *Reforming Agriculture: The World Bank Goes to Market.* A World Bank Operations Evaluation Study. Washington, D.C.

BOX 4-1. WORKSHOP ON LARGE DAMS

Large dams used to be synonymous with modernization and development, but over the past two decades their adverse environmental and social consequences have made these investments the subject of considerable public criticism. Over the years the World Bank has been at the forefront of introducing new policies and standards to mitigate potentially negative impacts. Nevertheless, controversy has continued to surround these projects, and the public debate has become polarized in the wake of some highly visible cases of shortcomings in implementation.

Early in fiscal 1997, OED prepared a desk assessment of fifty Bank-financed large dams that sought to address the fundamental issues at the heart of this debate. Most of the dams had undergone project appraisal before the introduction of the Bank's resettlement and environmental guidelines, and many projects had not, therefore, been implemented to the standards that are now demanded. The report noted that the Bank's threshold of acceptability for dams has been reformed in fundamental ways as the Bank learned the lessons of experience and grew more sensitive to social and environmental concerns.

The report was discussed by the Committee on Development Effectiveness, which agreed that it provided a useful platform to engage the various stakeholders in large dams in an informed discussion. This could result in an improvement in the standards observed not only for the large dams that the Bank finances but also for the 97 percent of the developing world's dams that are funded by others. The World Conservation Union (IUCN) offered to cohost a two-day workshop with the World Bank at IUCN headquarters in Gland, Switzerland, in April 1997. This event brought together dam builders and some of their strongest critics and included representatives of construction companies, governments, NGOs, and other experts to try to find a common approach to these divisive investments.

While the workshop participants were not unanimous on all the issues, there was a widespread acceptance that dams can deliver benefits but that they must be planned within an overall water and energy sector strategy that takes full account of all economic, engineering, social, and environmental costs. There was also a consensus on the need for continued World Bank involvement to help ensure that investments in this sector are economically, socially and environmentally sustainable. Participants also agreed that if beneficiaries and affected people were involved earlier in the planning, minor incremental costs up front could deliver substantial benefits to people and the environment.

The meeting concluded with agreement on a specific timetable for follow-up, with the Bank and IUCN agreeing to work with other participants to create an independent review body. It would look at costs and benefits of dams already built and establish internationally acceptable standards to govern the assessment, planning, operating, and financing of future dams.

TABLE 4-1. TRENDS IN IBRD AND IDA LENDING, FISCAL YEARS 1995–97

(millions of US dollars)

	1995			1996			1997		
Sector	IBRD	IDA	Total	IBRD	IDA	Total	IBRD	IDA	Total
Agriculture	853.3	1,232.0	2,085.3	1,413.8	1,105.1	2,518.9	2,810.6	735.9	3,546.5
Education	1,280.6	816.2	2,096.8	920.8	784.9	1,705.7	762.3	255.1	1,017.4
Electric power and other energy	1,802.5	439.0	2,241.5	2,459.2	347.9	2,807.1	1,613.4	275.8	1,889.2
Environment	755.1	68.9	824.0	534.6	348.1	882.7	22.5	224.2	246.7
Finance	2,935.4	129.3	3,064.7	1,199.2	231.2	1,430.4	993.7	201.1	1,194.8
Health, population and nutrition	451.3	671.2	1,122.5	1,495.2	858.2	2,353.4	245.8	694.1	939.9
Industry	175.0	123.2	298.2	217.0	31.7	248.7	145.0	50.5	195.5
Mining/Other extractive	—	24.8	24.8	570.8	121.2	692.0	300.0	21.4	321.4
Multisector	2,295.0	821.5	3,116.5	906.3[a]	759.2	1,665.5	1,373.0	813.6	2,186.6
Oil and gas	461.5	141.6	603.1	30.0	25.6	55.6	114.0	21.6	135.6
Public sector management	636.2	236.4	872.6	1,036.0	840.2	1,876.2	729.7	190.2	919.9
Social sector	644.0	290.8	934.8	440.0	554.5	994.5	1,303.7	66.5	1,370.2
Telecommunications	325.0	—	325.0	35.0	—	35.0	—	—	—
Transportation	2,099.3	104.1	2,203.4	2,236.9	535.7	2,772.6	3,084.7	607.0	3,691.7
Urban development	1,466.0	261.0	1,727.0	632.0	236.5	868.5	646.1	162.3	808.3
Water supply and sanitation	672.3	309.2	981.5	529.1	80.7	609.8	380.4	302.4	682.8
Total	16,852.5	5,669.2	22,521.7	14,655.9	6,860.7	21,516.6	14,524.9	4,621.7	19,146.6

—Zero.

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

A workshop on large dams, held in fiscal 1997, is a model for OED's efforts to use Bank evaluation of projects to engage in participatory workshops to ensure that lessons do not simply remain on paper but lead to action for improved policies and projects (*see box 4-1*).

During the year, OED issued its annual review of evaluation results,[5] which synthesizes trends in the Bank's operational performance and reviews experience gained in special topic areas, and its annual report on operations evaluation.

Commitments and guarantees

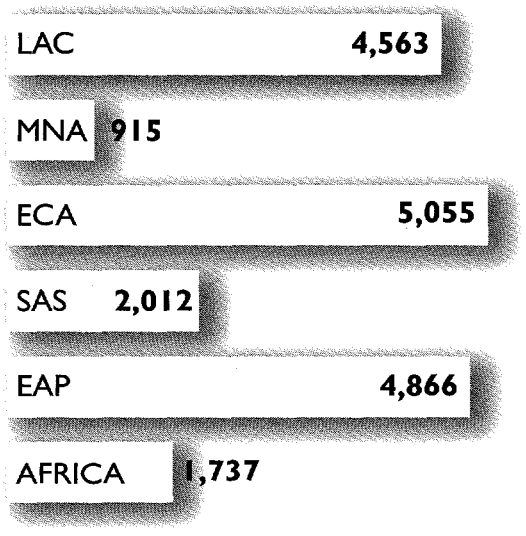
World Bank commitments (IBRD and IDA combined) amounted to $19,146.6 million in fiscal 1997, a decrease of $2,370 million (11 percent) over fiscal 1996's total (*see table 4-1*). Commitments by the IBRD amounted to $14,524.9 million, while IDA credits totaled SDR 3,260 million or $4,621.7 million equivalent (SDR 1,168 million was from the Interim Trust Fund). A total of 141 IBRD loans to forty-two countries were approved; the 100 IDA credits went to fifty countries.

The biggest increase in commitments was in the Europe and Central Asia region, where sixty-seven projects were approved for a total of $5,054.8 million. Comparable figures for the previous year were sixty-one projects for $4,394.6 million. The sharpest drop occurred in the Africa region. The decrease is largely explained by greater selectivity in lending, the accelerated move by the Bank out of failed investment models, and the slow uptake of new strategies focused on decentralized implementation. Figure 4-1 provides a picture of IBRD and IDA lending by region.

Adjustment lending amounted to $5,085.7 million or 26.5 percent of Bank commitments,

5. Mora, Linda, and Ulrich Thumm. 1997. *1995 Evaluation Results*. Washington, D.C.: World Bank.

FIGURE 4-1
Projects Approved for Bank and IDA Assistance by Region, Fiscal Year 1997
(US$ millions)



up from the previous year's 21 percent. The fiscal 1997 adjustment total includes $120 million in rehabilitation import loans and a $183 million debt reduction loan (*see table 4-2*).

The three largest borrowers from the IBRD were China ($2,490 million), Russia ($1,715.6 million), and Argentina ($1,479.5 million). The three largest borrowers of IDA credits were India ($903 million), Vietnam ($349.2 million), and China ($325 million).

Seven projects in the West Bank and Gaza, totaling $83.5 million and funded from the Trust Fund for Gaza and the West Bank, were approved.

Lending for transportation—at $3,691.7 million—led all sectors by volume, followed by agriculture at $3,546.5 million and lending for multisector purposes at $2,186.6 million (*see figure 4-2*).

In fiscal 1997, three World Bank guarantees, totaling $420 million, were approved by the Executive Board.

Disbursements

Gross disbursements by the IBRD to countries totaled $13,998 million, an increase of $626 million, or 4.48 percent, over fiscal 1996's $13,372 million. IDA disbursements amounted to $5,979 million, up $95 million from the previous year. The increase in disbursements for both IBRD and IDA was particularly noteworthy in the Europe and Central Asia region.

Disbursements, by source of supply. Projects financed by the World Bank require procurement from foreign and local sources to achieve project goals. Disbursements are made primarily to cover specific costs for foreign procurement and some local expenditures.

The procurement rules and procedures to be followed in the execution of each project depend on individual circumstances. Three considerations generally guide the Bank's requirements: the need for economy and efficiency in the execution of a project; the requirement to give all eligible bidders from borrowing and nonborrowing member countries an opportunity to compete in providing goods and works financed by the Bank; and the need to

FIGURE 4-2 **IBRD and IDA Commitments, Fiscal Year 1997**
(US$ millions)

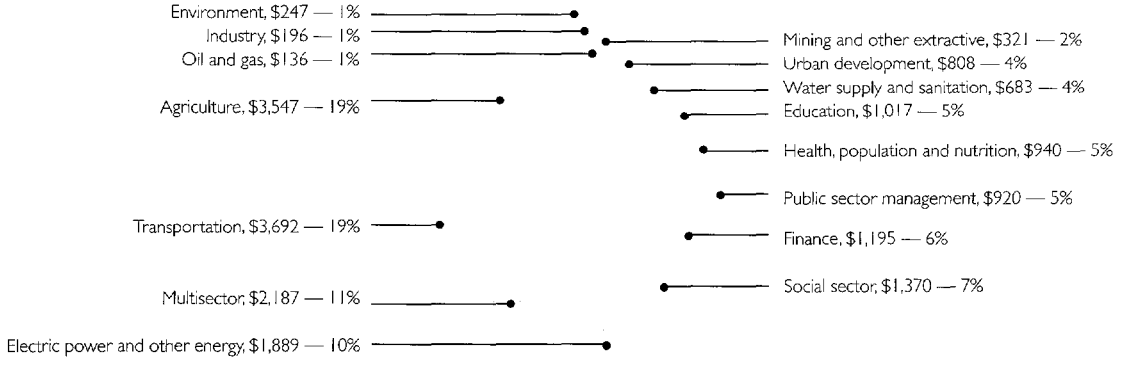


TABLE 4-2. WORLD BANK ADJUSTMENT OPERATIONS, FISCAL YEAR 1997

(amounts in millions of US dollars)

Country	Project	World Bank financing IBRD	IDA	Total
Sector adjustment loans				
Bangladesh	Jute Sector Adjustment Credit (IDA reflows)	0.0	2.9	2.9
Bolivia	Capitalization Program Adjustment Credit (IDA reflows)	0.0	5.4	5.4
Côte d'Ivoire	Private Sector Development Adjustment Credit (IDA reflows)	0.0	54.6	54.6
Croatia	Enterprise and Financial Sector Adjustment Loan	95.0	0.0	95.0
Ghana	Private Sector Adjustment Credit (IDA reflows)	0.0	3.5	3.5
Guyana	Private Sector Development (IDA reflows)	0.0	2.2	2.2
Hungary	Enterprise and Financial Sector Adjustment Loan	225.0	0.0	225.0
Jordan	Second Economic Reform and Development Loan	120.0	0.0	120.0
Mauritania	Public Resource Management Credit (IDA reflows)	0.0	0.6	0.6
Mexico	Contractual Savings Development Program	400.0	0.0	400.0
Mongolia	Banking and Enterprise Sector Adjustment Credit	0.0	10.0	10.0
Romania	Agriculture Sector Adjustment Loan	350.0	0.0	350.0
Russia	Social Protection Adjustment Loan	800.0	0.0	800.0
Senegal	Agricultural Sector Adjustment Credit (IDA reflows)	0.0	1.8	1.8
Ukraine	Agriculture Sector Adjustment Loan	300.0	0.0	300.0
Ukraine	Coal Sector Adjustment Loan	300.0	0.0	300.0
Structural adjustment loans				
Argentina	Provincial Pension Reform Adjustment Loan	300.0	0.0	300.0
Bosnia and Herzegovina	Transition Assistance Credit	0.0	90.0	90.0
Cameroon	Second Structural Adjustment Credit (IDA reflows)	0.0	25.2	25.2
Chad	Second Structural Adjustment Credit	0.0	25.0	25.0
Honduras	Public Sector Modernization			
Honduras	Structural Adjustment Credit (IDA reflows)	0.0	20.1	20.1
Kenya	Structural Adjustment Credit (IDA reflows)	0.0	26.6	26.6
Kyrgyz Republic	Public Sector Resource Adjustment Credit	0.0	44.0	44.0
Latvia	Structural Adjustment Loan	60.0	0.0	60.0
Lithuania	Structural Adjustment Loan	80.0	0.0	80.0
Macedonia, FYR of	Structural Adjustment Loan and Credit	30.0	30.0	60.0
Madagascar	Structural Adjustment Credit (IDA reflows)	0.0	0.6	0.6
Madagascar	Structural Adjustment Credit	0.0	70.0	70.0
Malawi	Fiscal Restructuring and Deregulation Program Credit (IDA reflows)	0.0	3.4	3.4
Mozambique	Third Economic Recovery Credit	0.0	100.0	100.0
Niger	Public Sector Adjustment Credit	0.0	30.0	30.0
Peru	Pension Reform Adjustment Loan	100.0	0.0	100.0
Romania	Social Protection and Adjustment Loan	50.0	0.0	50.0
Russia	Structural Adjustment Loan	600.0	0.0	600.0
Sierra Leone	Structural Adjustment Credit (IDA reflows)	0.0	0.1	0.1
Tanzania	Structural Adjustment Credit	0.0	125.0	125.0
Tanzania	Structural Adjustment Credit (IDA reflows)	0.0	3.9	3.9
Tunisia	Economic Competitiveness Adjustment Loan	75.0	0.0	75.0
Uganda	Third Structural Adjustment Credit	0.0	125.0	125.0
Zambia	Second Economic and Social Adjustment Credit	0.0	90.0	90.0
Zambia	Second Economic and Social Adjustment Credit (IDA reflows)	0.0	7.8	7.8
Debt-Reduction Loans				
Peru	Debt and Debt Service Reduction Loan	183.0	0.0	183.0
Rehabilitation-Import Loans				
Bulgaria	Rehabilitation Loan	30.0	0.0	30.0
Bulgaria	Critical Imports and Rehabilitation Loan	40.0	0.0	40.0
Tajikistan	Agricultural Recovery and Social Protection Credit	0.0	50.0	50.0
Total		4,138.0	947.7	5,085.7

TABLE 4-3. IBRD AND IDA DISBURSEMENTS FOR FOREIGN AND LOCAL EXPENDITURES

(amounts in millions of US dollars)

	IBRD and IDA						
	Foreign[a]		Local		Net advance disbursements[b]		Total
Period	Amount	%	Amount	%	Amount	%	amount
Cumulative to June 30, 1992	112,471	58	77,730	40	5,129	3	195,330
Fiscal 1993	9,813	56	7,887	45	-325	-2	17,375
Fiscal 1994	9,010	56	7,442	47	-473	-3	15,979
Fiscal 1995	9,094	51	8,724	49	-97	—	17,720
Fiscal 1996	10,013[c]	52	8,787	46	456	2	19,256
Fiscal 1997	8,733	44	10,543	53	487	2	19,763
Cumulative to June 30, 1997	159,134	56	121,112	42	5,176	2	285,423

NOTE: *This table corresponds to Table 2-3 in the 1996* Annual Report. *Foreign expenditures are expenditures in the currency of any country other than that of the borrower or guarantor, for goods or services supplied from the territory of any country other than the territory of the borrower or guarantor. Local expenditures are expenditures in the currency of the borrower or guarantor or for goods or services supplied from the territory of the borrower or guarantor. Details may not add to totals because of rounding.*

a. Amounts exclude debt-reduction disbursements of $2,523 million through FY92, $515 million in FY93, $655 million in FY95, and $213 million in FY97. Amounts include disbursements under simplified procedures for structural and sectoral adjustment loans of $556 million in FY96 and $3,333 million in FY97.

b. Net advance disbursements are advances made to special accounts net of amounts recovered (amounts for which the Bank has applied evidence of expenditures to recovery of the outstanding advance).

c. Disbursements for FY96 include the refinanced/rescheduled overdue charges of $168 million for Bosnia and Herzegovina.

help the development of local contractors and manufacturers in borrowing countries. The Bank prescribes conditions under which preferences may be given to domestic manufacturers and, where appropriate, to domestic contractors.

Table 4-3 shows consolidated foreign and local disbursements for the IBRD and IDA through the end of fiscal 1992 and for the period fiscal 1993 through fiscal 1997. Advance disbursements consist of payments made into special accounts of borrowers, from which funds are paid to specific suppliers as expenditures are incurred. Because balances in these accounts cannot be attributed to any specific supplying country until expenditures have been reported to the Bank, these are shown as a separate category.

Table 4-4 provides details on foreign disbursements by countries eligible to borrow from the World Bank and nonborrowing countries[6] for the IBRD and IDA separately.

Appendix 7 shows disbursements made in fiscal 1997 by the IBRD and IDA for local procurement by current borrowing countries and disbursements made for goods, works, and services procured from them by other Bank borrowers (foreign procurement) for projects funded by the Bank.

Appendix 8 shows the amounts disbursed from the IBRD and IDA separately for foreign procurement of goods, works, and services from selected member countries in fiscal 1997 and cumulatively through fiscal 1997.

Appendix 9 shows the proportion of foreign disbursements from the IBRD and IDA for specific categories of goods and services provided by selected member countries in fiscal 1997.

Appendix 10 provides a summary listing of the amounts paid to eligible World Bank

6. Appendix 5 lists countries eligible for IBRD and IDA funds.

borrowing country suppliers and nonborrowing country suppliers in each fiscal year from 1995 to 1997 under investment projects. Amounts disbursed are compared with respect to significant categories of goods procured from foreign suppliers. The extent to which eligible borrowing countries and nonborrowing countries participated in supplying these major categories of goods in each of the past three fiscal years is also compared.

Under simplified procedures for structural and sectoral adjustment loans, approved by the Executive Board in fiscal 1996, disbursements are no longer directly linked to procurement under adjustment loans. Thus, while appendixes 7 to 10 report on disbursements from the IBRD and IDA, they do not include disbursements under adjustment loans. The information in appendix 11 reflects adjustment loan disbursements to each borrower as prorata shares of that borrower's eligible imports from supplying countries, using import data drawn from United Nations trade statistics.

In all these tables and appendixes, IBRD figures exclude disbursements for loans to the IFC and "B" loans. IDA figures include Special Facility for Sub-Saharan Africa and Interim Trust Fund credits. Disbursements for Project Preparation Facility advances are excluded for both the IBRD and IDA.

Cofinancing and trust fund programs

Cofinancing and trust funds are important mechanisms through which the Bank pursues partnerships. They provide additional resources to support development activities and are a forum to exchange information and views with other institutions. A principal focus of the Bank's renewal effort during fiscal 1997 was building and maintaining such partnerships.

In addition to working with partner institutions through parallel or joint cofinancing and trust funds activities, the Bank is also expanding its efforts to coordinate more broadly its funds with financing from other donors within the context of country and sector investment programs. An important pillar of these efforts is the Special Program of Assistance for Africa (SPA). The fourth phase of the SPA was launched in fiscal 1997: donors indicated that they would make available about $5 billion in highly concessional quick-disbursing cofinancing and coordinated financing during calendar years 1997–99. These resources would be used in

TABLE 4-4. IBRD AND IDA DISBURSEMENTS FOR FOREIGN EXPENDITURES, BY SOURCE OF SUPPLY

(amounts in millions of US dollars)

	IBRD					IDA				
	Countries not eligible to borrow		Countries eligible to borrow		Total	Countries not eligible to borrow		Countries eligible to borrow		Total
Period	Amount	%	Amount	%	amount	Amount	%	Amount	%	amount
Cumulative to June 30, 1992	75,997	91	7,880	9	83,877	24,202	85	4,393	15	28,595
Fiscal 1993	5,488	79	1,489	21	6,976	2,141	75	696	25	2,837
Fiscal 1994	4,548	83	909	17	5,457	2,490	70	1,062	30	3,553
Fiscal 1995	4,959	84	938	16	5,896	2,211	69	986	31	3,197
Fiscal 1996	5,371	79	1,434	21	6,806	1,811	68	842	32	2,652
Fiscal 1997	3,146	87	456	13	3,602	1,455	81	343	19	1,798
Cumulative to June 30, 1997	99,507	88	13,106	12	112,613	34,310	80	8,322	20	42,632

NOTE: *This table corresponds to Table 2-4 in the 1996* Annual Report. *Countries eligible to borrow from IBRD and IDA are listed in Appendix 5. Amounts exclude disbursements for debt reduction, net advance disbursements, and disbursements under simplified procedures for structural and sectoral adjustment loans. Details may not add to totals because of rounding.*

TABLE 4-5. TOTAL IBRD AND IDA LENDING AND COFINANCING OPERATIONS, FISCAL YEARS 1994–97

(amounts in billions of US dollars)

	1994	1995	1996	1997
	Amount	Amount	Amount	Amount
Lending	20.8	22.5	21.4	19.1
Cofinancing[a]	9.0	8.7	8.2	7.2
Cofinancing/Lending (ratio)	43.3	38.7	38.3	37.8

a. Based on cofinancing plans presented at the time of Board approval. Includes cofinancing with Bank loans, IDA credits and Bank guarantees and projects financed by Bank-managed trust funds.

conjunction with World Bank and International Monetary Fund programs in support of economic reforms in Africa countries.

Trends in cofinancing. Despite a decline in Bank lending, the proportion of cofinancing to Bank lending remained stable at 38 percent (*see table 4-5*). The absolute level of cofinancing anticipated in support of Bank operations in fiscal 1997, however, dropped from $8.2 billion in fiscal 1996 to $7.2 billion.[7] Most cofinancing continued to be provided by official sources (78 percent), of which the largest amounts were provided by the Inter-American Development Bank ($1.9 billion), the institutions of the European Union ($1 billion), and Japan ($582 million). The major use of cofinancing continued to be for specific investment projects (59 percent), particularly in the infrastructure sector. Highlights for the year include:

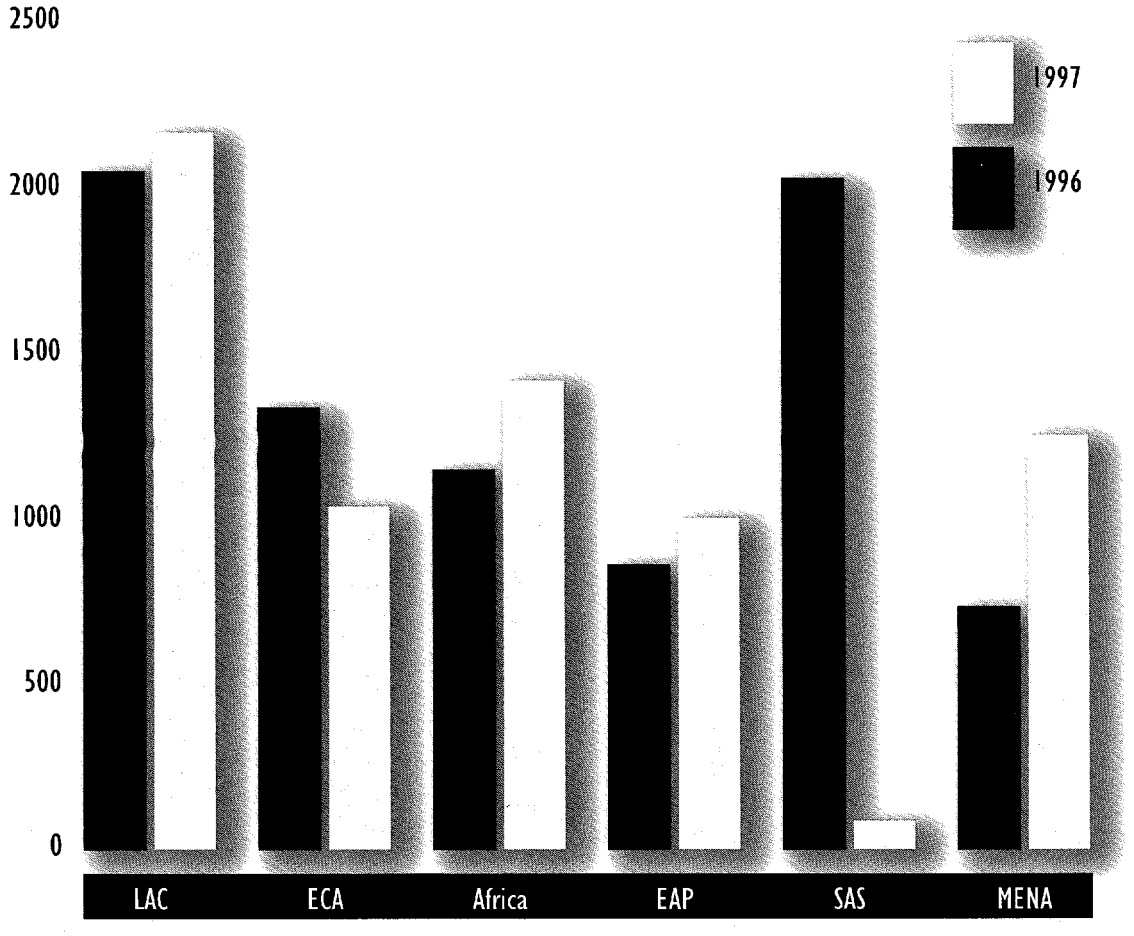
- Cofinancing helped to moderate swings in Bank lending in both Africa and the Middle East and North Africa (MENA). Figure 4-3 and table 4-6 show cofinancing by region. While Bank lending fell in these regions, the ratio of cofinancing to Bank lending rose significantly, from 42 percent to 82 percent in Africa—largely because of the SPA—and from 46 percent to 138 percent in MENA—where it exceeded Bank lending.
- Cofinancing fell more steeply than Bank lending in South Asia, with the ratio of cofinancing to Bank lending dropping from 69 percent to 5 percent. This was largely due to changes in the composition of Bank lending, including delays in some large infrastructure projects.
- Cofinancing continued to play a critical role in Bosnia and Herzegovina's reconstruction efforts, with nine projects with estimated cofinancing amounting to $381 million in fiscal 1997.
- Private cofinancing (through parallel lending and guarantees) rose from $724 million in fiscal 1996 to $1,143 million in fiscal 1997. This included projects in both Africa and MENA, two regions in which private cofinancing has traditionally been limited. Most private cofinancing continues to be provided in parallel with Bank lending. However, the use of Bank guarantees to support private financing increased almost threefold, from $125 million in fiscal 1996 to $372 million in fiscal 1997.[8]

Cofinancing management. The Bank finalized comprehensive framework agreements with Spain and Switzerland, entered into a letter of understanding with Caisse Française de Développement, and introduced an accelerated

7. Cofinancing figures represent planned cofinancing at the time of approval of each operation by the Bank's Executive Board. The amounts of official cofinancing, in most cases, are firm commitments by this stage; export credits and private cofinancing, however, are generally only estimates at this stage and are firmed up during project implementation.

8. Partial credit guarantees are recorded in net present value terms in cofinancing statistics. The total level of Bank guarantees, in absolute terms, was $420 million in fiscal 1997.

FIGURE 4-3 Cofinancing by Region, Fiscal Years 1996–97
(US$ millions)



cofinancing procedure with the Overseas Economic Cooperation Fund (OECF) of Japan. Bankwide cofinancing consultations were held with seventeen donors, including first formal cofinancing consultations with Belgium and Denmark, and have been deepened to include more policy content. The Bank also kept donors informed about its cofinancing needs through its biannual "Cofinancing Opportunities with the World Bank."[9]

In addition, the Bank deepened its dialogue with other multilateral institutions. In particular, the Bank strengthened its relationship with the European Union with the official opening of its office in Brussels on July 1, 1996, and by establishing a closer regional dialogue on Africa, Europe and Central Asia (particularly Bosnia and Herzegovina), and the Middle East and North Africa. The Bank also established a forum through which senior management of the major multilateral institutions now consult regularly on matters of shared concern.

During the fiscal year the Bank also sought to deepen its dialogue with export credit agencies (ECAs) to promote private sector investment more effectively in developing countries. This has included regular consultations with ECAs, exchanging information with them on cofinancing opportunities, promoting joint participation in seminars, and increasing contacts with the Berne Union.

9. "Cofinancing Opportunities with the World Bank" can be obtained through the Resource Mobilization and Cofinancing Vice Presidency (RMC).

TABLE 4-6. WORLD BANK COFINANCING OPERATIONS, BY REGION, FISCAL YEARS 1996–97

(amounts in millions of US dollars)

	Source of cofinancing												
							Private						
	Projects cofinanced		Official[a]		Export credit		Total private		(of which IBRD guarantees)		World Bank contribution		Total project costs
Region and year	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	IBRD	IDA	
Africa													
1996	34	1,155	33	1,146	—	—	2	9	—	—	—	1,618	4,828
1997	26	1,425	25	1,161	—	—	2	265	—	—	—	756	2,727
East Asia and Pacific													
1996	9	869	7	664	—	—	2	205	(1)	(50)	1,109	207	3,805
1997	15	1,011	12	286	3	320	2	405	—	—	2,246	174	8,433
South Asia													
1996	12	2,032	11	1,271	3	433	3	328	(1)	(75)	900	710	6,669
1997	5	93	5	93	—	—	—	—	—	—	—	285	544
Europe and Central Asia													
1996	41	1,342	41	1,340	—	—	1	2	—	—	1,544	153	4,020
1997	32	1,047	30	719	—	—	4	328	(2)	(320)	1,011	380	2,870
Latin America and the Caribbean													
1996	25	2,056	24	1,876	—	—	2	180	—	—	1,266	262	4,914
1997	26	2,384	26	2,384	—	—	—	—	—	—	2,796	12	9,866
Middle East and North Africa													
1996	9	741	9	741	—	—	—	—	—	—	364	196	1,782
1997	15	1,261	15	985	1	130	1	146	(1)	(52)	536	135	4,801
Total													
1996	130	8,195	125	7,039	3	433	10	724	(2)	(125)	5,183	3,146	26,019
1997	119	7,221	113	5,628	4	450	9	1,143	(3)	(372)	6,590	1,742	29,241

— *Zero.*

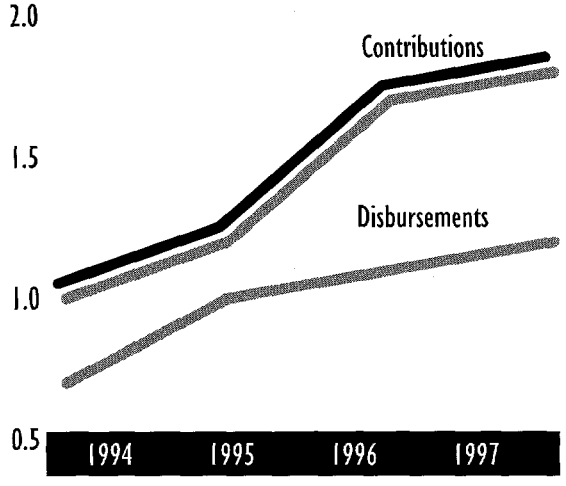
NOTE: *The number of operations shown under different sources add up to a figure exceeding the total number of cofinanced projects because a number of projects were cofinanced from more than one source. Cofinancing data are reported by the fiscal year in which the project is presented to the Bank's Executive Board. Details may not add to totals because of rounding.*

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

Trends in trust funds. Trust fund activities continue to grow, with disbursements increasing from $1.2 billion in fiscal 1996 to $1.3 billion in fiscal 1997 *(see figure 4-4)*. Donors use trust funds to channel funds to priority development activities, either through programs managed by the Bank—sometimes in concert with other donors or organizations—or through freestanding trust funds *(see table 4-7)*. Aside from those associated with cofinancing, trust funds primarily finance debt relief, technical assistance (including training, project preparation, research, and studies), and Bank activities related to lending and program development. Highlights of fiscal 1997 include:

- The largest external contributors to trust funds were Japan ($210 million), the Netherlands ($207 million), Denmark ($72 million), Norway ($66 million), and Sweden ($60 million). The Bank contributed $653 million to trust funds through transfers from IBRD income.
- Disbursements under the Global Environment Facility and Montreal Protocol trust funds, including transfers to UNDP and UNEP, climbed significantly from $139 million in fiscal 1996 to $227 million.

FIGURE 4-4
Trust Fund Contributions and Disbursements, Fiscal Years 1994–97
(US$ billions)



• Contributions under the Japanese-funded Policy and Human Resources Development Fund (PHRD)—which supports a variety of technical assistance activities (*see box 4-2*)—declined from $222 million in fiscal 1996 to $175 million in fiscal 1997. This decline is due to both lower real contributions and exchange rate adjustments, as Japan's contribution is provided in yen.

• Use of the Consultant Trust Fund (CTF) program rose from $79 million in allocations during fiscal 1996 to $96 million in fiscal 1997.

• The Bank established an important new debt relief fund, the HIPC Trust Fund (*see box in Overview section*).

Trust fund management. In fiscal 1997, trust fund policies and procedures were updated, and the comprehensive Trust Fund Handbook was issued for use by Bank task managers.

TABLE 4-7. TRUST FUND DISBURSEMENTS

(amounts in millions of US dollars)

	FY96	FY97
Multidonor special programs		
Global Environment Fund (GEF) Montreal Protocol (MP)	138.8	226.9
Consultative Group on International Agricultural Research (CGIAR)	85.3	51.5
Holst Fund for West Bank and Gaza	68.9	50.6
Onchocerciasis Control	32.5	10.4
Africa Capacity Building	11.8	10.9
Other trust fund programs		
Policy and Human Resources Development (PHRD) Fund[a]	168.7	164.6
Consultant Trust Fund (CTF) Program[b]	58.1	69.0
Institutional Development Fund (IDF)	17.2	18.4
Other trust funds[c]	611.0	662.0
Total	1,192.3	1,264.3

a. These figures exclude the portion of PHRD that is allocated to Japanese Consultant Trust Funds.

b. These figures include Japanese Consultant Trust Funds.

c. This category includes smaller programs as well as single-purpose trust funds that finance debt reduction, cofinancing with Bank-financed operations, technical assistance, and other advisory services.

BOX 4- 2. THE POLICY AND HUMAN RESOURCES DEVELOPMENT (PHRD) FUND

The PHRD Fund, a collaborative effort between the government of Japan and the Bank, extends untied grants to meet the technical assistance needs of developing countries: it funds project preparation activities, including pre-feasibility and feasibility studies, sector studies in support of adjustment lending, environmental assessments, training, and study tours. The PHRD Fund was established in 1990 as a successor to the Japanese Grant Facility, which was established in 1987.

PHRD funding aims to strengthen the quality of project design, and between 1991 and 1997 some 500 PHRD grants have resulted in projects. For these completed grants, each dollar of PHRD funding has mobilized $261 in follow-up investments, thus helping develop a pipeline of quality projects for Bank and IDA funding. During fiscal 1997, the PHRD fund provided 254 grants totaling $138.6 million and in fiscal 1996, 260 grants totaling $162.2 million for project preparation activities. Examples of PHRD grants that have contributed to successful project preparation include:

- *In Mongolia, PHRD-funded consultants prepared a feasibility study on the priorities for rehabilitation services, an important input in the preparation of the Ulaanbaatar Services Improvement Project and an effective means of supporting capacity building.*
- *In India, a PHRD grant provided the means to focus special attention on the health needs of the poor, who are particularly prone to certain diseases. The effort supported the design of several health projects to reduce the incidence of leprosy, blindness, malaria, and tuberculosis.*

The PHRD Fund also supports EDI training activities and reconstruction efforts in postconflict regions, as well as Japanese expertise through the Consultant Trust Fund. PHRD responded to the needs of Bosnia and Herzegovina with support to the Emergency Recovery Program. PHRD also finances several special programs; among those carried out in fiscal 1997 was a seminar on industrial and financial sector strategies for eastern and southern Africa countries that drew heavily on the experience of East Asian countries.

The PHRD also funds the Joint Japan/World Bank Graduate Scholarship Program, managed by EDI, which funds graduate studies for mid-career officials from Bank member countries. In fiscal 1997 the program supported 360 students who studied in 111 universities in nineteen member countries.

With the exception of the CTF program, most trust funds are untied. To increase the effectiveness of the CTF program, the Bank reached agreement with most major donors to untie their CTFs by at least 25 percent to fund consultants from developing countries and from other donor countries that have taken similar measures to untie their contributions.

Technical assistance

Technical assistance (TA) came under considerable scrutiny in fiscal 1997 because of legitimate concerns that its performance has been less than satisfactory. This performance record is common to most donors of technical assistance and is the subject of an ongoing review by the Bank.

Bank-supported TA in the early years, and through the 1970s and much of the 1980s, focused on engineering—assistance in designing bridges, dams, highways, and telecommunications systems—which involves working with identifiable products that are based on well-established technology that can be transplanted or modified relatively easily. In recent years, however, TA increasingly has been directed at capacity building, which entails a more complex process of creating and disseminating knowledge for development purposes at all levels of society. Capacity is induced and enhanced as much as it is transferred and built. TA for capacity building involves assisting, supporting, and facilitating rather than supplanting and prescribing. It is largely culture bound and process oriented, and experience in one situation might be entirely irrelevant in another. Experimentation often governs action. TA for capacity building is thus costly, time consuming, and often

risky. In fiscal 1997 the Bank began to examine its tools for designing and delivering this type of TA to identify methods of reducing risks and increasing the chances of success.

The Bank offers its clients a number of instruments to promote capacity building. Most are financed through loans for freestanding projects or for components of broader projects. One increasingly important instrument is the Institutional Development Fund (IDF) established in fiscal 1993 as a $25 million annual grant instrument. The IDF provides grants for capacity-building activities not directly linked to Bank operations. Between its inception and the end of calendar year 1996, the IDF made 345 grants to 108 countries. While the ceiling for each grant is $500,000, grants extended to date have averaged less than $300,000 each. Among its many beneficiaries, the IDF has funded capacity building for poverty monitoring and social policy in Angola; for developing the Quipus craft program in Bolivia; for strengthening project management and monitoring capacity related to the protection of children in Vietnam; for establishing institutional capacity to secure private investors and operators in Tunisia; for external assistance management capacity in Kazakhstan; and for capacity building in, and modernizing of, Sri Lanka's Central Bank Library.

The Bank and the United Nations Development Programme (UNDP). The Bank maintains close working relationships with UNDP. One of the key aspects of this relationship in fiscal 1997 was the conclusion of a new agreement on aid coordination. At the same time, the Bank's role of executing agency for UNDP projects has substantially diminished with the introduction in 1992 of UNDP's system of devolving execution to the countries themselves.

Inspection Panel

An independent inspection panel established by the executive directors in September 1993 helps to ensure that the Bank's operations adhere to the institution's operational policies and procedures regarding the design, preparation, or implementation of a project. Any group of individuals who may be directly or adversely affected by a Bank-supported project or projects can ask the panel to investigate complaints that the Bank has failed to abide by its policies and procedures. The executive directors decide, on the recommendation of the panel, whether an inspection will take place.

The Inspection Panel continues to receive numerous queries concerning potential requests for inspection. It has received ten formal requests for inspection to date, eight of which were found to be admissible: five were acted upon in fiscal 1997 (*see box 4-3*). In fiscal 1997 the executive directors asked the panel to review the extent of progress of a November 1995 plan of action, which was undertaken by Bank management in response to a (fiscal 1996) request for inspection of the Rondonia Natural Resources Management Project in Brazil. The panel's report noted mixed progress but concluded that local people affected by the project considered its continuation preferable to ending Bank involvement. The board accepted the panel's recommendation to continue with the project.

The resolution that established the Inspection Panel required a review of its functions by the Bank's Executive Board after two years of operation. The review was completed in fiscal 1997. The board agreed on the usefulness of the inspection mechanism and approved several technical clarifications to the resolution, which have led to improvements in processing requests.

Public Information Center

The PIC continued to improve the quality and quantity of information it makes available to clients, with the number of documents carried by the PIC increasing by 1,160 between July 1, 1996 and June 30, 1997, to reach a total of 4,024 by the end of the fiscal year. In fiscal 1997 the highest demand for information from the PIC came from the business community, followed by academics and representatives of public agencies.

Since its inception, the largest proportion of PIC usage has come from members of the business community who are interested in project-specific information. In addition, PIC clients include public agencies, NGOs, academia, and the general public interested in obtaining

BOX 4-3. REQUESTS FOR INSPECTION

Jamuna Bridge Project in Bangladesh. *Requesters representing people living on* chars *(islands in the Jamuna River) claimed that their livelihood and property rights have been or may be harmed because* IDA *policies, especially on resettlement, compensation, and participation, were not observed in the design and implementation of the project. After the Inspection Panel received the request, compensation policies and an implementation plan acceptable to the requesters were adopted.* IDA*'s Board of Executive Directors accepted the panel's recommendation that there was no need for further investigation at that time but asked management to submit a progress report on execution of measures to compensate the* char *dwellers early in fiscal 1998. The panel will be invited to give its comments on this report.*

Yacyreta Hydroelectric Project in Argentina and Paraguay. *The requesters representing people living in the project area claimed that their standards of living, health, and economic well-being have been, and may be potentially, harmed as a result of Bank omissions and failure to observe policies in relation to execution of the project and filling the Yacyreta Reservoir. The panel recommended an investigation. The Bank's executive directors asked the panel to review the project's environmental and resettlement problems and to provide an assessment of the adequacy of a remedial action plan agreed on between the Bank and the two countries.*

Jute Sector Adjustment Program in Bangladesh. *The requesters from private sector jute mills claimed that their interests had been harmed through design flaws and delays in implementation of the* IDA*-supported reform program—which was intended to benefit the private sector. The panel did not recommend a formal investigation because it considered that this would not resolve the program's design and implementation problems.* IDA*'s executive directors accepted the recommendation.*

Itaparica Resettlement and Irrigation Project in Brazil. *The requesters claim that their standards of living, health, and economic well-being have not been maintained or improved because of design failures and faulty execution of this project. The project was designed to mitigate adverse effects resulting from the construction of the Itaparica hydroelectric dam. The panel recommended that the Executive Board authorize an investigation. The board will consider the recommendation early in fiscal 1998.*

National Thermal Power Corporation (*NTPC*) Power Generation Project in India. *The requesters in the project area, located in the Singrauli region, claim that they have been and may be adversely affected as a result of execution of the project, which they allege violates aspects of various Bank policies, including those on environmental assessment, indigenous peoples, and resettlement. The panel will deliver its recommendation to the Executive Board early in fiscal 1998.*

economic information on countries and sectors and numerous documents on a variety of topics. Because accessing any one piece of Bank information can be a formidable challenge, the PIC monitors a telephone hotline to respond to questions on many different aspects of the Bank's work and to help guide clients through the Bank's organizational structure. The PIC program has enabled a break in what was perceived as an impenetrable barrier to information about the Bank and has helped to create better understanding of the Bank's mission.

In fiscal 1997 the PIC continued to improve and expand its operations. To serve the bulk of its clients better—those who access the PIC through the Internet[10]—the PIC's Web site was reorganized and improved and its search capability upgraded to be more user friendly and responsive. Links were established with other Bank Group Web sites, including those of the Operations Evaluation Department, the Inspection Panel, and the Global Environment Facility.

Administrative budget and corporate planning

The Bank's total administrative budget for fiscal 1997, as approved by the executive directors in fiscal 1996, was $1,374.7 million (*see appendix 6*), a drop of 3.6 percent in real terms from the fiscal 1996 budget.

10. Hits to the PIC's Internet program totaled about 2 million in fiscal 1997.

The net administrative budget for fiscal 1997 which takes into account reimbursements and fee revenues that offset the costs of programs not financed from the regular budget, was set at $1,177 million. This implied a reduction in real terms of 4.6 percent over fiscal 1996 and a 10.7 percent reduction over fiscal 1995. Fiscal 1997 was the third consecutive year of decline in the Bank's net administrative expenditures in real terms. Figure 4-5 shows IBRD and IDA income and expenditure at a glance.

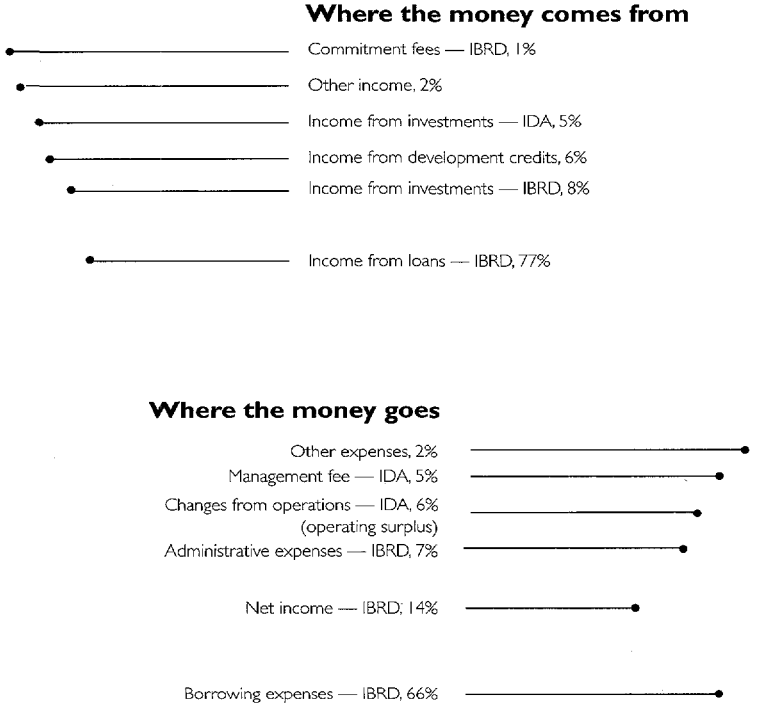
The fiscal 1997 budget also reflected the initial phase of the Bank's effort to undertake institutional renewal; it proposed specific measures to support that process, including taking immediate steps to raise the quality of the Bank's services for its clients; strengthening the quality of country assistance strategies and the portfolio; enhancing executive development and staff training programs; expanding partnerships and support for building client capacities (through, for example, a substantial expansion of the Economic Development Institute); and putting in place the supporting infrastructure to sustain institutional change.

Management noted that for the fiscal 1998–2000 period, it would present a further, more comprehensive review of institutional priorities as well as a proposed plan for implementing a program of renewal—including costs and benefits. This review was subsequently encapsulated in the Strategic Compact, which was unanimously approved by the Executive Board on March 31, 1997.

In June 1997, the executive directors approved a total administrative budget for fiscal 1998 totaling $1,423.9 million to implement the program envisaged by the Strategic Compact. (The net administrative budget, taking into account off-setting reimbursements and fee revenues, is $1,219 million.)

Corporate Planning and Resource Management. In fiscal 1997 the priority of the various units that comprise Corporate Planning and Resource

FIGURE 4-5 IBRD/IDA Income and Expenditure at a Glance, Fiscal Year 1997



Note: For details see *IBRD Financial Statements: Statement of Income* and *IDA Special Purpose Financial Statements: Statement of Changes in Accumulated Surplus*, June 30, 1997.

Management was to support the Bank's emerging renewal program. In many ways the key to the Bank's relevance and effectiveness in the future is the efficient interplay among its human resources, financial resources, and technology—the key components of corporate planning and resource management.

Human resources. The Bank's change effort in fiscal 1997 was supported by a new managerial selection process built on openness and transparency; launching an improved performance-management process that emphasizes agreed results; and supporting the launch of the four sector networks. A multisource feedback program was also piloted this year.

The Bank also implemented a program to recognize staff achievement, the Awards for Excellence program, which recognizes teams and individuals who demonstrate outstanding service to clients and who deliver results in an innovative, collaborative, and responsive manner.

Learning and Leadership Center. To help achieve a higher level of excellence and better results, the LLC provided a notable increase in staff training and education in fiscal 1997.

- More than 2,000 staff attended over 150 courses or technical workshops, and twenty-seven "Sector Weeks" brought together staff and outside experts from specific disciplines.
- Fifty managers completed the Executive Development Program (EDP) at ten leading business schools or academic institutions; another 180 attended an in-house EDP organized with a consortium of leading training institutions.
- Training opportunities targeted to reach resident mission staff included seven programs, held in regional "hubs" such as Budapest, Islamabad and Jakarta, which were attended by about 200 local staff.
- Exchange and secondment programs were initiated with other major organizations.
- The Presidential Fellows program brought eminent scholars to the Bank to discuss their views on critical issues such as social justice, poverty, and inequality.

The LLC and EDI offered twelve joint programs where Bank staff and participants from client countries studied important subjects such as public expenditure analysis, social safety nets, and lessons of adjustment. Another LLC partnership, with the IMF Institute, brought staff from the International Monetary Fund to participate in Bank courses and vice versa.

Health Services Department. HSD provided a variety of clinical and occupational health services, including an on-site clinic to assist staff with episodic, acute illnesses; a comprehensive breast care program; and a travelers' health advisory service that gives advice on immunization, illnesses and diseases common to countries of destination, as well as food and water precautions. Associated dimensions of HSD's work program included occupational health research focusing on health concerns of staff and on travel-related illnesses, which serves as a guide to targeted interventions to keep staff healthy and productive, and a communications program to strengthen staff health awareness.

Information and Technology Services (ITS). Providing the communications and technological support for devolving responsibility to resident missions and providing infrastructure for the Bank's knowledge-management initiative were primary foci for ITS in fiscal 1997. Deployment of the Bank's global communications network was carried out in collaboration with United Nations agencies, and the Enterprise Network was extended to about one-third of the Bank's resident missions during the fiscal year.

Cost-effective measures to streamline procedures, share information, and promote teamwork across the Bank were enhanced through use of collaborative tools such as Lotus Notes™. Already in use by a large portion of headquarters staff, by the end of fiscal 1998 all staff at headquarters and resident missions will have access to these tools.

A prototype knowledge management system (KMS) was developed to serve as a single repository of knowledge and information about development. The KMS is accessible in multiple ways and will be scaled up and linked with expanded electronic document repositories.

A high-level systems architecture study carried out in fiscal 1997 resulted in initiation of major reforms in supporting systems and data.

General Services Department. GSD continued its efforts to support the Bank's drive for increased efficiency and cost savings. Highlights of the year included the occupancy of Phase 2 of the Bank's Main Complex, which is accommodating about 1,300 staff; achievement of $9.4 million in travel savings through the lowest-cost-fare program, negotiated hotel rates, and free airline tickets; and utilization of new technology, including a pilot robotic "mailmobiles" program.

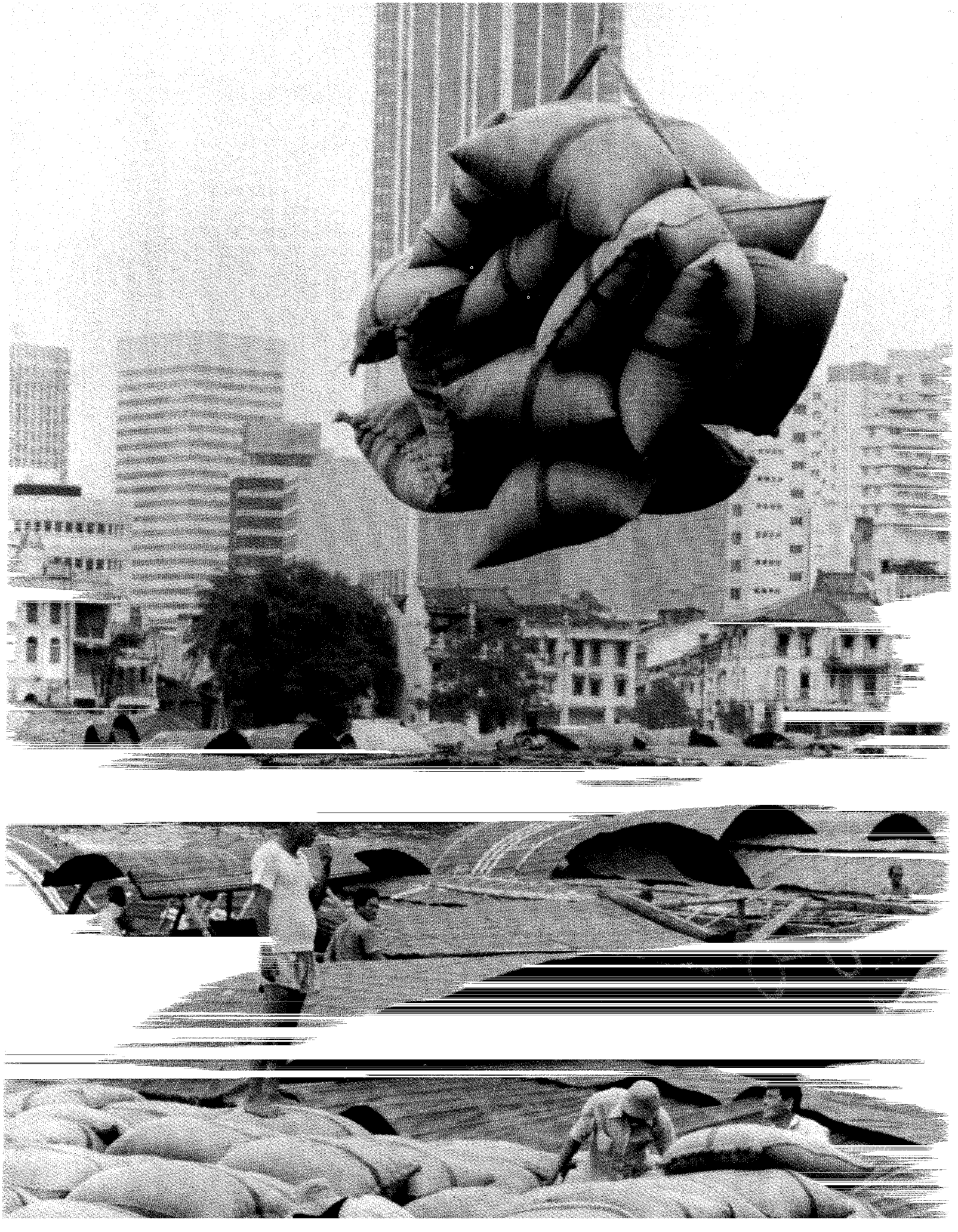
"Greening" efforts continued and will be embedded in GSD's annual work program from the next fiscal year. This year's efforts included using breakaway partitions in headquarters office space to decrease significantly the consumption and waste of internal building materials; switching to environmentally conscious, energy-efficient materials; and increasing the use of recycled products.

As more staff were being devolved to the field, GSD undertook twenty field office projects, three in Bank-owned space and the remaining seventeen in leased premises; an additional twelve projects were commissioned and surveyed.

Headquarters construction. The second phase of construction of the new Main Complex buildings was completed during the year, and office operations started at the 1818 H Street site on December 6, 1996. The cost of construction was within the budget approved by the Executive Board in fiscal 1995.

Built to the latest health and safety standards and with high energy efficiency, the new building creates additional office space, permits modern communications and other technology, and has enabled the Bank to reduce its reliance on rented office space.

Staffing. At the end of fiscal 1997, regular and fixed-term staff—excluding staff on special leave and leave without pay—numbered 5,443, down from 5,681 as of June 30, 1996. The World Bank Group recruited 207 staff, of whom 30 percent were from developing countries and 40 percent were women. Recruitment is expected to remain at a higher level in the next fiscal year to provide new skills for the new areas of emphasis under the Strategic Compact.



IBRD financial highlights

In the fiscal year ending June 30, 1997, the IBRD achieved solid financial performance, highlights of which are:

- net income of $1,285 million;
- loan disbursements to member countries of $13,998 million;
- medium- and long-term borrowing the equivalent of $15.1 billion in eighteen currencies;
- average medium- to long-term borrowing costs, after swaps, of 5.01 percent;
- financial returns on the investment portfolio of 5 percent;
- a healthy reserves-to-loan ratio of 14 percent.

The Board of Governors agreed at the October 1996 Annual Meeting to allocate net income earned during fiscal 1996 as follows:

- $250 million to the general reserves to maintain the reserves-to-loan ratio and to prefund partial waivers of interest charges;
- $300 million equivalent in SDRs as of June 30, 1996, as an immediate grant to IDA;
- the remainder, $637 million, to surplus.

The Board of Governors also authorized the following transfers from the IBRD surplus:

- $300 million equivalent in SDRs as of June 30, 1996, as an immediate grant to IDA;
- $500 million by way of a grant to the Heavily Indebted Poor Countries (HIPC) Debt Initiative Trust Fund in support of the HIPC debt initiative.

Financial policies

Increasing client orientation by offering currency choice for new and existing IBRD loans. On June 25, 1996, the executive directors approved two initiatives to provide borrowers flexibility to select IBRD loan terms that are consistent with their debt-management strategy and suited to their debt-servicing capacity. First, they removed the lending volume limitation on new single-currency loan commitments. During the fiscal year ending June 30, 1997, there was strong borrower demand for the single-currency loan product. Of total new commitments of $14.5 billion, borrowers selected LIBOR-based single-currency loan terms for $10.6 billion, fixed-rate single-currency loan terms for $2.3 billion, and currency-pool loan terms for $1.6 billion. Single-currency loans were committed in five currencies: United States dollars ($11.9 billion), deutsche mark ($668 million), French francs ($226 million), Japanese yen ($53.1 million), and Spanish pesetas ($42.5 million).

Second, the executive directors approved a policy to offer currency choice for all IBRD currency-pool loans for which the invitation to negotiate was issued by September 1, 1996. The purpose of this offer is to provide borrowers flexibility to amend the terms of their existing currency-pool loans to reflect the offered currency of their choice. Under this offer, which extends from September 1996 to June 1998, borrowers have three options:

- they may retain the terms of their existing currency-pool loans
- they may convert undisbursed loan amounts to single-currency loan terms; and
- they may convert disbursed loan balances and undisbursed loan amounts (to the extent not converted to single-currency loan terms) to one of four new single-currency pools.

At June 30, 1997, there were $5,764 million of undisbursed balances that borrowers had requested conversion into single-currency loan terms. In addition, the Bank had accepted requests to convert $9.9 billion of loan balances to single-currency pool terms on July 1, 1997.

Portfolio concentration management. On January 28, 1997, the executive directors approved a new policy on IBRD portfolio concentration management. Under this policy, IBRD exposure to large borrowers is subject to a dollar limit. This limit will be established at the time of the annual allocation of IBRD net income and will be the lower of: (i) 10 percent of the Statutory Lending Limit,[1] and (ii) IBRD's ability to bear the risk of port-

1. The Statutory Lending Limit is defined as subscribed capital plus reserves plus the portion of the surplus account available to meet IBRD's obligations toward its creditors.

folio concentration. Thus, the new approach ensures that all borrowers have equal access to IBRD's resources and that IBRD's exposure to portfolio-concentration risk cannot exceed its risk-bearing capacity.

Previously, IBRD exposure to large borrowers was managed so that the amount outstanding to any one borrower did not significantly exceed 10 percent of the total IBRD loan portfolio. The new policy has several advantages over the previous policy. First, it de-links exposure to individual borrowers from IBRD's total loan portfolio, thereby allowing the lending levels for large borrowers to be set independently from developments in other countries. Second, it allows IBRD to manage its exposure to large borrowers proactively on the basis of its risk-bearing capacity. Third, it clarifies what is considered to be an equitable share of IBRD's total resources.

Liquidity policy. On April 18, 1997, the IBRD's executive directors approved a new approach to maintaining and managing its liquid assets. Beginning with fiscal 1998, the IBRD's liquid asset holdings will not be allowed to fall below a specified minimum; that minimum is equivalent to the highest six months of debt service plus one-half of net loan disbursements as projected for the year, which amounts to $17.3 billion for fiscal 1998. Holding at least this level of liquidity at all times provides additional assurance that the IBRD will have the resources necessary to meet its financial obligations, even in the unlikely event that it is prevented from accessing capital-market funding for a significant period. Liquid assets over and above the specified minimum will be held to provide flexibility in timing the IBRD's borrowing transactions and to meet working capital needs. Previously the IBRD had maintained a target for fiscal year-end liquid holdings of at least 45 percent of its projected net cash requirements for the succeeding three years.

Accumulated provision for loan losses. The level of the accumulated provision for loan losses is based on an assessment of the collectibility of loans in nonaccrual status, plus an evaluation of the collectibility risk in the rest of the portfolio. For fiscal year 1997, the accumulated provision for loan losses was maintained at a level equal to 3 percent of total loans disbursed and outstanding plus the present value of callable guarantees. At the end of the year there were seven countries with loans in nonaccrual status, and the accumulated provision for loan losses amounted to $3,210 million.

Loans

Disbursements. The IBRD's gross disbursements to countries during fiscal 1997 were $13,998 million, up $626 million from fiscal 1996's total of $13,372 million. Net disbursements, excluding prepayments, to current borrowers were $4,301 million, an increase of $1,419 million over the previous year's total of $2,882 million.

Lending rates. For loans made under, or converted to, the IBRD's variable lending rate (VLR) system, established in 1989, the interest rate was 6.94 percent for the first semester and 6.70 percent for the second semester for fiscal 1997. By comparison, the interest rates for older variable rate loans (established in 1982) that have not been converted to the current system were 6.90 percent and 6.65 percent for the first and second semesters, respectively.

The single-currency lending rates for the fiscal year ranged from 5.79 percent to 6.22 percent in United States dollars, from 3.35 percent to 3.72 percent in deutsche mark, from 3.53 percent to 4.44 percent in French francs, and from 0.72 percent to 1.02 percent in Japanese yen (the only currencies outstanding on loans). These rates are based on the six-month LIBOR (PIBOR for French francs) plus a total spread (includes contractual lending spread plus or minus the Bank's weighted-average cost margin relative to LIBOR/PIBOR). Single-currency loan fixed rates for the fiscal year (applicable to disbursed amounts during an interest period) ranged from 6.67 percent to 7.75 percent in United States dollars, from 5.15 percent to 6.26 percent in deutsche mark, and from 5.01 percent to 6.86 percent in French francs.

Interest waivers. During fiscal 1997 the IBRD continued to waive twenty-five basis points of the semester interest rate of loans to all borrowers that had made all loan-service payments within thirty days of their due date. At June 30,1997, approximately 95 percent of the IBRD's total volume of outstanding loans was eligible for the interest-spread waiver. This waiver was

in addition to the continuation during the year of a waiver of part of the IBRD's commitment fee on undisbursed balances that resulted in a reduction of that fee from seventy-five to twenty-five basis points. Together, the partial waivers on loan charges amounted to $485 million in fiscal 1997.

Loans in nonaccrual status. At the end of fiscal 1997, six member countries (Bosnia and Herzegovina, Democratic Republic of the Congo, Iraq, Liberia, Sudan, Syrian Arab Republic) and one successor republic of the former Socialist Federal Republic of Yugoslavia—the Federal Republic of Yugoslavia (Serbia and Montenegro)—were in nonaccrual status. Of these countries, all but Bosnia and Herzegovina have payments in arrears to the Bank. All overdue payments from Bosnia and Herzegovina were cleared in June 1996, but the country remains in nonaccrual status because of the high level of collectibility risk associated with its outstanding debt stock. Loans in nonaccrual status at the end of fiscal 1997 amounted to 2.23 percent of the total IBRD portfolio.

Liquid asset management

The liquid asset portfolio serves a number of purposes for the IBRD. It provides flexibility in timing the execution of the borrowing program, allowing it to take advantage of attractive market conditions and funding opportunities on behalf of its borrowers. It functions as a source of cash to meet operational requirements in the normal course of business and is also a reserve that could be mobilized in case of adverse financial conditions affecting the IBRD. Furthermore, the availability of liquid assets enhances the overall level of investor confidence in the IBRD's creditworthiness.

A new policy specifying the minimum size of the liquid portfolio was approved by the executive directors in April 1997. It will be implemented beginning with fiscal year 1998.

As a result of another policy change approved by the executive directors in May 1996, based on asset-liability management reasons, the IBRD began funding its liquidity portfolio utilizing floating-rate debt on a currency-by-currency basis in fiscal year 1997.

The IBRD's liquid assets are invested exclusively in fixed-income markets, and most are actively traded. Portfolio-management activities are supported by risk-management and monitoring procedures covering both credit risk and interest rate risk. Trading performance of actively managed portfolios is measured against benchmark portfolios of three months' duration.

At the end of fiscal year 1997 the IBRD's liquidity totaled $18,107 million.

During fiscal 1997 the IBRD's financial return on its portfolio was 5 percent. The financial return on the portfolio in fiscal 1996 was 4.43 percent.

Borrowings and liability management

The goal of the IBRD's funding and liability-management operations is to mobilize the financing needed for development at the lowest achievable cost and on a sustainable basis. In pursuit of this goal, the IBRD issues debt in a wide range of currencies, maturities, and structures, and it does so in a variety of markets, payment systems, and legal environments. It also uses interest rate and currency swaps and other derivatives as an integral part of this effort to minimize costs and to manage risks—both when it takes on new debt and in managing the stock of outstanding liabilities. Almost all of the IBRD's outstanding loans to its developing-country borrowers are priced on a cost pass-through basis, so the benefits of low-cost funds flow through directly to the debt-service payments of these countries.

In fiscal 1997 the IBRD employed many available market instruments to raise $15.1 billion in medium- and long-term debt, to increase its outstanding short-term debt by $3.3 billion, to prepay or buy back $1.8 billion of its securities, and to transform the currency or interest rate characteristics of another $27.4 billion of its outstanding liabilities.

As part of its efforts to raise funds in world capital markets as cost-effectively as possible, the IBRD issued debt in eighteen different currencies during the year, including for the first time Korean won, Philippine pesos, Polish zloty,

TABLE 5-1. IBRD MEDIUM- AND LONG-TERM BORROWINGS, FISCAL YEAR 1997

(amounts in millions)

Type	Issue	Currency	Currency amount	US dollar equivalent
Globals	6.625% Bond due 2006	US$	1,000.0	1,000.0
Structured	6.70% Callable Notes due 1999	US$	50.0	50.0
	6.62% JPY/AUD Dual Currency Bonds due 1998	¥	9,850.0	90.7
	7.00% JPY/NZD Dual Currency Bonds due 1997	¥	4,925.0	46.3
	5.10% JPY/USD Dual Currency Bonds due 1998	¥	7,000.0	64.7
	Callable Multi-up Loan due 2006	¥	1,000.0	9.2
	Zero-Coupon Callable Notes due 2011	Lit	272,060.0	178.1
	5.00% JPY/USD Dual Currency Bonds due 1999	¥	49,175.0	443.0
	6.00% Step-up Callable Notes due 1999	US$	119.9	119.9
	Zero-Coupon Callable Notes due 2006	Lit	587,450.0	386.8
	9.50% Reverse Floater Callable Bond due 2007	Lit	645,159.6	400.1
	Reverse Floater Callable Bond due 2007	US$	100.0	100.0
	5.60% JPY/GBP Dual Currency Bonds due 2000	¥	14,745.0	119.4
	7.45% Callable Bond due 2002	Lit	199,510.0	117.6
	Callable Multi-up Loan due 2007	¥	1,000.0	7.9
	5.25% Range Structure Bond due 2000	DM	100.0	58.3
	Multi-Callable Capped Floater Bond due 2007	Lit	199,300.0	117.7
	Capped Floater Notes due 2007	Lit	54,821.4	32.6
	Capped Floater Bond due 2004	Lit	497,450.0	300.8
	Forex-Indexed Bond due 2012	¥	5,000.0	43.3
	7.05% Callable Notes due 2004	Lit	299,340.0	177.0
	6.75% Callable Bond due 2002	$A	99.8	75.0
Conventional	8.25% Bond due 1999 (Reopening of a FY96 Issue)	$A	50.2	39.5
	9.00% Bond due 1999 (Reopening of a FY96 Issue)	$NZ	50.0	34.0
	13.625% Bond due 1999	R	199.8	45.7
	7.50% Notes due 1999	$A	148.5	116.9
	7.00% Notes due 2000	$A	99.5	76.9
	8.75% Notes due 2005	Lit	29,730.0	19.6
	6.50% Bond due 2002	Can$	99.5	72.8
	5.68% Notes due 1999	US$	1,000.0	1,000.0
	8.00% Notes due 1998	$NZ	99.6	68.9
	6.375% Notes due 2003	DKr	398.8	68.4
	7.20% Bond due 2001	Ptas	9,898.0	77.9
	Zero-Coupon Notes due 2016	Lit	661,260.0	435.0
	Floating Rate Notes due 2001	Lit	50,015.0	32.8
	7.625% Notes due 2003	Lit	299,390.0	196.6
	Zero-Coupon Notes due 2016	DM	414.4	268.1
	14.50% Notes due 1998	R	99.7	21.6
	4.00% Notes due 2004	DKr	428.2	73.4

Slovak koruny, and South African rand (*see table 5-1*). The use of currency swaps allowed the IBRD to transform the cash flows from these securities into the funding needed for its loans and liquid assets. In view of the increased demand for single-currency loans from its clients, and especially for loans denominated in United States dollars, the bulk of the IBRD's new

Type	Issue	Currency	Currency amount	US dollar equivalent
Conventional	4.625% Notes due 2001	DM	1,009.0	625.4
	6.65% Notes due 1998	$NZ	99.5	70.5
	5.15% Notes due 2000	US$	1,000.0	1,000.0
	15.00% Notes due 2002	R	98.9	21.1
	Zero-Coupon Notes due 2000	£	274.0	449.1
	7.25% Notes due 2002	$NZ	199.2	141.0
	10.25% Notes due 2001	Dr	20,180.0	81.7
	15.00% Notes due 1999	R	499.7	108.3
	Zero-Coupon Bonds due 2007	Lit	513,300.0	331.0
	14.50% Bonds due 2002	R	99.8	22.3
	6.75% Bonds due 2001	$A	99.9	76.3
	6.00% Bonds due 2000	£	247.6	402.0
	6.50% Bonds due 2004	Lit	796,400.0	479.8
	7.50% Notes due 2000	$NZ	99.4	68.9
	6.10% Bonds due 2000	£	296.5	483.5
	Zero-Coupon Bond due 2017	R	415.8	93.6
	14.5% Notes due 2002	R	149.7	33.5
	Zero-Coupon Notes due 2022	R	258.5	58.5
	10.25% Notes due 2002	₱	3,995.2	151.5
	4.75% Bond due 2002	DM	248.3	148.7
	10.375% Notes due 1999	Kč	998.2	35.6
	7.58% Notes due 2007	HK$	996.1	129.1
	8.25% Notes due 2000	$NZ	99.5	69.0
	9.80% Notes due 2002	W	88,666.4	99.3
	Step-Down Coupon Notes due 2007	¥	4,970.0	39.7
	Zero-Coupon Notes due 2012	R	401.2	89.9
	5.375% Bond due 2000	Ptas	14,943.8	103.3
	6.625% Notes due 2001	US$	298.4	298.4
	8.00% Notes due 2007	$NZ	97.5	67.5
	6.95% Notes due 2002	Lit	299,515.0	174.5
	7.00% Bond due 2002	$NZ	746.6	1,220.6
	6.45% Loan due 2002	US$	30.0	30.0
	19.50% Notes due 1999	Zl	99.6	31.7
	14.625% Notes due 2000	R	199.3	44.6
	7.625% Notes due 2002	$NZ	99.7	68.9
	7.00% Notes due 2000	$NZ	99.4	68.2
	Zero-Coupon Notes due 2027	R	89.0	19.8
	7.00% Bond due 1999	$NZ	124.5	206.4
	6.00% Bond due 1999	US$	250.0	250.0
	5.375% Notes due 2002	Can$	99.1	71.2
	6.50% Bonds due 2007	Lit	991,980.0	588.6
	Total			15,139.2

NOTE: Borrowing amounts are based on net proceeds. U.S. dollar equivalents are expressed at the exchange rate prevailing at the time of launch.

liabilities, on an after-swaps basis, in fiscal 1997 also took the form of United States dollars (*see table 5-2*).

Spurred in part by the changing composition and structure of its balance sheet, the IBRD's asset liability-management operations have been growing. During the year, the IBRD entered into

TABLE 5-2. IBRD BORROWINGS, AFTER SWAPS, FISCAL YEAR 1997

(amounts in millions of US dollars equivalent)

Item	Before swaps Amount	%	Maturity (years)	Currency swaps (amount)	After swaps Amount	%	Maturity (years)	Cost (%)
Medium- and long-term borrowings								
U.S. dollars	3,848.3	25	4.9	8,740.3	12,588.6	83	6.5	5.6
Deutsche mark	1,100.5	7	8.4	558.6	1,659.1	11	2.9	2.9
Japanese yen	864.1	6	3.6	27.5	891.5	6	3.0	0.3
Others	9,326.3	62	6.2	—	—	—	—	—
Total[a]	15,139.2	100	5.9	9,326.4	15,139.3	100	5.9	5.0
Short-term borrowings outstanding[b]								
Central bank facility (U.S. dollars)					2,200.0	29	0.5	5.1
Discount notes (U.S. dollars)					3,015.0	39	0.3	5.7
Other								
U.S. dollars					1,985.0	26	0.6	5.6
Deutsche mark					394.0	5	0.8	2.8
Japanese yen					88.0	1	0.5	0.2
Total					7,682.0	100	0.4	5.3

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

a. Excludes the costs of Liability Management Funding and the volume, maturity, and cost of Contingent Funding.

b. As of June 30, 1997.

$1.6 billion in interest rate swaps to hedge the risk on its fixed-rate single-currency loans; it completed $5.1 billion in currency swaps associated with managing the currency composition of the currency pool; and it kept a greater share of the liabilities allocated to the currency pool on a floating rate basis to facilitate meeting borrowers' requests for the conversion of loans to single-currency terms beginning July 1, 1997. In its swap operations the IBRD ensures that its credit risk exposures are tightly controlled. It enters into swaps only with highly rated counterparts, subject to diversification requirements, and under master agreements that—for swaps longer than one year—must provide for marking to market and collateralization. The IBRD also called or prepaid $951 million in debt, and it repurchased $851 million in securities in the market to reduce debt costs and better manage its liabilities.

Capital

The IBRD seeks to avoid exchange risks by matching its liabilities in various currencies with assets in those same currencies and by matching the currencies of its retained earnings and accumulated provision for loan losses with those of its outstanding loans.

The IBRD presents its financial statements in United States dollars. Accordingly, changes in the value of the United States dollar vis-à-vis other currencies have an effect on the reported balances for assets and liabilities. For the June 30, 1997 financial statements, expressed in United States dollar terms, the loan portfolio was reduced by $6,429 million, the borrowing portfolio by $4,701 million, and accumulated

BOX 5-1. THE INTERIM TRUST FUND

The establishment of the Interim Trust Fund (ITF) with resources of SDR 2.2 billion was part of the funding arrangements proposed by IDA deputies in March 1996 for the IDA-11 Replenishment period (fiscal 1997–99). Its aim was to ensure adequate availability of resources to fund credits in fiscal 1997–99 in the face of the inability of one of the major IDA donors (the United States) to contribute to IDA-11 until fiscal 1998, pending fulfillment of its commitments to IDA-10. Decisionmaking and procurement eligibility affecting credits funded by the ITF are limited to ITF donor countries and to countries that are eligible to borrow from the IBRD and IDA.

Because of the procurement restrictions attached to the ITF, the selection of fiscal 1997 projects to be funded by the ITF was carried out through a random and transparent process. Sixty-six projects were selected for ITF funding at a drawing held on July 9, 1996, with a regional distribution consistent with that of the overall fiscal 1997 IDA lending program. The list of ITF projects, together with the main features of the ITF, notably its procurement restrictions, was widely disseminated (and updated as needed) outside the Word Bank—mainly through the Bank's World Wide Web site and through Development Business,[1] *a United Nations publication aimed at potential suppliers, to which the World Bank* Monthly Operational Summary *is attached.*

The ITF became effective in November 1996, and the first ITF projects were approved in December 1996. As of June 30, 1997, donor payments to the ITF totaled SDR 1,971 million; SDR 163 million in pledges from five donors remained outstanding and are expected to be paid by the end of December 1997. On this basis, total ITF resources are expected to reach SDR 2,134 million.

In February 1997 the ITF donors reached an agreement, later confirmed by IDA's executive directors, affecting the implementation of the ITF. The agreement stipulated that up to SDR 700 million in ITF funds uncommitted as of the end of fiscal 1997 would remain unallocated. It also specified that the use of such funds (that is, with or without procurement restrictions) would be determined by December 31, 1997.

As of June 30, 1997, thirty-one ITF projects for SDR 1,168 million had been approved—as part of total IDA lending of 100 projects for SDR 3,260 million in fiscal 1997—and thirteen ITF projects for SDR 313 million, which were postponed beyond fiscal 1997 after the February agreement, were part of the fiscal 1998 (twelve projects) and 1999 (one project) IDA lending program. In addition, consistent with the February 1997 agreement, SDR 653 million in ITF funds remained unallocated and pending determination of their use by ITF donors. This included SDR 405 million in ITF projects that had been postponed beyond fiscal 1997, before the February agreement, and that were subsequently reclassified from ITF to regular IDA funding.

1. *United Nations.* Development Forum Business Edition. *New York.*

provision for loan losses by $193 million. In total, expressed in United States dollar terms, the total assets fell by $8,206 million and total liabilities by $6,734 million.

On June 30, 1997, the total subscribed capital of the IBRD was $182.4 billion, or 97 percent of authorized capital of $188 billion. During fiscal year 1997, subscriptions to the 1988 general capital increase (GCI) were closed. Twenty-seven countries subscribed an aggregate $1.8 billion during the year. Total subscriptions under the 1988 GCI were $79.1 billion from 157 countries. At the end of fiscal 1997, the permissible increase of net disbursements ("headroom") was $92.8 billion, or 47 percent of the IBRD's lending limit.

Reserves. On June 30, 1997, reserves amounted to $16,279 million, and the reserves-to-loan ratio stood at 14 percent.

IDA finances

IDA's commitment authority. IDA is mainly funded by donor contributions. Such funds are "replenished" by an agreement among donors every three years. Fiscal 1997 was the first year of the eleventh replenishment of IDA (IDA-11). The total expected commitment authority for IDA-11 is SDR 14.4 billion, including the Interim Trust Fund (ITF) administered by IDA (*see box 5-1*), which was established by all IDA donors, except the United States, to fund operations

BOX 5-2. REVIEW OF IDA ACTIVITIES IN FISCAL YEARS 1994–96

In January 1997 the executive directors of the Bank met to discuss a report[1] on the use of resources during the three-year period covered by the tenth replenishment of IDA (fiscal years 1994-96, or IDA-10). IDA increased the scope of its activities to meet new challenges as the number of IDA-eligible countries rose from seventy to seventy-nine during the IDA-10 period. These seventy-nine countries are the world's poorest and are home to 3.3 billion people—some 57 percent of the world's population.

The report examines how IDA helped its borrowers' efforts to improve the living standards of their people and achieve faster, environmentally sustainable growth. The directors emphasized that there is a widely shared sense of urgency and commitment on IDA's poverty reduction goal but also noted that the objective is still far out of reach.

The directors welcomed the increased emphasis on policy performance and the resulting concentration of lending in countries with sound policies where IDA resources can be used most effectively. They noted IDA's efforts to improve economic governance but also that public institutions remained weak in many IDA countries. Strengthening of basic capacity in public administration and in enforcement of laws governing commercial contracts, investment, and other market activities was particularly important. During the IDA-10 period, IDA lending to Sub-Saharan Africa, at 40 percent of the total, was less than originally projected due to poor policy performance and civil conflicts in some African countries. The rate of commitments to the region also slowed because of IDA's sharper focus on advancing existing operations before launching new ones and because greater attention was paid to the quality of new projects. The executive directors appreciated the efforts by governments and the Bank to increase attention to implementation, which enabled IDA to increase disbursements substantially to African countries during the IDA-10 period.

IDA assistance strategies are tailored to country circumstances. The directors noted that IDA's strategy formulation process had matured and that the CAS documents are now a useful means for them to evaluate how IDA is achieving its objectives. They welcomed the summaries of assistance strategies for fifty-four IDA countries that were included in the report. They noted that recipient country officials and community leaders increasingly participate in determining development priorities and that wider participation should be used to increase the effectiveness of IDA's programs and projects in the years to come. They also recommended that IDA redouble its effort to support economic growth that would reach the poorest and particularly enhance the well-being and status of women.

More than 900 IDA-financed projects were under implementation during the IDA-10 period, and there was growing emphasis on effective portfolio management. The directors welcomed the quickened pace of disbursements—which exceeded $17 billion over the three-year period under review. The quality of IDA's portfolio has started to improve. The report shows how this assistance is supporting the borrowers' economies and helping deliver basic public services to poor people. The directors asked that monitoring of the impact of projects and programs continue to be improved.

The directors noted that IDA had a critical and unique role in assisting countries with formulation of sound economic policies, particularly in public expenditure and aid coordination, but that the low health and education status of the people in IDA countries means that much remains to be done. Increasing the effectiveness of public expenditure, especially in the social sectors, can significantly enhance the development prospects in the poorest countries. The report shows that IDA made a significant direct contribution to delivering better social services, as disbursements for investment projects in the social sectors grew rapidly to reach $1.5 billion in fiscal year 1996. The directors felt that renewed emphasis on agriculture and rural development may be warranted in the future and that this would be considered in individual country assistance strategies.

1. *World Bank.* 1997. IDA in Action 1993-1996: The Pursuit of Sustained Poverty Reduction. *Washington, D.C. (Also available as a summary report.)*

while the United States becomes current on IDA-10.

IDA-11 is intended to provide IDA with the resources to fund credits committed during the period July 1, 1996 to June 30, 1999. The commitment authority for IDA-11 comprises SDR 4.7 billion from IDA-11 donor contributions, SDR 2.2 billion from donor contribu-

tions to the ITF, SDR 1.3 billion from the unreleased portion of contributions carried over from the IDA-10 period, and SDR 6.2 billion from other resources (mainly commitments of expected repayments of past IDA credits), including IBRD net income transfers. ITF donor contributions were made available in one tranche during 1997. As of June 30, 1997, IDA has received ITF contributions from thirty donors. Total contributions received at the end of fiscal 1997 amount to SDR 1,971 million. IDA-11 donor contributions are to be made available in two annual tranches during fiscal 1998 and fiscal 1999.

In addition to the ITF, commitment authority for IDA-11 operations during fiscal 1997 was provided mainly by other resources, including the transfer of SDR 416 million from the IBRD's fiscal 1996 net income and SDR 1,860 million of commitment authority against repayments and other income. Of the latter amount, SDR 1,750 million is for regular credits and another SDR 110 million is for supplementary credits for IDA borrowers with IBRD loans outstanding. IDA-11 commitment authority was also augmented by SDR 783 million in the release of donor contributions carried over from the IDA-10 period. This amount was made available when the United States paid $700 million toward its IDA-10 contribution. This payment triggered the release of the corresponding amount in Germany's contribution that had been unavailable for commitment authority. At the end of fiscal 1997, available resources for IDA-11 operations totaled SDR 3,059 million, bringing total available resources for all of IDA-11 to SDR 5,030 million.

Against these resources, IDA has made commitments of SDR 3,260 million during fiscal 1997, of which SDR 1,168 million was funded by the ITF and SDR 2,092 million was funded by IDA-11 resources. Of this amount, 36 percent went to Africa, 17 percent to East Asia and the Pacific, 30 percent to South Asia, 11 percent to Europe and Central Asia, and 3 percent to both Latin America and the Caribbean and the Middle East and North Africa.

Box 5-2 reviews IDA activities for the IDA-10 period.

IDA's commitment fee. For each fiscal year the level of commitment fee is set by the executive directors based on an annual review of IDA's financial position. The commitment fee for fiscal 1998 was set at 0 percent for all IDA credits. IDA's commitment fee has been 0 percent from fiscal year 1989 through fiscal 1997.

GOVERNORS AND ALTERNATES OF THE WORLD BANK

June 30, 1997

Member	Governor	Alternate
Afghanistan	Abdul Hadi Arghadiwal	Mohammad Ehsan
Albania	Arben Malaj	Edmond Leka
Algeria	Abdelkrim Harchaoui	Ali Hamdi
Angola	Emmanuel Moreira Carneiro	Sebastiao Bastos Lavrador
Antigua and Barbuda †	John E. St. Luce	Ludolph Brown
Argentina	Roque Benjamin Fernandez	Pedro Pou
Armenia	Vahram Avanessian	Bagrat Asatryan
Australia	Peter Costello	Andrew Thomson
Austria	Rudolph Edlinger	Hans Dietmar Schweisgut
Azerbaijan	Elman Siradjogly Rustamov	Fuad Akhundov
Bahamas, The †	Hubert A. Ingraham	Ruth Millar
Bahrain †	Ibrahim Abdul Karim	Zakaria Ahmed Hejres
Bangladesh	Shah A.M.S. Kibria	Masihur Rahman
Barbados †	Owen S. Arthur	Erskine R. Griffith
Belarus †	Pyotr P. Prokopovich	Vladimir N. Shimov
Belgium	Philippe Maystadt	Alfons Verplaetse
Belize	Manuel Esquivel	Yvonne S. Hyde
Benin	Albert Tevoedjre	Felix Adimi
Bhutan	Dorji Tshering	Yeshey Zimba
Bolivia	Juan Fernando Candia Castillo	Gonzalo Afcha
Bosnia and Herzegovina	Hasan Muratovic	Drago Bilandzija
Botswana	Festus G. Mogae	O.K. Matambo
Brazil	Pedro Sampaio Malan	Gustavo J. Laboissiere Loyola
Brunei Darussalam †	Sultan Haji Hassanal Bolkiah	Haji Selamat Haji Munap
Bulgaria †	Muravei Radev	Plamen S. Iltchev
Burkina Faso	Tertius Zongo	Patrice Nikiema
Burundi	Niyibigira Gerard	Minani Evariste
Cambodia	Keat Chhon	Sun Chan Thol
Cameroon	Edouard Akame Mfoumou	Isaac Njiemoun
Canada	Paul Martin	Huguette Labelle
Cape Verde	Antonio Gualberto do Rosario	Jose Ulisses Silva
Central African Republic	Christophe Bremaidou	Anicet-Georges Dologuele
Chad	Bichara Cherif Daoussa	Abderhamane Dadi
Chile	Eduardo Aninat	Joaquin Vial
China	Liu Zhongli	Liu Jibin
Colombia	Jose Antonio Ocampo	Cecilia Lopez
Comoros	Mohamed Ali Soilihi	Ali Boina Mze
Congo, Democratic Republic of	(vacant)	(vacant)
Congo, Republic of	Nguila Moungounga-Nkombo	George Tsiba
Costa Rica	Francisco de Paula Gutierrez	Rodrigo Bolanos Zamora

Member	Governor	Alternate
Côte d'Ivoire	Daniel Kablan Duncan	N'Goran Niamien
Croatia	Bozo Prka	Josip Kulisic
Cyprus	Christodoulos Christodoulou	Antonis Malaos
Czech Republic	Ivan Kocarnik	Jan Vit
Denmark	Poul Nielson	Ellen Margrethe Loj
Djibouti	Mohamed Ali Mohamed	Hawa Ahmed Youssouf
Dominica	Julius C. Timothy	Gilbert Williams
Dominican Republic	Hector Manuel Valdez Albizu	Luis Manuel Piantini M.
Ecuador	Carlos Davalos-Rodas	Ernesto Perez-Cajiao
Egypt, Arab Republic of	Atef Mohamed Mohamed Ebeid	Yousef Boutros Ghali
El Salvador	Manuel Enrique Hinds	Jose Roberto Orellana Milla
Equatorial Guinea	Baltasar Engonga Edjo	Antonio Nve Ngu
Eritrea	Haile Woldense	Gebreselassie Yosief
Estonia †	Mart Opmann	Agu Lellep
Ethiopia	Sufian Ahmed	Girma Birru
Fiji	Berenado Vunibobo	Tevita K. Banuve
Finland	Sauli Niinisto	Pekka Haavisto
France	Jean Arthuis	Jean Lemierre
Gabon	Jean Ping	Richard Onouviet
Gambia, The	Dominic Mendy	Yusupha A. Kah
Georgia	David Iakobidze	Vladimer Papava
Germany	Carl-Dieter Spranger	Juergen Stark
Ghana	Richard Kwame Peprah	Kwesi Amissah-Arthur
Greece	Yannos Papantoniou	Christos Pachtas
Grenada	Keith Mitchell	Linus Spencer Thomas
Guatemala	Jose Alejandro Arevalo Alburez	Willy W. Zapata Sagastume
Guinea	Ousmane Kaba	Cellou Dalein Diallo
Guinea-Bissau	Issufo Sanha	Paulo Gomes
Guyana	Bharrat Jagdeo	Michael Sheer Chan
Haiti	Fred Joseph	Jean Erick Deryce
Honduras	Guillermo Bueso	Juan Ferrera
Hungary	Peter Medgyessy	Almos Kovacs
Iceland	Halldor Asgrimsson	Fridrik Sophusson
India	P. Chidambaram	Montek Singh Ahluwalia
Indonesia	Mar'ie Muhammad	Boediono
Iran, Islamic Republic of	Morteza Mohammad-Khan	Aliakbar Arabmazar
Iraq	Issam Rashid Hwaish	Hashim Ali Obaid
Ireland	Charlie McCreevy	Paddy Mullarkey
Israel	Jacob A. Frenkel	Shmuel Slavin
Italy	Antonio Fazio	Mario Draghi

June 30, 1997

Member	Governor	Alternate
Jamaica †	Omar Lloyd Davies	Wesley Hughes
Japan	Hiroshi Mitsuzuka	Yasuo Matsushita
Jordan	Rima Khalaf Hunaidi	Nabil Ammari
Kazakhstan	Alexander S. Pavlov	Umizrak E. Shukeev
Kenya	W. Musalia Mudavadi	Simeon S. Lesrima
Kiribati	Beniamina Tinga	Kaburoro Ruaia
Korea, Republic of	Kyong Shik Kang	Kyung Shik Lee
Kuwait	Nasser Abdullah Al-Roudhan	Bader Meshari Al-Humaidhi
Kyrgyz Republic	Talaybek J. Koichumanov	Askar I. Sarygulov
Lao People's Democratic Republic	Xaysomphone Phomvihane	Phiane Philakone
Latvia	Roberts Zile	Guntars Krasts
Lebanon	Fuad A.B. Siniora	Nabil Al-Jisr
Lesotho	Leketekete Victor Ketso	Esselen Motiatsi Matekane
Liberia	Francis M. Carbah	Lasanah V. Kromah
Libya	Mohamed A. Bait Elmal	Bashir Ali Khallat
Lithuania †	Algirdas G. Semeta	Jonas Niaura
Luxembourg	Marc Fischbach	Yves Mersch
Macedonia, former Yugoslav Republic of	Taki Fiti	Zlatka Popovska
Madagascar	Pierrot J. Rajaonarivelo	Constant Horace
Malawi	Aleke K. Banda	Kalonga Stambuli
Malaysia	Anwar bin Ibrahim	Clifford Francis Herbert
Maldives	Fathulla Jameel	Adam Maniku
Mali	Soumaila Cisse	Ibrahima Konate
Malta †	Leo Brincat	Joseph P. Portelli
Marshall Islands	Ruben R. Zackhras	Michael Konelios
Mauritania	Mohamed Ould Amar	Mohamed Lemine Ould Deidah
Mauritius	Rajkeswur Purryag	Dharam Dev Manraj
Mexico	Guillermo Ortiz	Martin M. Werner
Micronesia, Federated States of	John Ehsa	Sebastian L. Anefal
Moldova	Valeriu Sergiu Kitsan	Dumitru Ursu
Mongolia	Puntsagiin Tsagaan	Jigjid Udenbat
Morocco	Mohamed Kabbaj	Abdelfettah Benmansour
Mozambique	Adriano Afonso Maleiane	Luisa Dias Diogo
Myanmar	Win Tin	Soe Lin
Namibia †	Saara Kuugongelwa	Usutuaije Maamberua
Nepal	Rabindra Nath Sharma	Ram Binod Bhattarai
Netherlands	Gerrit Zalm	Johannes Pieter Pronk
New Zealand	Winston Peters	Murray J. Horn
Nicaragua	Esteban Duque Estrada	Mario De Franco
Niger	Amadou Boubacar Cisse	Ahmadou Mayaki

Member	Governor	Alternate
Nigeria	Anthony A. Ani	Umaru A. Alkaleri
Norway	Jens Stoltenberg	Kari Nordheim-Larsen
Oman	Ahmed Bin Abdulnabi Macki	Mohammed Bin Musa Al Yousef
Pakistan	Sartaj Aziz	Javed Burki
Panama	Guillermo O. Chapman, Jr.	Miguel Heras
Papua New Guinea	Christopher Haiveta	Isaac Lupari
Paraguay	Miguel Angel Maidana Zayas	Jose Ernesto Buttner Limprich
Peru	Jorge Camet	Alfredo Jalilie Awapara
Philippines	Roberto F. de Ocampo	Gabriel C. Singson
Poland	Hanna Gronkiewicz-Waltz	Witold Kozinski
Portugal	Antonio de Sousa Franco	Fernando Teixeira dos Santos
Qatar †	Mohammed Bin Khalifa Al-Thani	Abdullah Bin Khalid Al-Attiyah
Romania †	Mircea Ciumara	Vladimir Soare
Russian Federation	Anatoly Chubais	Yevgeni Yasin
Rwanda	Jean Berchmans Birara	Jean Marie Karekezi
St. Kitts and Nevis	Denzil Douglas	Timothy Harris
St. Lucia	Kenny D. Anthony	Cletus Springer
St. Vincent and the Grenadines	James F. Mitchell	Maurice Edwards
São Tomé and Principe	Acacio Elba Bonfim	Maria das Neves Batista de Sousa
Saudi Arabia	Ibrahim A. Al-Assaf	Jobarah Al-Suraisry
Senegal	Papa Ousmane Sakho	Papa Salla Mboup
Seychelles †	(vacant)	Emmanuel Faure
Sierra Leone	Thaimu Bangura	Samura Kamara
Singapore †	Richard Hu Tsu Tau	Ngiam Tong Dow
Slovak Republic	Sergej Kozlik	Vladimir Masar
Slovenia	Mitja Gaspari	Stanislava Zadravec Caprirolo
Solomon Islands	Edmund Andresen	Snyder Rini
Somalia	(vacant)	(vacant)
South Africa	Trevor Andrew Manuel	Gill Marcus
Spain	Rodrigo de Rato Figaredo	Jose Manuel Fernandez Norniella
Sri Lanka	Chandrika Bandaranaika Kamaratunga	B.C. Perera
Sudan	Abdel Wahab Osman	Izzedin Ibrahim Hassan
Suriname †	Motilall Mungra	Henk O. Goedschalk
Swaziland	Albert Shabangu	Musa D. Fakudze
Sweden	Erik Asbrink	Pierre Schori
Switzerland	Jean-Pascal Delamuraz	Flavio Cotti
Syrian Arab Republic	Mohammed Khaled Al-Mahayni	Adnan Al-Satti
Tajikistan	Yakyo N. Azimov	Murotali M. Alimardanov
Tanzania	Nassoro Malocho	Raphael O. Mollel
Thailand	Thanong Bidaya	M.R. Chatu Mongol Sonakul

June 30, 1997

Member	Governor	Alternate
Togo	Kwassi Klutse	Kossi Assimaidou
Tonga	Kinikinilau Tutoatasi Fakafanua	'Aisake V. Eke
Trinidad and Tobago	Brian Kuei Tung	T. Ainsworth Harewood
Tunisia	Mohamed Ghannouchi	Taoufik Baccar
Turkey	Mehmet Kaytaz	Cuneyt Sel
Turkmenistan †	Hudaiberdy A. Orazov	Ovez Agaev
Uganda	Jehoash Mayanja-Nkangi	Richard H. Kaijuka
Ukraine †	Roman Shpek	Vasiliy Gureyev
United Arab Emirates	Hamdan bin Rashid Al-Maktoum	Mohamed Khalfan bin Kharbash
United Kingdom	Clare Short	Gordon Brown
United States	Robert E. Rubin	Joan E. Spero
Uruguay †	Luis Mosca	Ariel Davrieux
Uzbekistan	Bakhtiyar S. Hamidov	Akram Mukhidov
Vanuatu	Willie Jimmy	Malachai Russel
Venezuela †	Luis Raul Matos Azocar	Teodoro Petkoff
Vietnam	Cao Sy Kiem	Le Duc Thuy
Western Samoa	Tuilaepa S. Malielegaoi	Epa Tuioti
Yemen, Republic of	Abdul Kader Bajamal	Mutahar A. Al-Saeedi
Zambia	Ronald Damson Siame Penza	Benjamin Mweene
Zimbabwe	Herbert M. Murerwa	Leonard Ladislas Tsumba

† Not a member of IDA

Executive Directors and Alternates of The World Bank and Their Voting Power

June 30, 1997

Executive director	Alternate	Casting votes of	IBRD Total votes	IBRD % of total	IDA Total votes	IDA % of total
Appointed						
Jan Piercy	Michael Marek	United States	265,219	17.04	1,650,557	15.31
Atsuo Nishihara	Rintaro Tamaki[b]	Japan	94,020	6.04	1,154,286	10.70
Helmut Schaffer	Erika Wagenhöfer	Germany	72,649	4.67	747,221	6.93
Marc-Antoine Autheman	Olivier Bourges	France	69,647	4.47	451,054	4.18
Gus O'Donnell	David Stanton	United Kingdom	69,647	4.47	540,211	5.01
Elected						
Luc Hubloue (Belgium)	Namik Dagalp (Turkey)	Austria, Belarus,[a] Belgium, Czech Republic, Hungary, Kazakhstan, Luxembourg, Slovak Republic, Slovenia, Turkey	76,720	4.93	457,116	4.24
Pieter Stek (Netherlands)	Mioara Ionescu (Romania)	Armenia, Bosnia and Herzegovina, Bulgaria,[a] Croatia, Cyprus, Georgia, Israel, Macedonia (former Yugoslav Republic of), Moldova, Netherlands, Romania,[a] Ukraine[a]	72,208	4.64	385,177	3.57
Enzo Del Bufalo (Venezuela)	Roberto Jimenez-Ortiz[c] (El Salvador)	Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Spain, Venezuela[a]	69,110	4.44	233,470	2.17
Leonard Good (Canada)	Winston Cox (Barbados)	Antigua and Barbuda,[a] The Bahamas,[a] Barbados,[a] Belize, Canada, Dominica, Grenada, Guyana, Ireland, Jamaica,[a] St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines	62,217	4.00	437,950	4.06
Joaquim R. Carvalho (Mozambique)	Godfrey Gaoseb (Namibia)	Angola, Botswana, Burundi, Eritrea, Ethiopia, The Gambia, Kenya, Lesotho, Liberia, Malawi, Mozambique, Namibia,[a] Nigeria, Seychelles,[a] Sierra Leone, South Africa, Sudan, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe	55,190	3.55	442,655	4.11
Franco Passacantando (Italy)	Helena Cordeiro (Portugal)	Albania, Greece, Italy, Malta,[a] Portugal	55,093	3.54	389,870	3.62
Surendra Singh (India)	Syed Ahmed (Bangladesh)	Bangladesh, Bhutan, India, Sri Lanka	54,945	3.53	457,908	4.25
Kacim Brachemi (Algeria)	Abdul Karim Lodhi (Pakistan)	Afghanistan, Algeria, Ghana, Iran (Islamic Republic of), Iraq, Morocco, Pakistan, Tunisia	54,602	3.51	237,006	2.20
Ruth Jacoby[d] (Sweden)	Jorgen Varder (Denmark)	Denmark, Estonia,[a] Finland, Iceland, Latvia, Lithuania,[a] Norway, Sweden	50,839	3.27	516,892	4.79

EXECUTIVE DIRECTORS AND ALTERNATES OF THE WORLD BANK AND THEIR VOTING POWER *(continued)*

June 30, 1997

Executive director	Alternate	Casting votes of	IBRD Total votes	IBRD % of total	IDA Total votes	IDA % of total
Juanita D. Amatong (Philippines)	Murilo Portugal (Brazil)	Brazil, Colombia, Dominican Republic, Ecuador, Haiti, Philippines, Suriname,[a] Trinidad and Tobago	49,148	3.16	303,203	2.81
Young-Hoi Lee (Republic of Korea)	Christopher Y. Legg (Australia)	Australia, Cambodia, Kiribati, Korea (Republic of), Marshall Islands, Micronesia (Federated States of), Mongolia, New Zealand, Papua New Guinea, Solomon Islands, Vanuatu, Western Samoa	49,089	3.15	316,906	2.94
Jean-Daniel Gerber (Switzerland)	Jan Sulmicki (Poland)	Azerbaijan, Kyrgyz Republic, Poland, Switzerland, Tajikistan, Turkmenistan,[a] Uzbekistan	46,096	2.96	367,389	3.41
Li Yong (China)	Zhao Xiaoyu (China)	China	45,049	2.89	217,996	2.02
Khalid H. Alyahya (Saudi Arabia)	Ibrahim M. Al-Mofleh (Saudi Arabia)	Saudi Arabia	45,045	2.89	377,100	3.50
Andrei Bugrov (Russian Federation)	Eugene Miagkov (Russian Federation)	Russian Federation	45,045	2.89	28,202	0.26
Khalid M. Al-Saad (Kuwait)	Mohammed W. Hosny (Arab Republic of Egypt)	Bahrain,[a] Egypt (Arab Republic of), Jordan, Kuwait, Lebanon, Libya, Maldives, Oman, Qatar,[a] Syrian Arab Republic, United Arab Emirates, Yemen (Republic of)	43,984	2.83	250,660	2.32
Jannes Hutagalung (Indonesia)	Sun Vithespongse (Thailand)	Brunei Darussalam,[a] Fiji, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Nepal, Singapore,[a] Thailand, Tonga, Vietnam	41,096	2.64	292,376	2.71
Juan Cariaga (Bolivia)	Julio Nogues (Argentina)	Argentina, Bolivia, Chile, Paraguay, Peru, Uruguay[a]	37,499	2.41	200,001	1.85
Ali Bourhane (Comoros)	Luc-Abdi Aden (Djibouti)	Benin, Burkina Faso, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Congo (Democratic Republic of), Congo (Republic of), Côte d'Ivoire, Djibouti, Equatorial Guinea, Gabon, Guinea, Guinea-Bissau, Madagascar, Mali, Mauritania, Mauritius, Niger, Rwanda, São Tomé and Principe, Senegal, Togo	32,252	2.07	327,811	3.04

In addition to the executive directors and alternates shown in the foregoing list, the following also served after October 31, 1996:

Executive director	End of period of service	Alternate director	End of period of service
Huw Evans (United Kingdom)	March 14, 1997	Sergiy Kulyk (Ukraine)	May 31, 1997
Peter W.E. Nicholl (New Zealand)	May 31, 1997	Mustafiqur Rahman (Bangladesh)	December 17, 1996
		Zhu Guangyao (China)	December 31, 1996

NOTE: Somalia (802 votes in IBRD and 10,506 votes in IDA) did not participate in the 1996 Regular Election of Executive Directors.
a. Member of the IBRD only.
b. To be succeeded by Akira Kamitomai (Japan) effective July 14, 1997.
c. To be succeeded by Inigo Fernandez de Mesa (Spain) effective July 1, 1997.
d. To be succeeded by Ilkka Niemi (Finland) effective August 5, 1997.

OFFICERS OF THE WORLD BANK

June 30, 1997

President	James D. Wolfensohn
Managing Director, Corporate Planning & Resource Management	Sven Sandström
Managing Director, Finance and Resource Mobilization	Jessica P. Einhorn
Managing Director, Operations	Gautam S. Kaji
Managing Director, Operations	Caio K. Koch-Weser
Managing Director and Chairman, Private Sector Development Group	Richard H. Frank
Vice President, Africa	Callisto Madavo
Vice President, Africa	Jean-Louis Sarbib
Vice President and Controller	Jules W. Muis
Senior Vice President, Development Economics, and Chief Economist	Joseph E. Stiglitz
Vice President, East Asia and Pacific	Jean-Michel Severino
Head, Environmentally and Socially Sustainable Development Network	M. Ismail Serageldin
Vice President, Europe and Central Asia	Johannes Linn
Vice President, External Affairs	Mark Malloch Brown
Head, Finance, Private Sector Development, and Infrastructure Network	Jean-François Rischard
Vice President, Financial Policy and Risk Management	Brian Wilson
Senior Vice President and General Counsel	Ibrahim F. I. Shihata
Head, Human Development Network	David de Ferranti
Vice President, Human Resources	Dorothy Hamachi Berry
Vice President, Latin America and the Caribbean	S. Javed Burki
Vice President, Middle East and North Africa	Kemal Dervis
Director-General, Operations Evaluation	Robert Picciotto
Head, Poverty Reduction and Economic Management Network	Masood Ahmed
Vice President, Resource Mobilization and Cofinancing	Hiroo Fukui
Vice President and Secretary	ZHANG Shengman
Vice President, South Asia	Mieko Nishimizu
Vice President, Strategy and Resource Management	Mark Baird
Vice President and Treasurer	Gary Perlin

June 30, 1997

Headquarters: 1818 H Street, N.W., Washington, D.C. 20433, U.S.A.

New York Office: The World Bank Mission to the United Nations/New York Office, 809 United Nations Plaza, Suite 900, New York, N.Y. 10017, U.S.A.

European Office: The World Bank, 66, avenue d'Iéna, 75116 Paris, France

Brussels: The World Bank, 10 rue Montoyer, B-1000 Brussels, Belgium

London: The World Bank, New Zealand House, 15th Floor, Haymarket, London, SW1 Y4TE, England

Tokyo Office: The World Bank, Fukoku Seimei Building, 10-F, 2-2-2 Uchisaiwai-cho, Chiyoda-ku, Tokyo 100, Japan

Regional Mission in Eastern Africa: The World Bank, Hill Park Building, Upper Hill, Nairobi, Kenya
(mailing address: P.O. Box 30577)

Regional Mission in Western Africa: 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: The World Bank, 14th Floor, Tower A, Diethelm Towers, 93/1 Wireless Road, Bangkok 10330, Thailand

Regional Mission in Latvia: The World Bank, Kalku Street 15, Riga, Latvia LV-1162

Baltics Regional Mission Satellite in Estonia: The World Bank, Kohtu 8, Tallinn EE0100, Estonia

Baltics Regional Mission Satellite in Lithuania: The World Bank, Vilniaus Str. 28, 2600 Vilnius, Lithuania

Albania: The World Bank, Deshmoret e 4 Shkurtit, No. 34, Tirana, Albania

Angola: Banco Mundial, Rua Alfredo Troni (Edifício BPC), 15° Andar, CP 1331, Luanda, Angola

Argentina: Banco Mundial, Avenida Leandro N. Alem 628-30, Piso 12, Buenos Aires, Argentina

Armenia: The World Bank, Republic Square, 2 Khorhertarani Street, Yerevan 10, Armenia

Azerbaijan: The World Bank, Neftchilar Avenue, Apartment 65, Baku, Azarbaijan

Bangladesh: The World Bank, 3A Paribagh, Dhaka, Bangladesh
(mailing address: G.P.O. 97, Dhaka 1000)

Belarus: The World Bank, 6A Partizansky Avenue, 5th Floor, Minsk 220033, Republic of Belarus

Benin: The World Bank, Zone Résidentielle de la Radio, Cotonou, Benin
(mailing address: B. P. 03-2112)

Bolivia: Banco Mundial, Edificio BISA, Piso 9, 16 de Julio 1628, La Paz, Bolivia
(mailing address: Casilla 8692)

Bosnia and Herzegovina: The World Bank, c/o National Bank of Bosnia and Herzegovina, Marsala Tito 25, 71000 Sarajevo, Bosnia and Herzegovina

Brazil: Banco Mundial , SCN Quadra 02—Lote A, Ed. Corporate Financial Center, Conjuntos 303/304, 70.712-900 Brasília, DF, Brazil

Brazil: Banco Mundial, Avenida Isaac Povoas, No. 1251, Edifício Nacional Palacios, Sala 603, Centro, 78.045–640 Cuiaba, Mato Grosso (MT), Brazil

Brazil: Banco Mundial, Edifício SUDENE, S/IS-108 Cidade Universitária, 50670-9001 Recife PE, Brazil

Bulgaria: The World Bank, World Trade Center–Sofia, 36 Dragan Tsankov Boulevard, Sofia, 1057 Bulgaria

Burkina Faso: The World Bank, Immeuble BICIA (3ème étage), Ouagadougou, Burkina Faso
(mailing address: B. P. 622)

Burundi: The World Bank, Avenue du 18 Septembre, Bujumbura, Burundi
(mailing address: B. P. 2637)

Cameroon: The World Bank, New Bastos, Yaoundé, Cameroon
(mailing address: B. P. 1128)

Central African Republic: Banque Mondiale, Rue des Missions, Bangui, C.A.R.

Chad: The World Bank, 3244 P.67, Quartier Curvette St. Martin, N'djamena, Chad
(mailing address: B.P. 146)

China: World Bank Resident Mission in China, 9th floor, Building A, Fuhua Mansion, No. 8 Chaoyangmen Beidajie, Dongcheng District, Beijing 100027, China

Colombia: Banco Mundial, Diagonal 35 No. 5-98, Bogotá, D.E., Colombia
(mailing address: Apartado Aéreo 10229)

Congo, Democratic Republic of: World Bank Liaison Office, c/o UNDP, P. O. Box 7248, Kinshasa, Democratic Republic of the Congo

Congo, Republic of: Banque Mondiale, Immeuble Arc (5ème étage), Avenue Amilcar Cabral, Brazzaville, Congo
(mailing address: B. P. 14536)

Costa Rica: Regional Implementation Mission—Banco Mundial, Bulevar Rohrmoser, 150 mts. Oeste Residencia Ex-Presidente Oscar Arias, San José, Costa Rica
(mailing address: C.P. 11925-1000)

Ecuador: Banco Mundial, Calle Juan León Mera 130 y Ave. Patria, Edificio Corporación Financiera Nacional, 6to Piso, Quito, Ecuador

Egypt: The World Bank, World Trade Center, 1191 Corniche El-Nil, 15th Floor, Cairo, Egypt

Ethiopia: The World Bank, Africa Avenue, Bole Road, Addis Ababa, Ethiopia
(mailing address: P.O. Box 5515)

Georgia: The World Bank, 18A Chonkadze Street, Tbilisi, Georgia

Ghana: The World Bank, 69 Dr. Isert Road, Northridge Residential Area, Accra, Ghana
(mailing address: P.O. Box M27)

Guatemala: The World Bank, 13 Calle 3-40, Zona 10, Edificio Atlantis, 14 nivel, Guatemala City, Guatemala

Guinea: Banque Mondiale, Immeuble de l'Archevêche, Face Baie des Anges, Conakry, Guinea
(mailing address: B. P. 1420)

Haiti: The World Bank, c/o IDB, Bourdon 386, Port-au-Prince, Haiti
(mailing address: B.P. 1321)

Hungary: The World Bank, Bank Center, Granite Tower, Szabadság ter 5-7, 1944 Budapest, Hungary

India: The World Bank, 70 Lodi Estate, New Delhi 110 003, India
(mailing address: P.O. Box 416, New Delhi 110 001)

Indonesia: The World Bank, Lippolife Building, 3rd floor, Jl. H. R. Rasuna Said, Kav. B-10, Kuningan, Jakarta 12940, Indonesia (mailing address: P.O. Box 324/JKT)

Jamaica: The World Bank, Island Life Center, 3rd floor/north, 6 St. Lucia Avenue, Kingston 5, Jamaica

Kazakhstan: The World Bank, Samal-1, Bldg. No. 36, 3rd Floor, Almaty, Republic of Kazakhstan 480099

Kyrgyz Republic: The World Bank, Moskovskaya and K. Akieva Streets, Bishkek 720000, Kyrgyz Republic

Macedonia, FYR of: The World Bank, 34 Leninova Street, 3rd floor, Skopje, Former Yugoslav Republic of Macedonia

Madagascar: Banque Mondiale, 1 Rue Patrice Lumumba, Antananarivo 101, Madagascar (mailing address: B. P. 4140)

Malawi: The World Bank, Development House, Capital City, Lilongwe 3, Malawi (mailing address: P.O. Box 30557)

Mali: Banque Mondiale, Immeuble SOGEFIH, Centre Commercial Rue 321, Quartier du Fleuve, Bamako, Mali (mailing address: B. P. 1864)

Mauritania: The World Bank, Villa No. 30, Lot A, Quartier Socofim, Nouakchott, Mauritania (mailing address: B. P. 667)

Mexico: The World Bank, Centro Insurgentes, Insurgentes Sur 1605, Piso 24, Col. San José Insurgentes, Del. Benito Juarez, 03900 Mexico, D.F.

Moldova: The World Bank, 76/6 Sciuev Street, 277033 Chisinau, Moldova

Mozambique: The World Bank, Ave. Kenneth Kaunda, 1224, 2-Andar, Maputo, Mozambique (mailing address: Caixa Postal 4053)

Nepal: World Bank, Hotel Yak and Yeti Complex, Kathmandu, Nepal (mailing address: P.O. Box 798)

Niger: Banque Mondiale, 42 Rue des Dallols, Niamey, Niger (mailing address: B. P. 12402)

Nigeria: The World Bank, 1st Floor, Plot PC-10, Engineering Close, off Idowu Taylor Street, Victoria Island, Lagos, Nigeria (mailing address: P.O. Box 127)

Nigeria: The World Bank, Plot 433, Ecowas Road, Opposite Ecowas Secretariat, Assokoro District, Abuja, Nigeria (mailing address: P.O. Box 2826, Garki)

Pakistan: The World Bank, 20 A , Shahra-e-Jamhuriyat, Ramna 5, G-5/1, Islamabad, Pakistan (mailing address: P.O. Box 1025)

Paraguay: The World Bank, Edificio City, Tercer Piso, Estrella 345, Casa Chile, Asunción, Paraguay

Peru: Banco Mundial, Avenida Pardo y Aliaga 640, Piso 16, San Isidro, Lima, Peru

Philippines: The World Bank, Central Bank of the Philippines, Multi-Storey Building, Room 200, Roxas Boulevard, Manila, Philippines

Poland: The World Bank, INTRACO I Building, 17th Floor, 2 Stawki Street, 00-193 Warsaw, Poland

Romania: The World Bank, Boulevard Dacia 83, Sector 2, Bucharest, Romania

Russia: The World Bank, Sadovo-Kudrinskaya No. 3, Moscow 123242, Russian Federation

Rwanda: The World Bank, Blvd. de la Révolution, SORAS Building, Kigali, Rwanda
(mailing address: P.O. Box 609)

Saudi Arabia: The World Bank Resident Mission, UNDP Building, King Faisal Street, Riyadh, Saudi Arabia 11432
(mailing address: P.O. Box 5900)

Senegal: The World Bank, Immeuble S.D.I.H., 3 Place de l'Indépendance, Dakar, Senegal
(mailing address: B. P. 3296)

South Africa: The World Bank, Grosvenor Gate, First Floor, Hyde Park Lane, Hyde Park 2196, Johannesburg, South Africa
(mailing address: P.O. Box 41283, Craig Hall 2024)

Sri Lanka: The World Bank, Development Finance Corporation of Ceylon (DFCC) Building, 1st Floor, 73/5 Galle Road, Colombo 3, Sri Lanka
(mailing address: P.O. Box 1761)

Tajikistan: Dushanbe, Tajikistan

Tanzania: The World Bank, N.I.C. Building (7th Floor, B), Samora Avenue, Dar-es-Salaam, Tanzania
(mailing address: P.O. Box 2054)

Togo: Banque Mondiale, 169 boulevard du 13 Janvier, Immeuble BTCI (8ème étage), Lomé, Togo
(mailing address: B. P. 3915)

Turkey: The World Bank, Ataturk Bulvari, No. 211, Gama-Guris Building Kat 6, 06683 Kavaklidere, Ankara, Turkey

Turkmenistan: Liaison Office, UNDP Building, Ashkhabad, Turkmenistan

Uganda: The World Bank, Rwenzori House, 1 Lumumba Avenue and 4 Nakasero Road, Kampala, Uganda
(mailing address: P.O. Box 4463)

Ukraine: The World Bank, 26, Shovkovychna St., Suites Two and Three, Kiev 252024, Ukraine

Uzbekistan: World Bank Field Office, 43, Academician Suleimanova St., Tashkent, Uzbekistan

Venezuela: Banco Mundial, Edificio Parque Cristal, Torre Oeste, Piso 15, Oficina 15-05, Avenida Francisco de Miranda, Los Palos Grandes, Caracas, Venezuela

Vietnam: The World Bank, 53 Tran Phu Street, Hanoi, Vietnam

West Bank and Gaza: The World Bank, Gaza City, Gaza

Yemen: The World Bank, 14 Djibouti St., Sana'a, Republic of Yemen
(mailing address: P.O. Box 18152)

Zambia: The World Bank, Red Cross House, 2nd Floor, Long Acres, Lusaka, Zambia,
(mailing address: P.O. Box 35410)

Zimbabwe: The World Bank, Finsure House, 5th Floor, 84-86 Union Avenue, Harare, Zimbabwe
(mailing address: P.O. Box 2960)

COUNTRY ELIGIBILITY FOR BORROWING FROM THE WORLD BANK

(as of June 30, 1997)

COUNTRIES ELIGIBLE FOR IBRD FUNDS ONLY

Income category and country	1996 GNP per capita (US$)[a]
Per capita income over $5,435	
Slovenia	9,160
Argentina	8,410
Antigua and Barbuda	7,330
Seychelles	6,960
Uruguay	5,910
St. Kitts and Nevis	5,820
Per capita income $3,116–$5,435	
Chile	4,920
Czech Republic	4,620
Brazil	4,360
Malaysia	4,300
Hungary	4,180
Gabon	3,980
Trinidad and Tobago	3,970
Croatia	3,830
Mauritius	3,690
Mexico	3,640
Slovak Republic	3,390
Poland	3,220
South Africa	3,140
Per capita income $1,506–$3,115	
Estonia	3,040
Lebanon	3,030
Thailand	3,020
Venezuela	2,990
Turkey	2,890
Belize	2,740
Costa Rica	2,640
Fiji	2,470
Peru	2,410
Russia	2,400
Latvia	2,310
Lithuania	2,290
Colombia	2,190
Belarus	2,170
Namibia	2,080
Micronesia	2,050
Tunisia	2,000
Marshall Islands	1,860
Paraguay	1,860
El Salvador	1,750
Jamaica	1,620
Jordan	1,610
Algeria	1,570
Dominican Republic	1,570
Ecuador	1,530
Botswana	n.a.
Iran, Islamic Republic	n.a.
Panama	n.a.
Per capita income $786–$1,505	
Guatemala	1,470
Romania	1,440
Kazakhstan	1,310
Morocco	1,280
Bulgaria	1,190
Philippines	1,190
Ukraine	1,180
Syrian Arab Republic	1,160
Papua New Guinea	1,150
Indonesia	1,090
Suriname	1,050
Uzbekistan	1,010
Turkmenistan	940
Swaziland	n.a.

COUNTRIES ELIGBLE FOR A BLEND OF IBRD AND IDA FUNDS[b]

Income category and country	1996 GNP per capita (US$)[a]
Per capita income $3,116–$5,435	
St. Lucia[c]	3,430
Grenada[c]	3,130
Per capita income $1,506–$3,115	
Dominica[c]	3,090
St. Vincent and the Grenadines[c]	2,360
Per capita income $786–$1,505	
Egypt	1,090
Macedonia, FYR of	920
Georgia	850
Per capita income $785 or less	
China	750
Armenia	620
Zimbabwe	610
Moldova	600
Kyrgyz Republic	570
Pakistan	490
Azerbaijan	480
India	380
Nigeria	240
Bosnia and Herzegovina	n.a.

(continued next page)

COUNTRIES ELIGIBLE FOR IDA FUNDS ONLY[b]

Income category and country	1996 GNP per capita (US$)[a]
Per capita income $1,506–$3,115	
Tonga[c]	1,640
Per capita income $786–$1,505	
Vanuatu[c]	1,290
Western Samoa[c]	1,200
Cape Verde	1,090
Solomon Islands	960
Bolivia	930
Kiribati	870
Albania	800
Djibouti	n.a.
Maldives	n.a.
Per capita income $785 or less	
Sri Lanka	740
Guyana	710
Lesotho	670
Honduras	650
Congo, Republic of	620
Côte d'Ivoire	620
Cameroon	610
Guinea	560
Senegal	560
Equatorial Guinea	510
Mauritania	470
Comoros	460
Zambia	430
Bhutan	400
Nicaragua	400
Lao People's Democratic Republic	380
Benin	360
Ghana	360
Mongolia	360
São Tomé and Principe	350
Angola	340
Kenya	330
Tajikistan	330
Central African Republic	310
Cambodia	300
Haiti	300
Togo	300
Yemen, Republic of	300
Uganda	290
Vietnam	290
Bangladesh	260
Guinea-Bissau	250
Madagascar	240
Mali	240
Burkina Faso	220
Nepal	220
Niger	200
Sierra Leone	200
Rwanda	190
Malawi	180
Chad	160
Burundi	140
Tanzania	130
Ethiopia	110
Mozambique	90
Afghanistan	n.a.
Congo, Democratic Republic of	n.a.
Eritrea	n.a.
Gambia, The	n.a.
Liberia	n.a.
Myanmar	n.a.
Somalia	n.a.
Sudan	n.a.

n.a. Precise figures not available.
a. World Bank Atlas *methodology; per capita* GNP *figures are in 1996 U.S. dollars.*
b. Countries are eligible for IDA *on the basis of (a) relative poverty and (b) lack of creditworthiness. The operational cutoff for* IDA *eligibility for* FY*98 is a 1996* GNP *per capita of $925, using* Atlas *methodology. To receive* IDA *resources, countries also meet tests of performance. In exceptional circumstances,* IDA *extends eligibility temporarily to countries that are above the operational cutoff and are undertaking major adjustment efforts but are not creditworthy for* IBRD *lending. An exception has also been made for small island economies (see footnote c).*
c. During the IDA-11 *period (*FY*97–99), an exception to the* GNP *per capita operational cutoff for* IDA *eligibility ($925 for* FY*98) has been made for specific small island economies, which otherwise would have little or no access to Bank Group assistance because they lack creditworthiness. For such countries,* IDA *funding is considered case by case for the financing of projects and adjustment programs designed to strengthen creditworthiness.*

World Bank Budget by Expense Category and Administrative Program, Fiscal Years 1995–98

Appendix 6

(millions of US dollars)

Item	Actual 1995	Actual 1996	Actual 1997	1998 Program
Expense Category				
Staff costs	875.3	832.6	809.8	771.7
Consultants	111.9	119.5	118.5	144.7
Contractual services/representation	62.3	72.3	83.1	118.1
Operational travel	127.5	126.1	125.1	141.1
Overhead	232.2	219.6	221.3	223.8
Direct contributions to Special Grants Program[a]	110.9	105.3	112.5	114.1
President's contingency[b]	n.a.	n.a.	n.a.	14.2
Reimbursements	(111.2)	(102.5)	(108.1)	(104.7)
Pending Benefit Initiatives[c]	n.a.	3.2	n.a.	1.1
Total	1,409.0	1,376.1	1,362.3	1,423.9
Administrative Program[d]				
Regional	730.2	712.0	695.5	765.7
Financial	100.9	99.7	100.2	104.0
Networks[e]	65.9	65.4	63.5	80.4
Research and development training[f]	70.2	69.2	77.4	86.9
Administrative programs	133.9	125.1	121.4	138.6
Corporate management, and legal services	90.8	95.5	96.7	99.9
Total	1,191.9	1,166.9	1,154.8	1,275.5
Centrally managed overhead/benefits	119.1	126.6	116.7	28.6[g]
Reimbursable escrow	n.a.	n.a.	n.a.	1.8
President's contingency		n.a.	n.a.	14.2
Pending benefit initiativesc	n.a.	n.a.	n.a.	1.1
Cost effectiveness review		n.a.	3.4	1.5
Salary price reserve		n.a.	n.a.	1.0
Reimbursements	(111.2)	(102.5)	(108.1)	(104.7)
Net administrative programs	1,199.8	1,191.0	1,166.9	1,219.0
Non-discretionary Items	18.5[h]	n.a.	n.a.	n.a.
Special programs[i]	119.1	113.0	120.4	122.1
Boards	55.8	56.1	58.6	65.7
Operations evaluation	15.7	16.0	16.3	17.1
Total Budget	1,409.0	1,376.1	1,362.3	1,423.9

Note: Details may not add to totals because of rounding.
n.a. Not applicable.
a. Includes Institutional Development Fund.
b. Allocations from president's contingency have been included in respective categories/programs for FY94–96.
c. Accrual/provisional allocations subject to Board approval of the policy initiatives.
d. The expenditures allocations by program are based on program reclassification in FY97 as shown in The World Bank Programs and FY98 Budgets (Annex B.3).
e. Budgets remapped expenditures of four networks (Human Development; Finance, Private Sector and Infrastructure, Environmentally and Socially Sustainable Development; and Poverty Reduction and Economic Management, which were created out of units previously classified under Development and Advisory Services.
f. Includes Economic Development Institute and funds for Foreign Investment Advisory Service (FIAS).
g. Reflects reduction in benefits expenses resulting from (i) one-time savings in pension contribution ($76 million), and (ii) charging management fees for retirement ($28.1 million) to the respective pension assets instead of the administrative budget.
h. One-time charges of $9.1 million to fund accrual for local staff termination grants for prior years, and $9.4 million to fund accruals for benefit costs of redundant staff processes prior to February 21, 1995.
i. Includes direct contributions to and administrative costs of the Special Programs.

IBRD and IDA Payments to Supplying Eligible[a] Borrowing Countries for Local and Foreign Procurement in Fiscal Year 1997

(millions of US dollars)

Borrowing countries	Local procurement	Foreign procurement	Total amount	Percentage of total disbursements[b]
Albania	11	1	12	0.06
Algeria	32	4	36	0.18
Angola	10	—	10	*
Argentina	459	22	481	2.44
Armenia	17	1	18	0.09
Bangladesh	152	†	152	0.77
Belarus	†	10	10	0.05
Benin	14	†	14	0.07
Bolivia	77	†	77	0.39
Bosnia and Herzegovina	18	—	18	0.09
Brazil	1,393	46	1,439	7.28
Bulgaria	4	3	6	*
Burkina Faso	33	2	34	0.17
Burundi	6	†	7	*
Cambodia	11	—	11	0.06
Cameroon	6	†	6	*
Cape Verde	5	—	5	*
Central African Republic	5	†	5	*
Chad	15	†	15	0.08
Chile	74	4	78	0.40
China	1,268	147	1,415	7.16
Colombia	117	3	120	0.61
Costa Rica	8	7	15	0.07
Côte d'Ivoire	126	12	137	0.69
Croatia	51	1	52	0.26
Cyprus	5	13	18	0.09
Czech Republic	14	4	18	0.09
Dominican Republic	15	†	15	0.07
Ecuador	32	12	44	0.22
Egypt, Arab Republic of	109	3	113	0.57
El Salvador	18	†	19	0.09
Estonia	8	1	8	*
Ethiopia	16	†	16	0.08
Fiji	7	1	8	*
Gambia, The	9	†	9	*
Georgia	7	2	9	*
Ghana	84	1	85	0.43
Guatemala	11	†	11	0.06
Guinea	21	†	21	0.11
Guinea-Bissau	7	—	7	*
Guyana	8	†	8	*
Haiti	35	—	35	0.17
Honduras	26	1	28	0.14
Hungary	42	11	53	0.27
India	1,234	88	1,322	6.69
Indonesia	623	9	632	3.20
Iran, Islamic Republic of	47	3	50	0.25
Jamaica	22	†	22	0.11
Jordan	20	7	27	0.14
Kazakhstan	4	1	5	*
Kenya	46	7	52	0.26
Korea, Republic of	112	147	260	1.31
Lao People's Democratic Republic	34	—	34	0.17
Latvia	25	†	25	0.13
Lebanon	10	3	12	0.06
Lesotho	7	—	7	*
Madagascar	46	†	46	0.23

Borrowing countries	Local procurement	Foreign procurement	Total amount	Percentage of total disbursements[b]
Malawi	33	†	33	0.17
Malaysia	67	12	79	0.40
Mali	42	3	45	0.23
Mauritania	23	—	23	0.12
Mauritius	6	2	8	*
Mexico	968	6	974	4.93
Morocco	165	†	165	0.84
Mozambique	84	—	84	0.43
Nepal	25	†	25	0.13
Nicaragua	27	—	27	0.14
Niger	49	1	49	0.25
Nigeria	144	1	144	0.73
Pakistan	352	3	355	1.80
Panama	11	4	14	0.07
Papua New Guinea	35	—	35	0.18
Paraguay	25	2	27	0.14
Peru	87	1	87	0.44
Philippines	154	2	156	0.79
Poland	161	36	197	1.00
Romania	28	6	33	0.17
Russia	406	22	428	2.16
Rwanda	15	†	15	0.07
Senegal	61	6	67	0.34
Sierra Leone	7	†	7	*
Slovak Republic	3	1	5	*
Slovenia	2	7	9	*
Sri Lanka	61	†	61	0.31
Tajikistan	49	—	49	0.25
Tanzania	40	1	41	0.21
Thailand	50	17	67	0.34
Togo	11	2	13	0.07
Trinidad and Tobago	12	1	13	0.07
Tunisia	139	2	141	0.71
Turkey	211	142	352	1.78
Uganda	47	1	48	0.24
Ukraine	28	11	38	0.19
Uruguay	37	†	38	0.19
Venezuela	20	10	31	0.15
Vietnam	90	4	93	0.47
Yemen, Republic of	24	—	24	0.12
Zambia	91	†	91	0.46
Zimbabwe	17	7	25	0.12
Other	20	11	36	0.83
Total	10,543	901	11,444	57.90

*— Zero, † less than $0.5 million, * less than 0.05 percent.*
NOTE: Details may not add to totals because of rounding.
a. Countries eligible to borrow from IBRD and IDA are listed in Appendix 5. In addition, payments under disbursing loans to Barbados, Cyprus and Korea, which are no longer eligible borrowing countries, are included. Amounts exclude disbursements for debt reduction, net advance disbursements, and disbursements under simplified procedures for structural and sectoral adjustment loans.
b. Refers to the share of all IBRD and IDA payments for fiscal 1997 (excluding disbursements for debt reduction), which totaled $19,763 million.

IBRD AND IDA PAYMENTS TO SUPPLYING COUNTRIES FOR FOREIGN PROCUREMENT

(amounts in millions of US dollars)

Supplying country	IBRD cumulative to June 30, 1997		IBRD fiscal 1997		IDA cumulative to June 30, 1997		IDA fiscal 1997	
	Amount	%	Amount	%	Amount	%	Amount	%
Algeria	42	*	4	0.10	13	*	1	*
Argentina	834	0.74	18	0.50	111	0.26	5	0.26
Australia	1,172	1.04	42	1.17	672	1.58	35	1.97
Austria	1,652	1.47	68	1.88	244	0.57	9	0.51
Azerbaijan	3	*	—	*	24	0.06	†	*
Bahamas, The	95	0.08	1	*	8	*	†	*
Bahrain	68	0.06	—	*	128	0.30	1	0.08
Bangladesh	16	*	†	*	47	0.11	†	*
Belarus	54	*	10	0.28	1	*	†	*
Belgium	1,582	1.41	20	0.56	1,048	2.46	20	1.13
Brazil	1,909	1.69	32	0.88	339	0.79	14	0.79
Bulgaria	42	*	2	0.06	51	0.12	†	*
Burkina Faso	1	*	—	*	10	*	2	0.08
Cameroon	5	*	†	*	27	0.06	†	*
Canada	2,609	2.32	113	3.13	781	1.83	42	2.35
Chile	382	0.34	4	0.11	36	0.08	†	*
China	1,442	1.28	61	1.71	1,225	2.87	86	4.76
Colombia	245	0.22	1	*	22	0.05	3	0.14
Costa Rica	46	*	3	0.10	39	0.09	3	0.17
Côte d'Ivoire	50	*	5	0.15	247	0.58	6	0.36
Cyprus	75	0.07	12	0.34	34	0.08	1	*
Czech Republic	78	0.07	3	0.09	7	*	†	*
Denmark	770	0.68	34	0.95	318	0.75	10	0.56
Djibouti	†	*	—	*	25	0.06	†	*
Ecuador	179	0.16	10	0.29	10	*	2	0.09
Egypt, Arab Republic of	60	0.05	2	0.06	37	0.09	1	0.08
Finland	545	0.48	34	0.94	127	0.30	4	0.20
France	8,008	7.11	317	8.79	4,584	10.75	289	16.08
Germany	12,794	11.36	491	13.62	3,536	8.29	72	3.99
Greece	211	0.19	3	0.08	80	0.19	5	0.29
Guinea	4	*	—	*	40	0.09	†	*
Hungary	306	0.27	10	0.28	27	0.06	1	0.06
India	436	0.39	29	0.82	848	1.99	59	3.25
Indonesia	165	0.15	3	0.08	123	0.29	6	0.32
Iran, Islamic Republic of	145	0.13	1	*	196	0.46	2	0.09
Iraq	459	0.41	—	*	30	0.07	—	*
Ireland	169	0.15	9	0.24	113	0.26	11	0.63
Israel	260	0.23	7	0.19	109	0.26	8	0.44
Italy	6,719	5.97	251	6.97	1,830	4.29	85	4.70
Japan	14,590	12.96	275	7.64	4,221	9.90	97	5.39
Jordan	50	*	1	*	146	0.34	7	0.38
Kazakhstan	75	0.07	—	*	32	0.08	1	0.07
Kenya	28	*	†	*	279	0.65	7	0.36
Korea, Republic of	1,685	1.50	65	1.81	829	1.95	82	4.57
Kuwait	268	0.24	—	*	257	0.60	—	*
Lebanon	96	0.09	2	0.06	24	0.06	1	*
Libya	98	0.09	—	*	7	*	—	*
Luxembourg	72	0.06	2	0.06	36	0.08	†	*
Malaysia	339	0.30	4	0.11	241	0.57	8	0.46
Mali	†	*	—	*	10	*	3	0.15
Mauritius	1	*	—	*	20	*	2	0.13
Mexico	567	0.50	5	0.14	99	0.23	1	0.06
Morocco	176	0.16	†	*	52	0.12	†	*
Netherlands	2,167	1.92	56	1.56	1,207	2.83	57	3.17
New Zealand	184	0.16	6	0.16	105	0.25	2	0.11
Nigeria	389	0.35	—	*	407	0.96	1	*
Norway	466	0.41	87	2.42	148	0.35	8	0.44
Pakistan	120	0.11	1	*	176	0.41	3	0.15
Panama	393	0.35	2	0.07	51	0.12	1	0.06

Supplying country	IBRD cumulative to June 30, 1997		IBRD fiscal 1997		IDA cumulative to June 30, 1997		IDA fiscal 1997	
	Amount	%	Amount	%	Amount	%	Amount	%
Paraguay	114	0.10	1	*	11	*	1	0.08
Peru	128	0.11	†	*	20	*	†	*
Philippines	72	0.06	†	*	83	0.19	1	0.07
Poland	274	0.24	30	0.84	52	0.12	6	0.33
Portugal	72	0.06	6	0.18	316	0.74	35	1.96
Qatar	123	0.11	—	*	17	*	—	*
Romania	316	0.28	5	0.15	75	0.18	†	*
Russia	722	0.64	11	0.32	79	0.19	10	0.56
Saudi Arabia	580	0.51	4	0.12	237	0.56	11	0.63
Senegal	27	*	†	*	96	0.23	6	0.34
Singapore	1,091	0.97	41	1.14	698	1.64	17	0.92
Slovenia	44	*	6	0.15	3	*	1	0.07
South Africa	427	0.38	13	0.36	992	2.33	39	2.17
Spain	1,372	1.22	58	1.60	297	0.70	15	0.83
Sudan	5	*	1	*	19	*	5	0.27
Swaziland	34	*	1	*	31	0.07	1	0.06
Sweden	1,662	1.48	25	0.69	467	1.09	15	0.84
Switzerland	4,469	3.97	81	2.26	1,172	2.75	84	4.65
Tanzania	7	*	—	*	29	0.07	1	0.06
Thailand	147	0.13	2	0.06	372	0.87	15	0.83
Togo	31	*	†	*	27	0.06	2	0.10
Trinidad and Tobago	21	*	†	*	23	0.05	1	*
Tunisia	91	0.08	—	*	38	0.09	2	0.09
Turkey	518	0.46	140	3.88	114	0.27	2	0.13
Turkmenistan	5	*	—	*	51	0.12	—	*
Ukraine	167	0.15	9	0.24	49	0.11	2	0.11
United Arab Emirates	570	0.51	3	0.09	362	0.85	11	0.59
United Kingdom[a]	8,436	7.49	236	6.55	5,615	13.17	227	12.61
United States	22,016	19.55	621	17.24	4,182	9.81	166	9.23
Uruguay	113	0.10	†	*	5	*	†	*
Venezuela	519	0.46	10	0.29	201	0.47	†	*
Viet Nam	46	*	†	*	54	0.13	3	0.19
Yemen, Republic of	†	*	—	*	207	0.49	†	*
Yugoslavia (former)[b]	857	0.76	†	*	174	0.41	3	0.15
Zambia	52	*	—	*	112	0.26	†	*
Zimbabwe	34	*	†	*	110	0.26	7	0.41
Other	2,045	2.39	192	5.44	733	2.13	45	2.84
Total	112,614	100	3,602	100	42,633	100	1,799	100

*— Zero, † less than $0.5 million, * less than 0.05 percent*

NOTE: Amounts exclude disbursements for debt reduction, net advance disbursements, and disbursements under simplified procedures for structural and sectoral adjustment loans. Amounts may not add to totals because of rounding.

a. United Kingdom includes Hong Kong.

b. Figures represent payments to subcontractors in respect to contracts awarded to suppliers from Yugoslavia (former).

IBRD and IDA Payments to Supplying Countries for Foreign Procurement, by Description of Goods, Fiscal Year 1997

(amounts in millions of US dollars)

	Equipment		Civil works		Consultants		All other goods		Total disbursements	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Albania	—	*	1	0.13	—	*	—	*	1	*
Algeria	1	*	—	*	—	*	3	1.28	4	0.08
Argentina	15	0.44	3	0.36	4	0.49	—	*	22	0.42
Armenia	1	*	—	*	—	*	—	*	1	*
Australia	48	1.44	6	0.64	23	2.65	—	*	77	1.43
Austria	63	1.89	9	1.01	3	0.37	1	0.37	77	1.42
Bahamas	1	*	—	*	†	*	—	*	1	*
Bahrain	—	*	1	0.13	†	*	—	*	1	*
Belarus	†	*	10	1.08	—	*	—	*	10	0.19
Belgium	27	0.8	2	0.17	10	1.14	2	0.86	40	0.75
Brazil	12	0.37	27	2.94	3	0.35	3	1.28	46	0.85
Bulgaria	1	*	—	*	†	*	1	0.58	3	*
Burkina Faso	—	*	†	*	†	*	1	0.55	2	*
Canada	87	2.59	6	0.6	58	6.55	5	2.21	155	2.87
Chile	2	*	1	0.08	2	0.19	†	0.12	4	0.08
China	49	1.46	91	9.85	7	0.76	†	0.13	147	2.72
Colombia	2	0.06	—	*	1	0.11	—	*	3	0.06
Congo, Republic of	2	0.07	—	*	1	0.06	—	*	3	0.05
Costa Rica	3	0.09	†	*	4	0.41	—	*	7	0.12
Côte d'Ivoire	1	*	5	0.53	1	0.08	5	2.19	12	0.22
Croatia	1	*	—	*	—	*	—	*	1	*
Cyprus	3	0.1	7	0.81	2	0.19	†	0.14	13	0.24
Czech Republic	3	0.1	—	*	†	*	—	*	4	0.07
Denmark	34	1.01	†	*	10	1.15	†	*	44	0.82
Dominica	1	*	—	*	—	*	—	*	1	*
Ecuador	—	*	†	*	12	1.34	—	*	12	0.22
Egypt, Arab Republic of	2	0.06	1	0.07	1	0.08	†	*	3	0.06
Estonia	1	*	†	*	—	*	—	*	1	*
Fiji	1	*	—	*	†	*	†	*	1	*
Finland	27	0.8	6	0.66	4	0.44	1	0.30	38	0.70
France	408	12.16	89	9.57	96	10.95	13	5.39	606	11.22
Gabon	1	*	—	*	—	*	†	*	1	*
Georgia	1	*	†	*	1	0.16	—	*	2	*
Germany	386	11.5	129	13.97	34	3.91	13	5.36	562	10.41
Ghana	†	*	†	*	1	0.09	†	*	1	*
Greece	2	*	4	0.47	2	0.18	†	0.17	8	0.15
Honduras	1	*	—	*	†	*	—	*	1	*
Hungary	11	0.32	—	*	†	*	†	0.07	11	0.21
Iceland	†	*	—	*	1	0.1	—	*	1	*
India	69	2.05	14	1.47	5	0.56	1	0.25	88	1.63
Indonesia	9	0.26	—	*	†	*	—	*	9	0.16
Iran, Islamic Republic of	1	*	—	*	1	0.14	—	*	3	*
Ireland	2	0.07	—	*	16	1.82	2	0.66	20	0.37
Israel	8	0.24	—	*	7	0.76	†	0.06	15	0.28
Italy	107	3.19	174	18.75	27	3.11	28	11.47	336	6.21
Japan	326	9.71	30	3.29	12	1.41	3	1.45	372	6.89
Jordan	7	0.2	†	*	1	0.06	—	*	7	0.14
Kazakhstan	1	*	—	*	†	*	—	*	1	*
Kenya	3	0.1	†	*	3	0.32	†	0.15	7	0.12
Korea, Republic of	68	2.02	78	8.38	†	*	2	0.75	147	2.73
Lebanon	†	*	†	*	2	0.23	—	*	3	*
Luxembourg	2	0.06	—	*	†	*	†	0.09	3	*
Malaysia	10	0.31	1	0.08	1	0.13	—	*	12	0.23
Mali	†	*	—	*	†	*	2	1.02	3	*
Mauritius	2	0.06	—	*	†	*	†	*	2	*
Mexico	3	0.09	2	0.21	1	0.12	—	*	6	0.11
Netherlands	43	1.28	32	3.49	35	3.95	3	1.37	113	2.10
New Zealand	1	*	—	*	6	0.73	—	*	8	0.14
Niger	†	*	—	*	1	0.08	—	*	1	*

	Equipment		Civil works		Consultants		All other goods		Total disbursements	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Nigeria	†	*	†	*	†	*	—	*	1	*
Norway	86	2.57	—	*	9	1.01	†	*	95	1.76
Pakistan	2	0.05	1	0.08	1	0.1	—	*	3	0.06
Panama	3	0.09	†	*	†	*	†	*	4	0.07
Paraguay	—	*	1	0.16	1	0.1	—	*	2	*
Peru	—	*	—	*	1	0.07	—	*	1	*
Philippines	†	*	—	*	1	0.17	—	*	2	*
Poland	24	0.71	—	*	1	0.09	11	4.75	36	0.67
Portugal	12	0.36	17	1.81	12	1.41	†	0.21	42	0.77
Romania	5	0.14	1	0.1	†	*	—	*	6	0.10
Russia	12	0.37	—	*	1	0.11	8	3.40	22	0.40
Saudi Arabia	15	0.45	—	*	†	*	—	*	16	0.29
Senegal	1	*	4	0.43	1	0.13	1	0.26	6	0.12
Singapore	56	1.66	1	0.11	†	0.06	†	0.17	58	1.07
Slovak Republic	1	*	—	*	†	*	—	*	1	*
Slovenia	6	0.18	†	*	†	*	—	*	7	0.13
South Africa	32	0.96	2	0.23	8	0.97	9	3.81	52	0.96
Spain	45	1.35	15	1.59	7	0.83	5	2.23	73	1.34
Sudan	—	*	5	0.49	1	0.1	—	*	5	0.10
Swaziland	1	*	—	*	1	0.1	†	*	2	*
Sweden	26	0.78	3	0.27	10	1.15	1	0.33	40	0.73
Switzerland	142	4.23	3	0.33	19	2.15	1	0.49	165	3.06
Tanzania	1	*	†	*	†	*	—	*	1	*
Thailand	16	0.48	†	*	1	0.15	—	*	17	0.32
Togo	1	*	—	*	†	*	1	0.45	2	*
Trinidad and Tobago	—	*	†	*	†	*	1	0.25	1	*
Tunisia	†	*	—	*	1	0.16	†	*	2	*
Turkey	136	4.06	1	0.09	†	*	4	1.87	142	2.63
Uganda	†	*	†	*	†	0.05	—	*	1	*
Ukraine	2	0.07	—	*	†	*	8	3.41	11	0.20
United Arab Emirates	8	0.24	6	0.65	—	*	†	*	14	0.26
United Kingdom[a]	277	8.24	31	3.36	152	17.25	4	1.51	463	8.57
United States	536	15.98	53	5.69	183	20.84	15	6.25	787	14.57
Venezuela	3	0.09	4	0.44	3	0.37	†	*	10	0.19
Vietnam	3	0.1	—	*	†	*	—	*	4	0.07
Yugoslavia (former)[b]	—	*	3	0.28	†	*	—	*	3	0.06
Zimbabwe	1	*	3	0.37	1	0.08	3	1.07	7	0.14
Other	44	1.94	43	4.78	64	7.38	79	31.27	214	4.89
Total	3,357	100	926	100	878	100	240	100	5,401	100

*— Zero, † less than $0.5 million, * less than 0.05 percent.*

NOTE: Amounts exclude disbursements for debt reduction, net advance disbursements, and disbursements under simplified procedures for structural and sectoral adjustment loans. Details may not add to totals because of rounding.

a. United Kingdom includes Hong Kong.

b. Figures represent payments to subcontractors in respect to contracts awarded to suppliers from Yugoslavia (former).

IBRD and IDA Disbursements[a] for Foreign Expenditures, by Description of Goods (for Investment Lending), Fiscal Years 1995–97

Item	1995			1996			1997		
	Countries not eligible to borrow	Countries eligible to borrow	Total	Countries not eligible to borrow	Countries eligible to borrow	Total	Countries not eligible to borrow	Countries eligible to borrow	Total
				Millions of US dollars					
Civil works	783	154	937	641	158	799	746	178	924
Consultants	689	77	766	800	79	879	784	80	864
Goods	2,971	211	3,183	2,902	320	3,222	2,626	398	3,024
All other	137	18	155	484	33	517	151	18	169
Total	4,580	460	5,041	4,827	590	5,417	4,307	671	4,977
				Percent[b]					
Civil works	84	16	19	80	20	15	81	19	19
Consultants	90	10	15	91	9	16	91	9	17
Goods	93	7	63	90	10	59	87	13	61
All other	88	12	3	94	6	10	89	11	3
Total	91	9	100	89	11	100	86	14	100

Note: Countries eligible to borrow from IBRD and IDA are listed in Appendix 5. Details may not add to totals because of rounding.
a. Amounts exclude disbursements for debt reduction and net advance disbursements. Amounts also exclude disbursements for structural and sectoral adjustment loans, and hybrids (loans that support policy and institutional reforms in a specific sector by financing both a policy component disbursed against imports and an investment component).
b. Percentages are based on the dollar amounts shown under the total disbursements section. These percentages show both the breakdown between countries eligible to borrow from the IBRD and/or IDA, and countries not eligible to borrow, for individual goods categories and the share of each goods category compared with total disbursements.

Estimates[a] of IBRD and IDA Payments to Supplying Countries for Foreign Procurement under Adjustment Lending[b], Fiscal Year 1997

Appendix 11

(millions of US dollars)

Supplying countries	Amount	Percent	Supplying countries	Amount	Percent
Algeria	7	0.2	Kuwait	*	0.0
Argentina	15	0.4	Latvia	11	0.3
Asia (other)	20	0.6	Macau	*	0.0
Australia	20	0.6	Madagascar	*	0.0
Austria	67	2.0	Malaysia	14	0.4
Barbados	*	0.0	Martinique	*	0.0
Belgium	72	2.2	Mauritius	*	0.0
Belize	*	0.0	Mexico	15	0.4
Bolivia	7	0.2	Moldova	21	0.6
Brazil	184	5.5	Morocco	4	0.1
Cameroon	*	0.0	Nepal	*	0.0
Canada	18	0.5	Netherlands	86	2.6
Chile	29	0.9	New Zealand	3	0.1
China	86	2.6	Nicaragua	*	0.0
Colombia	10	0.3	Norway	10	0.3
Costa Rica	1	0.0	Oman	8	0.3
Croatia	47	1.4	Pakistan	6	0.2
Cyprus	2	0.1	Panama	*	0.0
Czech Republic	40	1.2	Paraguay	2	0.1
Denmark	32	1.0	Peru	2	0.1
Dominica	*	0.0	Philippines	*	0.0
Ecuador	5	0.1	Poland	90	2.7
Egypt	10	0.3	Portugal	10	0.3
Finland	24	0.7	Romania	22	0.7
France	222	6.7	Singapore	16	0.5
Germany	560	16.8	Slovenia	28	0.8
Greece	44	1.3	South Africa	62	1.9
Guadeloupe	*	0.0	Spain	73	2.2
Guatemala	3	0.1	Sweden	34	1.0
Honduras	*	0.0	Switzerland	44	1.3
Hungary	98	2.9	Thailand	19	0.6
India	24	0.7	Trinidad	2	0.1
Indonesia	13	0.4	Tunisia	*	0.0
Ireland	9	0.3	Turkey	108	3.2
Israel	31	0.9	United Kingdom	105	3.1
Italy	348	10.4	United States	322	9.7
Jamaica	*	0.0	Uruguay	10	0.3
Japan	53	1.6	Venezuela	5	0.1
Jordan	2	0.1	Zimbabwe	6	0.2
Korea, Republic of	88	2.6			
			TOTAL	3,333	

** Amount below $1.0 million.*

Note: Amounts exclude disbursements under investment lending. See Appendix 8 for payments to supplying countries for foreign procurement under investment lending, fiscal 1997. Details may not add to total because of rounding.

a. Based on import data drawn from the latest information available on borrowers' trade statistics compiled by the United Nations trade system COMTRADE.

b. Under the simplified procedures for structural and sectoral adjustment loans, approved by the Executive Board in fiscal 1996, disbursements are no longer directly linked to procurement under adjustment loans.

IBRD AND IDA CUMULATIVE LENDING OPERATIONS, BY MAJOR PURPOSE AND REGION, JUNE 30, 1997

(millions of US dollars)

	IBRD loans to borrowers, by region[a]						
Purpose[b]	Africa	East Asia and Pacific	South Asia	Europe and Central Asia	Latin America and the Caribbean	Middle East and North Africa	Total
Agriculture	3,596.8	12,616.4	2,883.0	7,674.2	16,087.8	5,172.3	48,030.5
Education	558.5	5,427.4	55.0	1,116.1	5,172.0	2,038.5	14,367.5
Electric power and other energy	1,881.9	15,013.6	10,537.6	6,067.0	12,422.3	2,222.8	48,145.2
Environment	21.9	1,174.2	310.0	372.1	1,682.5	224.5	3,785.2
Finance	717.2	5,145.1	3,440.2	4,862.8	8,893.5	2,220.4	25,279.2
Health, population, and nutrition	267.9	954.2	31.3	1,030.5	3,070.6	535.3	5,889.8
Industry	1,289.1	3,728.2	3,420.7	3,738.4	5,721.3	1,916.3	19,814.0
Mining/Other extractive	216.5	503.0	774.0	840.8	1,109.3	131.7	3,575.3
Multisector	2,275.2	4,004.3	680.0	10,100.2	9,281.9	2,890.4	29,232.0
Oil and gas	381.2	1,646.9	3,359.7	2,595.1	1,397.5	711.2	10,091.6
Public-sector management	105.1	538.3	150.0	1,665.7	3,767.8	582.2	6,809.1
Social sector	21.5	57.5	—	1,362.2	1,207.0	78.0	2,726.2
Telecommunications/informatics	557.4	1,859.7	747.5	545.3	530.3	691.5	4,931.7
Transportation	3,006.4	14,555.0	3,342.6	6,495.2	14,757.8	2,963.7	45,120.7
Urban development	928.2	4,274.1	294.1	1,308.5	5,906.6	1,916.7	14,628.2
Water supply and sanitation	1,251.9	1,794.4	605.4	1,520.6	5,144.7	2,520.6	12,837.6
Total	17,076.7	73,292.3	30,631.1	51,294.7	96,152.9	26,816.1	295,263.7

Purpose[b]	IDA credits to borrowers, by region							Total IBRD and IDA
	Africa	East Asia and Pacific	South Asia	Europe and Central Asia	Latin America and the Caribbean	Middle East and North Africa	Total	
Agriculture	7,709.6	6,163.3	13,746.0	355.1	431.1	933.7	29,338.8	77,369.2
Education	3,440.5	1,726.9	3,426.9	14.6	268.4	490.8	9,368.1	23,735.5
Electric power and other energy	2,228.6	693.8	3,666.1	181.8	291.4	252.9	7,314.6	55,459.8
Environment	325.1	385.7	718.0	—	183.7	—	1,612.5	5,397.8
Finance	2,253.2	333.8	797.0	199.4	185.1	74.8	3,843.3	29,122.5
Health, population, and nutrition	1,649.7	1,008.7	3,220.5	81.8	88.2	180.8	6,229.7	12,119.5
Industry	1,262.4	151.2	1,829.4	26.8	19.4	84.4	3,373.6	23,187.5
Mining/Other extractive	178.5	51.0	82.0	—	66.7	—	378.2	3,953.5
Multisector	6,457.3	439.7	3,676.2	581.1	654.6	80.0	11,888.9	41,120.9
Oil and gas	518.2	66.0	520.7	42.4	94.2	101.0	1,342.5	11,434.1
Public-sector management	1,943.5	221.7	512.5	181.7	264.0	13.7	3,137.1	9,946.2
Social sector	565.8	259.7	557.5	90.4	283.8	315.0	2,072.2	4,798.4
Telecommunications/informatics	488.1	101.8	884.2	18.0	—	83.0	1,575.1	6,506.8
Transportation	5,974.2	1,533.0	3,294.6	108.5	475.7	301.9	11,687.9	56,808.5
Urban development	1,633.8	548.4	1,657.0	78.3	117.2	114.5	4,149.2	18,777.4
Water supply and sanitation	1,300.6	582.8	1,971.2	72.6	111.1	213.4	4,251.7	17,089.3
Total	37,929.1	14,267.5	40,559.8	2,032.5	3,534.6	3,239.9	101,563.3	396,826.9

— Zero.

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

a. No account is taken of cancellations subsequent to original commitment. IBRD loans to the IFC are excluded.

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

IBRD AND IDA CUMULATIVE LENDING OPERATIONS, BY BORROWER OR GUARANTOR, JUNE 30, 1997

(amounts in millions of US dollars)

Borrower or guarantor	IBRD loans		IDA credits		Total	
	Number	Amount	Number	Amount	Number	Amount
Afghanistan	—	—	20	230.1	20	230.1
Africa region	1	15.0	1	45.5	2	60.5
Albania	—	—	22	272.5	22	272.5
Algeria	61	5,408.5	—	—	61	5,408.5
Angola	—	—	9	272.8	9	272.8
Argentina	84	13,155.7	—	—	84	13,155.7
Armenia	1	12.0	9	268.2	10	280.2
Australia	7	417.7	—	—	7	417.7
Austria	9	106.4	—	—	9	106.4
Azerbaijan	—	—	6	199.7	6	199.7
Bahamas	5	42.8	—	—	5	42.8
Bangladesh	1	46.1	150	7,473.7	151	7,519.8
Barbados	11	103.2	—	—	11	103.2
Belarus	3	170.2	—	—	3	170.2
Belgium	4	76.0	—	—	4	76.0
Belize	8	71.8	—	—	8	71.8
Benin	—	—	44	650.1	44	650.1
Bhutan	—	—	6	28.2	6	28.2
Bolivia	14	299.3	51	1,176.9	65	1,476.2
Bosnia and Herzegovina	—	—	11	207.6	11	207.6
Botswana	20	280.7	6	15.8	26	296.5
Brazil	226	24,109.3	—	—	226	24,109.3
Bulgaria	13	933.3	—	—	13	933.3
Burkina Faso	—	1.9	47	840.7	47	842.6
Burundi	1	4.8	46	694.0	47	698.8
Cambodia	—	—	7	237.1	7	237.1
Cameroon	44	1,294.4	22	793.8	66	2,088.2
Cape Verde	—	—	9	67.8	9	67.8
Caribbean region	5	89.8	2	47.7	7	137.5
Central African Republic	—	—	24	403.5	24	403.5
Chad	—	—	34	576.0	34	576.0
Chile	57	3,425.4	—	19.0	57	3,444.4
China	117	19,108.9	67	9,230.7	184	28,339.6
Colombia	145	8,616.4	—	19.5	145	8,635.9
Comoros	—	—	14	81.8	14	81.8
Congo, Democratic Republic of	7	330.0	59	1,151.5	66	1,481.5
Congo, Republic of	10	216.7	10	183.6	20	400.3
Costa Rica	38	888.9		5.5	38	894.4
Côte d'Ivoire	62	2,887.9	16	1,384.8	78	4,272.7
Croatia	9	518.5	—	—	9	518.5
Cyprus	30	418.8	—	—	30	418.8
Czech Republic	2	326.0	—	—	2	326.0
Czechoslovakia	1	450.0	—	—	1	450.0
Denmark	3	85.0	—	—	3	85.0
Djibouti	—	—	9	58.1	9	58.1
Dominica	1	3.1	3	14.1	4	17.1
Dominican Republic	24	706.9	3	22.0	27	728.9
East African Community	10	244.8	—	—	10	244.8
Eastern Africa region	—	—	1	45.0	1	45.0
Ecuador	61	2,271.6	5	36.9	66	2,308.5

Borrower or guarantor	IBRD loans		IDA credits		Total	
	Number	Amount	Number	Amount	Number	Amount
Egypt	58	4,002.5	34	1,657.0	92	5,659.5
El Salvador	30	674.6	2	25.6	32	700.2
Equatorial Guinea	—	—	9	45.0	9	45.0
Eritrea	—	—	2	23.8	2	23.8
Estonia	7	125.7	—	—	7	125.7
Ethiopia	12	108.6	56	2,158.5	68	2,267.1
Fiji	13	152.9	—	—	13	152.9
Finland	18	316.8	—	—	18	316.8
France	1	250.0	—	—	1	250.0
Gabon	13	222.0	—	—	13	222.0
Gambia, The	—	—	23	160.2	23	160.2
Georgia	—	—	10	262.6	10	262.6
Ghana	9	207.0	86	3,124.3	95	3,331.3
Greece	17	490.8	—	—	17	490.8
Grenada	1	3.8	1	8.8	2	12.7
Guatemala	26	780.5	—	—	26	780.5
Guinea	3	75.2	47	998.8	50	1,074.0
Guinea-Bissau	—	—	20	223.2	20	223.2
Guyana	12	80.0	15	292.3	27	372.3
Haiti	1	2.6	36	626.5	37	629.1
Honduras	33	717.3	19	680.7	52	1,398.0
Hungary	36	3,965.6	—	—	36	3,965.6
Iceland	10	47.1	—	—	10	47.1
India	164	24,360.1	219	24,432.9	383	48,793.0
Indonesia	222	23,735.0	46	931.8	268	24,666.8
Iran, Islamic Republic of	39	2,058.1	—	—	39	2,058.1
Iraq	6	156.2	—	—	6	156.2
Ireland	8	152.5	—	—	8	152.5
Israel	11	284.5	—	—	11	284.5
Italy	8	399.6	—	—	8	399.6
Jamaica	62	1,326.0	—	—	62	1,326.0
Japan	31	862.9	—	—	31	862.9
Jordan	44	1,605.0	15	85.3	59	1,690.3
Kazakhstan	13	958.6	—	—	13	958.6
Kenya	46	1,200.0	72	2,813.3	118	4,013.3
Korea, Republic of	110	8,599.0	6	110.8	116	8,709.8
Kyrgyzstan	—	—	13	373.5	13	373.5
Lao People's Democratic Republic	—	—	24	511.5	24	511.5
Latvia	9	248.4	—	—	9	248.4
Lebanon	14	720.5	—	—	14	720.5
Lesotho	1	110.0	24	264.2	25	374.2
Liberia	21	156.0	14	114.5	35	270.5
Lithuania	11	273.2	—	—	11	273.2
Luxembourg	1	12.0	—	—	1	12.0
Macedonia, FYR	4	106.0	4	193.8	8	299.8
Madagascar	5	32.9	68	1,497.1	73	1,530.0
Malawi	9	124.1	61	1,610.5	70	1,734.6
Malaysia	83	3,446.6	—	—	83	3,446.6
Maldives	—	—	6	47.3	6	47.3
Mali	—	1.9	57	1,180.0	57	1,181.9

(continued next page)

IBRD AND IDA CUMULATIVE LENDING OPERATIONS, BY BORROWER OR GUARANTOR, JUNE 30, 1997 *(continued)*

(amounts in millions of US dollars)

Borrower or guarantor	IBRD loans		IDA credits		Total	
	Number	Amount	Number	Amount	Number	Amount
Malta	1	7.5	—	—	1	7.5
Mauritania	3	146.0	38	457.5	41	603.5
Mauritius	29	400.7	4	20.2	33	420.9
Mexico	160	27,292.5	—	—	160	27,292.5
Moldova	8	247.8	1	9.0	9	256.8
Mongolia	—	—	8	142.0	8	142.0
Morocco	113	7,795.3	3	50.8	116	7,846.1
Mozambique	—	—	29	1,600.0	29	1,600.0
Myanmar	3	33.4	30	804.0	33	837.4
Nepal	—	—	65	1,412.4	65	1,412.4
Netherlands	8	244.0	—	—	8	244.0
New Zealand	6	126.8	—	—	6	126.8
Nicaragua	27	233.6	14	494.5	41	728.1
Niger	—	—	42	706.0	42	706.0
Nigeria	84	6,248.2	14	902.9	98	7,151.1
Norway	6	145.0	—	—	6	145.0
Oman	11	157.1	—	—	11	157.1
Pakistan	82	6,014.2	103	4,820.3	185	10,834.5
Panama	38	1,016.8	—	—	38	1,016.8
Papua New Guinea	28	592.0	9	113.2	37	705.2
Paraguay	35	767.9	6	45.5	41	813.4
Peru	78	4,543.1	—	—	78	4,543.1
Philippines	141	9,807.3	5	294.2	146	10,101.5
Poland	24	4,120.5	—	—	24	4,120.5
Portugal	32	1,338.8	—	—	32	1,338.8
Romania	50	4,725.3	—	—	50	4,725.3
Russia	36	8,162.9	—	—	36	8,162.9
Rwanda	—	—	46	744.4	46	744.4
São Tomé and Principe	—	—	8	58.9	8	58.9
Senegal	19	164.9	65	1,352.0	84	1,516.9
Seychelles	2	10.7	—	—	2	10.7
Sierra Leone	4	18.7	21	403.7	25	422.4
Singapore	14	181.3	—	—	14	181.3
Slovak Republic	2	135.0	—	—	2	135.0
Slovenia	3	153.2	—	—	3	153.2
Solomon Islands	—	—	6	33.9	6	33.9
Somalia	—	—	39	492.1	39	492.1
South Africa	12	287.8	—	—	12	287.8
Spain	12	478.7	—	—	12	478.7
Sri Lanka	12	210.7	68	2,114.9	80	2,325.6
St. Kitts and Nevis	1	1.5	—	1.5	1	3.0
St. Lucia	3	8.5	—	11.2	3	19.7
St. Vincent and the Grenadines	1	1.4	1	6.4	2	7.8
Sudan	8	166.0	48	1,352.9	56	1,518.9
Swaziland	12	104.8	2	7.8	14	112.6
Syrian Arab Republic	17	613.2	3	47.3	20	660.5
Tajikistan	—	—	3	67.0	3	67.0
Tanzania	18	318.2	88	3,016.3	106	3,334.5
Thailand	111	5,899.1	6	125.1	117	6,024.2

Borrower or guarantor	IBRD loans		IDA credits		Total	
	Number	Amount	Number	Amount	Number	Amount
Togo	1	20.0	37	622.3	38	642.3
Tonga	—	—	2	5.0	2	5.0
Trinidad and Tobago	20	298.8	—	—	20	298.8
Tunisia	103	4,007.7	5	74.6	108	4,082.3
Turkey	118	12,639.4	10	178.5	128	12,817.9
Turkmenistan	3	89.5	—	—	3	89.5
Uganda	1	8.4	61	2,378.0	62	2,386.4
Ukraine	12	2,005.4	—	—	12	2,005.4
Uruguay	41	1,448.2	—	—	41	1,448.2
Uzbekistan	4	252.0	—	—	4	252.0
Vanuatu	—	—	4	15.4	4	15.4
Venezuela	33	3,171.7	—	—	33	3,171.7
Vietnam	—	—	15	1,650.9	15	1,650.9
Western Africa region	1	6.1	3	52.5	4	58.6
Western Samoa	—	—	8	46.6	8	46.6
Yemen, Republic of	—	—	106	1,324.9	106	1,324.9
Yugoslavia	90	6,114.7	—	—	90	6,114.7
Zambia	28	679.1	40	1,757.9	68	2,437.0
Zimbabwe	24	983.2	8	525.6	32	1,508.8
Other[a]	14	329.4	4	15.3	18	344.7
Total	4,064	295,263.9	2,780	101,563.4	6,844	396,827.4

— Zero

NOTE: Joint IBRD/IDA operations are counted only once, as IBRD operations. When more than one loan is made for a single project, the operation is counted only once. Details may not add to totals because of rounding.

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).

Projects Approved for IBRD and IDA Assistance in Fiscal Year 1997, by Region and Country

(amounts in millions of US dollars)

Region and Country	IBRD loans		IDA credits		Total	
	Number	Amount	Number	Amount	Number	Amount
Africa						
Benin	—	—	1	40.0	1	40.0
Burkina Faso	—	—	2	47.4	2	47.4
Cameroon	—	—	—	25.2	—	25.2
Chad	—	—	1	25.0	1	25.0
Comoros	—	—	2	8.6	2	8.6
Côte d'Ivoire	—	—	1	95.6	1	95.6
Djibouti	—	—	1	6.5	1	6.5
Eritrea	—	—	1	6.3	1	6.3
Gabon	1	10.0	—	—	1	10.0
Ghana	—	—	2	54.4	2	54.4
Guinea	—	—	1	25.0	1	25.0
Guinea-Bissau	—	—	1	14.3	1	14.3
Kenya	—	—	4	231.9	4	231.9
Madagascar	—	—	5	173.2	5	173.2
Malawi	—	—	1	15.8	1	15.8
Mali	—	—	3	101.3	3	101.3
Mauritania	—	—	2	29.7	2	29.7
Mozambique	—	—	1	100.0	1	100.0
Niger	—	—	3	90.0	3	90.0
Rwanda	—	—	1	50.0	1	50.0
Senegal	—	—	4	39.0	4	39.0
Sierra Leone	—	—	—	0.1	—	0.1
South Africa	1	46.0	—	—	1	46.0
Tanzania	—	—	4	196.4	4	196.4
Uganda	—	—	2	137.1	2	137.1
Zambia	—	—	3	155.6	3	155.6
Zimbabwe	—	—	1	12.3	1	12.3
Total	2	56.0	47	1680.7	49	1,736.7
East Asia and Pacific						
Cambodia	—	—	2	57.4	2	57.4
China	9	2,490.0	2	325.0	11	2815.0
Indonesia	11	914.6	—	—	11	914.6
Lao People's Democratic Republic	—	—	1	48.0	1	48.0
Mongolia	—	—	2	12.0	2	12.0
Philippines	4	281.4	—	—	4	281.4
Thailand	3	388.4	—	—	3	388.4
Vietnam	—	—	3	349.2	3	349.2
Total	27	4,074.4	10	791.6	37	4,866.0
South Asia						
Bangladesh	—	—	3	321.2	3	321.2
India	4	626.5	6	903.0	10	1529.5
Nepal	—	—	1	18.3	1	18.3
Pakistan	—	—	2	84.8	2	84.8
Sri Lanka	—	—	3	57.8	3	57.8
Total	4	626.5	15	1385.1	19	2,011.6
Europe and Central Asia						
Armenia	—	—	1	31.8	1	31.8
Azerbaijan	—	—	2	34.9	2	34.9
Bosnia and Herzegovina	—	—	9	197.6	9	197.6
Bulgaria	3	94.3	—	—	3	94.3

Region and Country	IBRD loans		IDA credits		Total	
	Number	Amount	Number	Amount	Number	Amount
Croatia	3	239.0	—	—	3	239
Georgia	—	—	3	68.7	3	68.7
Hungary	3	292.7	—	—	3	292.7
Kazakhstan	4	141.8	—	—	4	141.8
Kyrgyz Republic	—	—	2	60.0	2	60.0
Latvia	3	98.1	—	—	3	98.1
Lithuania	4	112.7	—	—	4	112.7
Macedonia, FYR	1	30.0	—	30.0	1	60.0
Moldova	1	16.8	1	9.0	2	25.8
Poland	1	67.0	—	—	1	67.0
Romania	5	625.0	—	—	5	625.0
Russia	8	1,715.6	—	—	8	1715.6
Slovenia	1	49.3	—	—	1	49.3
Tajikistan	—	—	2	62.0	2	62.0
Turkey	2	19.5	—	—	2	19.5
Turkmenistan	2	64.5	—	—	2	64.5
Ukraine	5	989.6	—	—	5	989.6
Uzbekistan	1	5.0	—	—	1	5.0
Total	47	4,560.9	20	493.9	67	5,054.8
Latin America and the Caribbean						
Argentina	10	1,479.5	—	—	10	1479.5
Belize	1	7.0	—	—	1	7.0
Bolivia	—	—	—	5.4	—	5.4
Brazil	12	992.6	—	—	12	992.6
Colombia	2	27.5	—	—	2	27.5
Dominican Republic	1	75.0	—	—	1	75.0
Ecuador	2	31.7	—	—	2	31.7
El Salvador	1	24.0	—	—	1	24.0
Guatemala	2	46.0	—	—	2	46.0
Guyana	—	—	—	2.2	—	2.2
Haiti	—	—	2	33.5	2	33.5
Honduras	—	—	1	54.1	1	54.1
Jamaica	3	76.9	—	—	3	76.9
Mexico	5	960.0	—	—	5	960.0
Nicaragua	—	—	1	30.0	1	30.0
Panama	2	50.5	—	—	2	50.5
Paraguay	1	21.8	—	—	1	21.8
Peru	5	569.0	—	—	5	569.0
Uruguay	1	76.0	—	—	1	76.0
Total	48	4,437.5	4	125.2	52	4,562.7
Middle East and North Africa						
Algeria	1	89.0	—	—	1	89.0
Egypt, Arab Republic	—	—	1	75.0	1	75.0
Jordan	2	140.0	—	—	2	140.0
Lebanon	4	191.1	—	—	4	191.1
Morocco	2	108.0	—	—	2	108.0
Tunisia	4	241.5	—	—	4	241.5
Yemen, Republic of	—	—	3	70.2	3	70.2
Total	13	769.6	4	145.2	17	914.8
Grand Total	141	14524.9	100	4621.7	241	19,146.6

— Zero.

NOTE: Supplements are included in the amount but are not counted as separate lending operations. Joint IBRD/IDA operations are counted only once, as IBRD operations.

PROJECTS APPROVED FOR IBRD AND IDA ASSISTANCE IN FISCAL YEAR 1997, BY SECTOR[a]

(amounts in millions of US dollars)

	IBRD	IDA	Total
Agriculture			
Algeria	89.0	—	89.0
Argentina	125.0	—	125.0
Argentina	19.5	—	19.5
Azerbaijan	—	14.7	14.7
Brazil	90.0	—	90.0
Brazil	24.0	—	24.0
Brazil	39.0	—	39.0
Brazil	100.0	—	100.0
Brazil	30.0	—	30.0
Brazil	60.0	—	60.0
Brazil	9.6	—	9.6
Cambodia	—	27.0	27.0
China	30.0	150.0	180.0
China	430.0	—	430.0
China	400.0	—	400.0
China	120.0	—	120.0
Comoros	—	1.6	1.6
Côte d'Ivoire	—	41.0	41.0
Croatia	42.0	—	42.0
Ecuador	21.0	—	21.0
Georgia	—	15.0	15.0
Ghana	—	30.0	30.0
Haiti	—	21.5	21.5
India	175.0	150.0	325.0
India	—	28.0	28.0
Kenya	—	39.7	39.7
Lebanon	31.0	—	31.0
Mali	—	4.2	4.2
Mauritania	—	18.0	18.0
Mexico	15.0	—	15.0
Mexico	40.0	—	40.0
Pakistan	—	56.0	56.0
Peru	85.0	—	85.0
Peru	51.0	—	51.0
Philippines	58.0	—	58.0
Philippines	50.0	—	50.0
Romania	350.0	—	350.0
Senegal	—	1.8	1.8
Tajikistan	—	50.0	50.0
Tanzania	—	31.1	31.1
Tanzania	—	26.3	26.3
Tunisia	26.5	—	26.5
Ukraine	300.0	—	300.0
Yemen, Republic of	—	30.0	30.0
Total	2,810.6	735.9	3,546.5
Education			
Burkina Faso	—	26.0	26.0
China	10.0	20.0	30.0
China	—	85.0	85.0
Comoros	—	7.0	7.0
Egypt	—	75.0	75.0
Guatemala	33.0	—	33.0
Guinea-Bissau	—	14.3	14.3
Indonesia	104.0	—	104.0
Indonesia	71.2	—	71.2

	IBRD	IDA	Total
Indonesia	98.0	—	98.0
Jamaica	28.5	—	28.5
Kenya	—	27.8	27.8
Moldova	16.8	—	16.8
Morocco	23.0	—	23.0
Philippines	113.4	—	113.4
Romania	50.0	—	50.0
Russia	71.0	—	71.0
Thailand	143.4	—	143.4
Total	762.3	255.1	1,017.4
Electric power and other energy			
Bosnia and Herzegovina	—	35.6	35.6
China	400.0	—	400.0
China	400.0	—	400.0
Georgia	—	52.3	52.3
Hungary	60.0	—	60.0
Indonesia	20.0	—	20.0
Indonesia	66.4	—	66.4
Kenya	—	125.0	125.0
Lebanon	65.0	—	65.0
Mali	—	17.1	17.1
Mauritania	—	11.1	11.1
Russia	40.0	—	40.0
Senegal	—	10.5	10.5
Sri Lanka	—	24.2	24.2
Thailand	145.0	—	145.0
Thailand	100.0	—	100.0
Ukraine	317.0	—	317.0
Total	1613.4	275.8	1889.2
Environment			
Honduras	—	34.0	34.0
India	—	50.0	50.0
Kenya	—	12.8	12.8
Madagascar	—	30.0	30.0
Malawi	—	12.4	12.4
Nicaragua	—	30.0	30.0
Panama	22.5	—	22.5
Senegal	—	5.2	5.2
Sri Lanka	—	14.8	14.8
Tanzania	—	10.1	10.1
Uganda	—	12.1	12.1
Zambia	—	12.8	12.8
Total	22.5	224.2	246.7
Finance			
Bangladesh	—	105.0	105.0
Colombia	15.0	—	15.0
Ghana	—	20.9	20.9
Guyana	—	2.2	2.2
Hungary	225.0	—	225.0
Indonesia	16.4	—	16.4
Kyrgyz Republic	—	16.0	16.0

(continued next page)

PROJECTS APPROVED FOR IBRD AND IDA ASSISTANCE IN FISCAL YEAR 1997, BY SECTOR[a] *(continued)*

(amounts in millions of US dollars)

	IBRD	IDA	Total
Mexico	30.0	—	30.0
Mexico	400.0	—	400.0
Mongolia	—	10.0	10.0
Mongolia	—	2.0	2.0
Peru	183.0	—	183.0
Slovenia	49.3	—	49.3
Tunisia	75.0	—	75.0
Zambia	—	45.0	45.0
Total	993.7	201.1	1,194.8
Health, population and nutrition			
Argentina	100.0	—	100.0
Argentina	15.0	—	15.0
Bosnia and Herzegovina	—	15.0	15.0
Cambodia	—	30.4	30.4
India	—	142.4	142.4
India	—	164.8	164.8
India	—	248.3	248.3
India	—	19.5	19.5
Indonesia	28.5	—	28.5
Niger	—	40.0	40.0
Paraguay	21.8	—	21.8
Russia	66.0	—	66.0
Senegal	—	14.9	14.9
Sri Lanka	—	18.8	18.8
Turkey	14.5	—	14.5
Total	245.8	694.1	939.9
Industry			
Armenia	—	16.8	16.8
Bosnia and Herzegovina	—	10.0	10.0
Madagascar	—	23.8	23.8
Philippines	60.0	—	60.0
Russia	85.0	—	85.0
Total	145.0	50.5	195.5
Mining			
Burkina Faso	—	21.4	21.4
Ukraine	300.0	—	300.0
Total	300.0	21.4	321.4
Multisector			
Bosnia and Herzegovina	—	90.0	90.0
Bulgaria	30.0	—	30.0
Bulgaria	40.0	—	40.0
Chad	—	25.0	25.0
Croatia	95.0	—	95.0
Croatia	102.0	—	102.0
Ghana	—	3.5	3.5
Haiti	—	12.0	12.0
Honduras	—	20.1	20.1
Jordan	120.0	—	120.0

	IBRD	IDA	Total
Kenya	—	26.6	26.6
Latvia	60.0	—	60.0
Lithuania	80.0	—	80.0
Macedonia, FYR	30.0	30.0	60.0
Madagascar	—	70.0	70.0
Madagascar	—	0.6	0.6
Malawi	—	3.4	3.4
Mauritania	—	0.6	0.6
Mozambique	—	100.0	100.0
Niger	—	30.0	30.0
Peru	100.0	—	100.0
Russia	600.0	—	600.0
Rwanda	—	50.0	50.0
Sierra Leone	—	0.1	0.1
South Africa	46.0	—	46.0
Tanzania	—	125.0	125.0
Tanzania	—	3.9	3.9
Uganda	—	125.0	125.0
Ukraine	70.0	—	70.0
Zambia	—	90.0	90.0
Zambia	—	7.8	7.8
Total	1,373.0	813.6	2,186.6
Oil and gas			
Azerbaijan	—	20.2	20.2
Georgia	—	1.4	1.4
Kazakhstan	109.0	—	109.0
Turkey	5.0	—	5.0
Total	114.0	21.6	135.6
Public sector management			
Argentina	300.0	—	300.0
Argentina	20.0	—	20.0
Bangladesh	—	2.9	2.9
Bolivia	—	5.4	5.4
Brazil	125.0	—	125.0
Brazil	45.0	—	45.0
Cameroon	—	25.2	25.2
Colombia	12.5	—	12.5
Cote d'Ivoire	—	54.6	54.6
Djibouti	—	6.5	6.5
Ecuador	10.7	—	10.7
El Salvador	24.0	—	24.0
Gabon	10.0	—	10.0
Guatemala	13.0	—	13.0
Hungary	7.7	—	7.7
Jamaica	28.4	—	28.4
Kazakhstan	15.8	—	15.8
Kazakhstan	10.0	—	10.0
Kyrgyz Republic	—	44.0	44.0
Madagascar	—	13.8	13.8
Moldova	—	9.0	9.0
Morocco	85.0	—	85.0
Pakistan	—	28.8	28.8
Russia	22.6	—	22.6
Total	729.7	190.2	919.9

(continued next page)

PROJECTS APPROVED FOR IBRD AND IDA ASSISTANCE IN FISCAL YEAR 1997, BY SECTOR *(continued)*

(amounts in millions of US dollars)

	IBRD	IDA	Total
Social sector			
Argentina	200.0	—	200.0
Belize	7.0	—	7.0
Bosnia and Herzegovina	—	7.5	7.5
Bosnia and Herzegovina	—	10.0	10.0
Bosnia and Herzegovina	—	7.0	7.0
Bulgaria	24.3	—	24.3
Jamaica	20.0	—	20.0
Latvia	18.1	—	18.1
Lithuania	3.7	—	3.7
Panama	28.0	—	28.0
Peru	150.0	—	150.0
Romania	50.0	—	50.0
Russia	800.0	—	800.0
Tajikistan	—	12.0	12.0
Ukraine	2.6	—	2.6
Yemen, Republic of	—	30.0	30.0
Total	1,303.7	66.5	1,370.2
Transportation			
Argentina	300.0	—	300.0
Argentina	200.0	—	200.0
Armenia	—	15.0	15.0
Bangladesh	—	133.0	133.0
Benin	—	40.0	40.0
Bosnia and Herzegovina	—	7.5	7.5
Brazil	300.0	—	300.0
Brazil	70.0	—	70.0
China	300.0	—	300.0
China	400.0	—	400.0
Dominican Republic	75.0	—	75.0
Eritrea	—	6.3	6.3
India	350.0	—	350.0
India	51.5	—	51.5
India	50.0	100.0	150.0
Indonesia	105.0	—	105.0
Lao People's Democratic Republic	—	48.0	48.0
Latvia	20.0	—	20.0
Lebanon	42.0	—	42.0
Lithuania	19.0	—	19.0
Mexico	475.0	—	475.0
Poland	67.0	—	67.0
Romania	150.0	—	150.0
Senegal	—	6.6	6.6
Turkmenistan	34.2	—	34.2
Uruguay	76.0	—	76.0
Vietnam	—	195.6	195.6
Vietnam	—	55.0	55.0
Total	3,084.7	607.0	3,691.7
Urban development			
Bosnia and Herzegovina	—	15.0	15.0
Brazil	100.0	—	100.0
Indonesia	110.0	—	110.0
Indonesia	155.0	—	155.0

	IBRD	IDA	Total
Indonesia	140.1	—	140.1
Jordan	20.0	—	20.0
Lithuania	10.0	—	10.0
Madagascar	—	35.0	35.0
Mali	—	80.0	80.0
Niger	—	20.0	20.0
Russia	31.0	—	31.0
Tunisia	80.0	—	80.0
Zimbabwe	—	12.3	12.3
Total	646.1	162.3	808.4
Water supply and sanitation			
Argentina	200.0	—	200.0
Bangladesh	—	80.3	80.3
China	—	70.0	70.0
Guinea	—	25.0	25.0
Kazakhstan	7.0	—	7.0
Lebanon	53.1	—	53.1
Nepal	—	18.3	18.3
Romania	25.0	—	25.0
Tunisia	60.0	—	60.0
Turkmenistan	30.3	—	30.3
Uzbekistan	5.0	—	5.0
Vietnam	—	98.6	98.6
Yemen, Republic of	—	10.2	10.2
Total	380.4	302.4	682.8
Grand total	14,524.9	4,621.7	19,146.6

— Zero.
a. Many projects include activity in more than one sector or subsector.

COMMUNIQUÉ

The 53rd Meeting of the Development Committee was held in Washington, D.C. on September 30, 1996, under the chairmanship of Mohamed Kabbaj, Minister of Finance and Foreign Investment of Morocco. James D. Wolfensohn, President of the World Bank, Michel Camdessus, Managing Director of the International Monetary Fund, and Qazi Alimullah, Deputy Chairman of the Planning Commission of Pakistan for Finance and Economic Affairs and Chairman of the Group of Twenty-Four, addressed the plenary session. Observers from a number of international and regional organizations also attended.

1. *Resolving debt problems of the heavily-idebted poor countries (HIPC).* The Committee expressed its appreciation to the Bank and Fund for the progress made since its last meeting and endorsed the Action Program for the HIPC Initiative. It urged the Bank and Fund, working closely with donors and other creditors, to move swiftly to implement the Initiative.

2. Members reiterated their support for the Initiative's basic objective—ensuring that HIPCs demonstrating a track record of sustained strong policy performance are able to achieve overall external debt sustainability, enabling them to exit from the rescheduling process and to strengthen their poverty reduction programs. They recognized that the HIPC Initiative commits the international financial community to additional action to reduce eligible countries' debt burdens to sustainable levels, where full use of existing debt relief mechanisms is unlikely to be sufficient.

3. Members agreed that coordinated action by all creditors was critical to the Initiative's success. The assistance to be provided by each group of creditors should be consistent with the guiding principles agreed at the Committee's April 1996 meeting and would be based on the need to a) deliver debt sustainability; b) share broadly and equitably the cost of the Initiative; and c) preserve the preferred creditor status of the multilateral financial institutions. Ministers stressed that the Initiative should be implemented flexibly, on a case-by-case basis, and with full participation by debtor governments.

4. Ministers also welcomed the commitment of the IMF, reflected in the statement of the Interim Committee on September 29, 1996, to participate in the enhanced assistance to be provided under the HIPC Initiative through special ESAF operations, including long maturity loans or grants.

5. Members supported the World Bank's proposed US$500 million initial contribution and noted President Wolfensohn's announced readiness to recommend to the Board of Executive Directors additional contributions, provided future net income of the Bank would so permit and that there is equitable burden-sharing by creditors, and that these funds are needed to meet the Bank's own share of the burden. Members supported as well the enhanced assistance (including IDA grants) that the Bank intends to provide in selected cases when needed.

6. Given the significant share of debt owed by the poorest and most indebted countries to bilateral creditors, Ministers welcomed the indication from the Paris Club that it was ready to go beyond Naples Terms to provide debt reduction of up to 80 percent for countries qualifying for additional relief within the HIPC Initiative and that its decisions will be made on a case-by-case basis according to its usual rules, to help poor countries achieve an exit from unsustainable debt. They suggested that the Paris Club, the international financial institutions and all involved creditors coordinate their actions to deliver needed debt relief consistent with the Initiative's basic principles.

7. Ministers welcomed the readiness to participate in the Initiative indicated by several multilateral agencies and urged other multilaterals to define their participation as soon as possible. The Committee agreed that the proposed multilateral HIPC Trust Fund, to be administered by IDA, would make an effective contribution to the success of the Initiative. Members expressed appreciation to those bilateral donors who had indicated at this early stage their intention to contribute to the Trust Fund and encouraged others to do so as well.

8. Ministers requested the IMF and World Bank to begin implementation of the Initiative for the first potentially eligible countries before the end of 1996 and to report back to the Committee at its next meeting on progress achieved in implementing the Initiative.

9. *International Development Association (IDA).* Ministers reiterated their strong support for IDA and its central importance to the global effort to reduce poverty; therefore, it is important that all donors ensure the success of IDA 11 by fully supporting their commitments on time. The Committee wel-

comed the increased IBRD grant to IDA of US$600 million this year.

10. Ministers recognized that the IDA 11 agreement reflects a significant reduction in donor contributions from previous levels. They asked IDA management and donor representatives to work together in the ensuing months to help ensure adequate and secure future funding for IDA.

11. *Multilateral Investment Guarantee Agency (MIGA)*. Ministers noted that MIGA's activities had grown appreciably with the expansion of foreign private investment in developing countries. They welcomed the recent rapid expansion in demand for MIGA services and recognized that as a result, MIGA is quickly approaching the limits of its financial capacity. Ministers requested that the MIGA management and Board of Directors address MIGA's resource constraints soon and report on this subject at the Committee's next meeting.

12. *World Trade Organization (WTO)*. The Committee expressed its appreciation to WTO Director-General Renato Ruggiero for his valuable briefing on key issues likely to be addressed at the First WTO Ministerial Meeting in December. Ministers agreed with Mr. Ruggiero on the importance of trade as a formidable engine of economic growth for all nations and on the opportunities and challenges offered by globalization. They requested the Bank and Fund to assist those countries not yet members of the WTO to join the organization and to assist all members, particularly the poorest, to become more fully integrated into the multilateral trading system. Ministers expressed their support for closer collaboration between the WTO, the Fund and the Bank and offered the Director-General and the WTO best wishes for a successful Ministerial Meeting.

The 54th meeting of the Development Committee was held in Washington, D.C. in the winter and addressed administrative business matters only.

COMMUNIQUÉ

The 55th meeting of the Development Committee was held in Washington, D.C. on April 29, 1997, under the chairmanship of Mohamed Kabbaj, Minister of Finance and Foreign Investment of Morocco. James D. Wolfensohn, President of the World Bank, Michel Camdessus, Managing Director of the International Monetary Fund, Antonio Casas Gonzalez, Governor of the Central Bank of Venezuela and Chairman of the Group of Twenty-Four, and Richard H. Kaijuka, Minister of Planning and Economic Development of Uganda attended the plenary session. Observers from a number of international and regional organizations also attended.

1. *Implementation of the Debt Initiative for HIPCs.* The Committee welcomed the substantial progress made since its last meeting in implementing the HIPC Initiative: the Bank and the Fund Executive Boards took a decision on Uganda that would—subject to satisfactory assurances on the participation of other creditors and following a review of Uganda's further progress on adjustment and reform—have an effect on its debt service of a reduction in its multilateral and bilateral debt by about 20 percent, or about US$700 million by April 1998. There was also preliminary agreement on the eligibility of three other countries (Bolivia, Burkina Faso, and Côte d'Ivoire), and the necessary analysis for several other countries was well underway.

2. Ministers reaffirmed the importance of implementing the Initiative in accordance with the guiding principles and the Program of Action agreed upon by the Committee in 1996. Ministers stressed the importance of adequate interim financing by all creditors. They welcomed the recent Bank and Fund decisions on implementing the Initiative that demonstrate that with determination and close collaboration by all partners, governments that show strong commitment to reform and economic and social development can achieve a sustainable external debt position.

3. Ministers expressed appreciation for the close working relationships among the Bretton Woods institutions, other multilaterals, the Paris Club, and other bilateral creditors. They also expressed appreciation to the governments that have made voluntary contributions to the HIPC Trust Fund and to those that have indicated their readiness to contribute to the IMF ESAF/HIPC Trust; they urged other governments to do so as well.

4. *MIGA*. Ministers noted the progress made by MIGA's Board and Management in addressing MIGA's resource constraints. The Committee expressed broad support for MIGA's continued growth in response to expanding demand for its services. As MIGA is rapidly approaching the limits of its financial capacity, Ministers urged the MIGA Board, together with other parties involved, to resolve in

an expeditious manner the remaining issues on how best to obtain adequate resources and report to the Committee at its next meeting.

5. *Partnership for Capacity Building in Africa.* Africa's future economic and social progress will depend heavily on today's investments in human capital and institutional capabilities. Past efforts in capacity building have not had wide success in fostering effective institutions and sustainable transfer of skills, in part because they did not foster local ownership. Thus, the Committee welcomed the initiative taken by African governments to identify and address this fundamental requirement. The Committee appreciated the high degree of African ownership and African governments' commitment to take their own action on capacity building, which is reflected in this effort. Ministers encouraged the World Bank to continue to provide strong support for this African initiative and to help build support from others in the international community as the Partnership's program develops.

6. *Strengthening Support for Development Cooperation.* Developing countries have made progress in reducing poverty in recent years, but in the poorest countries it remains pervasive and deep. Further advances depend primarily on domestic efforts, but integration into the international trading system and access to adequate external resource flows are also essential. Ministers stressed the central importance of improving the enabling environment for private investment; moreover, the need to ensure adequate access to Official Development Assistance (ODA), notwithstanding donors' increasing budgetary pressures and competing demands, is a matter of great concern.

7. To strengthen support for development cooperation and help generate necessary ODA flows, Ministers agreed to redouble their efforts to ensure that aid resources are effectively mobilized, delivered, and used. The Committee agreed that improved coordination and strengthened partnerships among developing countries, the private sector, and bilateral and multilateral agencies are essential to improving aid effectiveness.

8. Ministers urged the World Bank to continue to work closely with its partners on realistic and monitorable development goals, adapted to specific country conditions and with full ownership by the countries themselves. In this respect, generally accepted goals such as those focused on poverty reduction, human welfare, and the environment help demonstrate development achievements and lessons learned. Ministers welcomed the recent endorsement by OECD donors of such goals.

9. Ministers agreed that the primary beneficiaries of development aid should be those poor countries committed to economic growth and the reduction of poverty through sound policies and effective use of domestic and external resources. The Committee encouraged IDA and other multilateral agencies to strengthen further the role of policy performance in the allocation of their resources, bearing in mind factors beyond the control of governments, while continuing to help build the capacity of all countries to improve performance. Bilateral donors were encouraged to move further in this direction as well.

10. Ministers welcomed the IMF support for adjustment and reform programs under the ESAF and emphasized the importance of continuing ESAF operations to assist low-income countries.

11. Ministers emphasized the great importance they attach to successful implementation of the IDA 11 agreement. The Committee was encouraged by recently concluded agreements for several other multilateral development bank (MDB) replenishments and reiterated that continued strong support for MDBs by all shareholders, on a fair burden-sharing basis, is essential to preserve their multilateral character and to meet the key challenges of sustainable development.

12. *Strategic Compact.* The Committee welcomed the World Bank's Strategic Compact, which aims to improve the level and quality of front-line services and strengthen overall development effectiveness by enhancing project quality and by making the Bank more cost-effective, participatory, flexible, and responsive to client needs. Members invited the World Bank Board to monitor closely the implementation of the Strategic Compact and requested periodic reports on progress achieved.

13. *Facilitating Private Involvement in Infrastructure.* Ministers welcomed the work underway in the World Bank Group to promote private sector investment in infrastructure, and they asked the Bank Group to prepare an action program on this subject for the Committee's next meeting, which would be taking place in Hong Kong on September 22.

Financial Statements of the International Bank for Reconstruction and Development

Balance Sheet

June 30, 1997 and June 30, 1996
Expressed in millions of U.S. dollars

	1997	1996
Assets		
Due from Banks		
Unrestricted currencies	$ 26	$ 27
Currencies subject to restrictions—Note A	615	612
	641	639
Investments—Notes B and E		
Trading	17,229	15,001
Held-to-maturity	1,279	1,169
	18,508	16,170
Securities Purchased Under Resale Agreements—Note B	97	1,282
Nonnegotiable, Noninterest-bearing Demand Obligations on Account of Subscribed Capital	1,902	1,765
Amounts Receivable to Maintain Value of Currency Holdings	574	732
Other Receivables		
Amounts receivable from currency swaps—Notes D and E	29,031	18,010
Amounts receivable from investment securities traded	29	2,365
Amounts receivable from covered forwards—Notes B and E	4,571	204
Accrued income on loans	1,932	2,127
Accrued interest on investments	143	92
	35,706	22,798
Loans Outstanding (see Summary Statement of Loans, Notes C and E)		
Total loans	157,381	164,766
Less undisbursed balance	51,576	54,520
Loans outstanding	105,805	110,246
Less accumulated provision for loan losses	3,210	3,340
Loans outstanding net of accumulated provision	102,595	106,906
Other Assets		
Unamortized issuance costs of borrowings	492	412
Miscellaneous—Notes I and J	1,430	1,300
	1,922	1,712
Total assets	$161,945	$152,004

	1997	1996
Liabilities		
Borrowings—Notes D and E		
Short-term	$ 7,648	$ 4,328
Medium- and long-term	89,031	92,391
	96,679	96,719
Securities Sold Under Repurchase Agreements and Payable For Cash Collateral Received—Note B	294	2,439
Amounts Payable to Maintain Value of Currency Holdings	4	4
Other Liabilities		
Amounts payable for currency swaps—Notes D and E	29,687	19,427
Amounts payable for investment securities purchased	135	1,508
Amounts payable for covered forwards—Notes B and E	4,694	202
Accrued charges on borrowings	2,167	2,352
Payable for Board of Governors-approved transfers—Note F	201	205
Accounts payable and miscellaneous liabilities	856	848
	37,740	24,542
Total liabilities	134,717	123,704
Equity		
Capital Stock (see Statement of Subscriptions to Capital Stock and Voting Power, Note A)		
Authorized capital (1,558,478 shares—June 30, 1997 and June 30, 1996)		
Subscribed capital (1,512,211 shares—June 30, 1997; 1,497,325 shares—June 30, 1996)	182,426	180,630
Less uncalled portion of subscriptions	171,378	169,636
	11,048	10,994
Deferred Amounts to Maintain Value of Currency Holdings	(106)	136
Payments on Account of Pending Subscriptions—Note A	7	15
Retained Earnings (see Statement of Changes in Retained Earnings, Note F)	16,194	16,099
Cumulative Translation Adjustment (see Statement of Changes in Cumulative Translation Adjustment)	85	1,056
Total equity	27,228	28,300
Total liabilities and equity	$161,945	$152,004

The Notes to Financial Statements are an integral part of these Statements.

Statement of Income

For the fiscal years ended June 30, 1997 and June 30, 1996
Expressed in millions of U.S. dollars

	1997	1996
Income		
Income from loans—Note C		
Interest	$7,122	$ 7,804
Commitment charges	113	118
Income from investments—Note B		
Trading		
Interest	718	673
Net gains/(losses)		
Realized	47	31
Unrealized	(43)	(83)
Held-to-maturity		
Interest	103	100
Income from securities purchased under resale agreements—Note B	53	66
Other income	12	11
Total income	8,125	8,720
Expenses		
Borrowing expenses—Note D		
Interest	5,827	6,455
Prepayment costs	16	9
Amortization of issuance and other borrowing costs	109	106
Interest on securities sold under agreements to repurchase and payable for cash collateral received—Note B	44	67
Administrative expenses—Notes G, H, I and J	651	733
Provision for loan losses—Note C	63	42
Other expenses	10	8
Total expenses	6,720	7,420
Operating Income	1,405	1,300
Less contributions to special programs—Note G	120	113
Net Income	$1,285	$ 1,187

Statement of Changes in Retained Earnings

For the fiscal years ended June 30, 1997 and June 30, 1996
Expressed in millions of U.S. dollars

	1997	1996
Retained earnings at beginning of the fiscal year	$16,099	$15,502
Board of Governors-approved transfers to—Note F		
International Development Association	(600)	(250)
Debt Reduction Facility for IDA-Only Countries	—	(100)
Trust Fund for Gaza and West Bank	(90)	(90)
Trust Fund for Bosnia and Herzegovina	—	(150)
Heavily Indebted Poor Countries Debt Initiative Trust Fund	(500)	—
Net income for the fiscal year	1,285	1,187
Retained earnings at end of the fiscal year	$16,194	$16,099

Statement of Changes in Cumulative Translation Adjustment

For the fiscal years ended June 30, 1997 and June 30, 1996
Expressed in millions of U.S. dollars

	1997	1996
Cumulative translation adjustment at beginning of the fiscal year	$1,056	$ 3,308
Translation adjustment for the fiscal year	(971)	(2,252)
Cumulative translation adjustment at end of the fiscal year	$ 85	$ 1,056

The Notes to Financial Statements are an integral part of these Statements.

Statement of Cash Flows

For the fiscal years ended June 30, 1997 and June 30, 1996
Expressed in millions of U.S. dollars

	1997	1996
Cash flows from lending and investing activities		
Loans		
Disbursements	$(14,009)	$(13,321)
Principal repayments	10,710	11,494
Principal prepayments	1,311	812
Investments: Held-to-maturity		
Purchases	(8,911)	(5,417)
Maturities	8,895	5,422
Net cash used in lending and investing activities	(2,004)	(1,010)
Cash flows from Board of Governors-approved transfers to		
International Development Association	(599)	(250)
Debt Reduction Facility for IDA-Only Countries	(1)	(86)
Trust Fund for Gaza and West Bank, Trust Fund for Bosnia and Herzegovina, and for Emergency Assistance for Rwanda	(91)	(179)
Heavily Indebted Poor Countries Debt Initiative Trust Fund	(500)	—
Net cash used in Board of Governors-approved transfers	(1,191)	(515)
Cash flows from financing activities		
Medium- and long-term borrowings		
New issues	14,928	9,851
Retirements	(14,137)	(10,330)
Net short-term borrowings	3,277	340
Net currency swaps	(266)	(649)
Net capital stock transactions	71	111
Net cash provided by (used in) financing activities	3,873	(677)
Cash flows from operating activities		
Net income	1,285	1,187
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	541	399
Provision for loan losses	63	42
Changes in other assets and liabilities		
Decrease in accrued income on loans and investments	18	176
Increase in miscellaneous assets	(153)	(80)
Decrease in accrued charges on borrowings	(49)	(214)
Increase (decrease) in accounts payable and miscellaneous liabilities	35	(18)
Net cash provided by operating activities	1,740	1,492
Effect of exchange rate changes on unrestricted cash and liquid investments	(319)	(1,632)
Net increase (decrease) in unrestricted cash and liquid investments	2,099	(2,342)
Unrestricted cash and liquid investments at beginning of the fiscal year	14,730	17,072
Unrestricted cash and liquid investments at end of the fiscal year	$ 16,829	$ 14,730
Composed of		
Investments held in trading portfolio	$ 17,229	$ 15,001
Unrestricted currencies	26	27
Net (payable) receivable for investment securities traded/purchased	(106)	857
Net (payable) receivable from covered forwards	(123)	2
Net payable for securities purchased/sold under resale/repurchase agreements and payable for cash collateral received	(197)	(1,157)
	$ 16,829	$ 14,730
Supplemental disclosure		
Increase (decrease) in ending balances resulting from exchange rate fluctuations		
Loans outstanding	$ (6,429)	$(14,436)
Investments: Held-to-maturity	94	(29)
Borrowings	(4,701)	(11,731)
Currency swaps	(495)	(1,184)

The Notes to Financial Statements are an integral part of these Statements.

Summary Statement of Loans

June 30, 1997
Expressed in millions of U.S. dollars

Borrower or guarantor	Total loans	Loans approved but not yet effective[1]	Undisbursed balance of effective loans[2]	Loans outstanding	Percentage of total loans outstanding
Algeria	$ 2,624	$ 89	$ 720	$ 1,815	1.72
Argentina	8,483	1,259	1,852	5,372	5.08
Armenia	11	—	1	10	0.01
Bahamas, The	8	—	—	8	0.01
Bangladesh	43	—	—	43	0.04
Barbados	32	—	18	14	0.01
Belarus	158	—	36	122	0.12
Belize	56	7	14	35	0.03
Bolivia	48	—	—	48	0.05
Bosnia and Herzegovina	579	—	—	579	0.55
Botswana	58	—	—	58	0.05
Brazil	9,529	943	2,691	5,895	5.57
Bulgaria	768	40	263	465	0.44
Cameroon	475	—	8	467	0.44
Chile	1,434	—	404	1,030	0.97
China	16,765	2,181	6,647	7,937	7.50
Colombia	2,813	15	819	1,979	1.87
Congo, Democratic Republic of	84	—	—	84	0.08
Congo, Republic of	77	—	1	76	0.07
Costa Rica	287	—	62	225	0.21
Côte d'Ivoire	1,191	—	2	1,189	1.12
Croatia	544	135	185	224	0.21
Cyprus	89	—	27	62	0.06
Czech Republic	519	—	101	418	0.40
Dominica	4	—	4	—	—
Dominican Republic	376	112	37	227	0.21
Ecuador	1,255	21	322	912	0.86
Egypt, Arab Republic of	1,257	20	262	975	0.92
El Salvador	473	—	191	282	0.27
Estonia	117	—	50	67	0.06
Fiji	45	—	11	34	0.03
Gabon	113	10	18	85	0.08
Ghana	35	—	—	35	0.03
Grenada	4	—	4	—	—
Guatemala	274	46	32	196	0.19
Guyana	23	—	—	23	0.02
Honduras	311	—	—	311	0.29
Hungary	2,172	60	604	1,508	1.43
India	12,560	575	3,102	8,883	8.40
Indonesia	15,269	284	4,444	10,541	9.96
Iran, Islamic Republic of	795	—	384	411	0.39
Iraq	44	—	—	44	0.04
Jamaica	656	—	179	477	0.45
Jordan	940	—	168	772	0.73
Kazakhstan	917	17	412	488	0.46
Kenya	257	—	—	257	0.24
Korea, Republic of	2,083	—	434	1,649	1.56
Latvia	233	38	89	106	0.10
Lebanon	597	53	407	137	0.13
Lesotho	87	—	29	58	0.05
Liberia	141	—	—	141	0.13
Lithuania	267	4	156	107	0.10
Macedonia, former Yugoslav Republic of	111	—	38	73	0.07
Madagascar	4	—	—	4	*
Malawi	39	—	—	39	0.04
Malaysia	947	—	126	821	0.78
Mauritania	7	—	—	7	0.01
Mauritius	182	—	61	121	0.11
Mexico	15,341	960	2,669	11,712	11.07

Borrower or guarantor	Total loans	Loans approved but not yet effective[1]	Undisbursed balance of effective loans[2]	Loans outstanding	Percentage of total loans outstanding
Moldova	$ 237	$ 17	$ 82	$ 138	0.13
Morocco	4,488	90	881	3,517	3.32
Nicaragua	30	—	—	30	0.03
Nigeria	2,917	—	352	2,565	2.42
Oman	16	—	—	16	0.02
Pakistan	3,958	—	1,019	2,939	2.78
Panama	368	50	98	220	0.21
Papua New Guinea	353	—	70	283	0.27
Paraguay	369	—	233	136	0.13
Peru	2,756	—	876	1,880	1.78
Philippines	5,653	230	1,009	4,414	4.17
Poland	2,830	—	678	2,152	2.03
Portugal	18	—	2	16	0.02
Romania	2,467	548	839	1,080	1.02
Russian Federation	7,778	316	3,787	3,675	3.47
St. Kitts and Nevis	3	—	2	1	*
St. Lucia	10	—	6	4	*
St. Vincent and the Grenadines	3	—	2	*	*
Senegal	18	—	—	18	0.02
Seychelles	6	—	2	4	*
Sierra Leone	2	—	—	2	*
Slovak Republic	270	—	28	242	0.23
Slovenia	212	43	27	142	0.13
South Africa	46	46	—	—	—
Sri Lanka	35	—	—	35	0.03
Sudan	6	—	—	6	0.01
Swaziland	37	—	25	12	0.01
Syrian Arab Republic	360	—	—	360	0.34
Tanzania	45	—	—	45	0.04
Thailand	2,495	288	705	1,502	1.42
Trinidad and Tobago	158	—	81	77	0.07
Tunisia	2,273	162	567	1,544	1.46
Turkey	5,100	15	1,218	3,867	3.65
Turkmenistan	89	65	20	4	*
Ukraine	1,937	88	845	1,004	0.95
Uruguay	717	201	88	428	0.40
Uzbekistan	230	—	79	151	0.14
Venezuela	1,998	—	691	1,307	1.24
Yugoslavia, Federal Republic of (Serbia/Montenegro)[3]	1,146	—	—	1,146	1.08
Zambia	78	—	—	78	0.07
Zimbabwe	622	—	122	500	0.47
Subtotal[5]	156,744	9,027	42,519	105,198	99.42
Caribbean Development Bank[4]	35	—	27	8	0.01
International Finance Corporation	602	—	3	599	0.57
Total—June 30, 1997[5]	$157,381	$9,027	$42,549	$105,805	100.00
Total—June 30, 1996	$164,766	$9,500	$45,020	$110,246	

** Indicates amounts less than $0.5 million or less than 0.005 percent.*

NOTES

1. Loans totaling $6,417 million ($5,170 million—June 30, 1996) have been approved by IBRD, but the related agreements have not been signed. Loan agreements totaling $2,610 million ($4,330 million—June 30, 1996) have been signed, but the loans do not become effective and disbursements thereunder do not start until the borrowers and guarantors, if any, take certain actions and furnish certain documents to IBRD.

2. Of the undisbursed balance, IBRD has entered into irrevocable commitments to disburse $1,937 million ($2,258 million—June 30, 1996).

3. See Notes to Financial Statements—Notes A and C.

4. These loans are for the benefit of The Bahamas, Barbados, Grenada, Guyana, Jamaica, Trinidad and Tobago, and territories of the United Kingdom (Associated States and Dependencies) in the Caribbean Region, who are severally liable as guarantors to the extent of subloans made in their territories.

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

The Notes to Financial Statements are an integral part of these Statements.

Statement of Subscriptions to Capital Stock and Voting Power

June 30, 1997
Expressed in millions of U.S. dollars

	Subscriptions					Voting power	
Member	*Shares*	*Percentage of total*	*Total amounts*	*Amounts paid in*[1]	*Amounts subject to call*[1]	*Number of votes*	*Percentage of total*
Afghanistan	300	0.02	$ 36.2	$ 3.6	$ 32.6	550	0.04
Albania	830	0.05	100.1	3.6	96.5	1,080	0.07
Algeria	9,252	0.61	1,116.1	67.1	1,049.0	9,502	0.61
Angola	2,676	0.18	322.8	17.5	305.4	2,926	0.19
Antigua and Barbuda	520	0.03	62.7	1.3	61.5	770	0.05
Argentina	17,911	1.18	2,160.7	132.2	2,028.4	18,161	1.17
Armenia	1,139	0.08	137.4	5.9	131.5	1,389	0.09
Australia	24,464	1.62	2,951.2	181.8	2,769.5	24,714	1.59
Austria	11,063	0.73	1,334.6	80.7	1,253.9	11,313	0.73
Azerbaijan	1,646	0.11	198.6	9.7	188.8	1,896	0.12
Bahamas, The	1,071	0.07	129.2	5.4	123.8	1,321	0.08
Bahrain	1,103	0.07	133.1	5.7	127.4	1,353	0.09
Bangladesh	4,854	0.32	585.6	33.9	551.6	5,104	0.33
Barbados	948	0.06	114.4	4.5	109.9	1,198	0.08
Belarus	3,323	0.22	400.9	22.3	378.5	3,573	0.23
Belgium	28,983	1.92	3,496.4	215.8	3,280.6	29,233	1.88
Belize	586	0.04	70.7	1.8	68.9	836	0.05
Benin	868	0.06	104.7	3.9	100.8	1,118	0.07
Bhutan	479	0.03	57.8	1.0	56.8	729	0.05
Bolivia	1,785	0.12	215.3	10.8	204.5	2,035	0.13
Bosnia and Herzegovina	549	0.04	66.2	5.8	60.4	799	0.05
Botswana	615	0.04	74.2	2.0	72.2	865	0.06
Brazil	24,946	1.65	3,009.4	185.1	2,824.2	25,196	1.62
Brunei Darussalam	2,373	0.16	286.3	15.2	271.1	2,623	0.17
Bulgaria	5,215	0.34	629.1	36.5	592.6	5,465	0.35
Burkina Faso	868	0.06	104.7	3.9	100.8	1,118	0.07
Burundi	716	0.05	86.4	3.0	83.4	966	0.06
Cambodia	214	0.01	25.8	2.6	23.2	464	0.03
Cameroon	1,527	0.10	184.2	9.0	175.2	1,777	0.11
Canada	44,795	2.96	5,403.8	334.9	5,068.9	45,045	2.89
Cape Verde	508	0.03	61.3	1.2	60.1	758	0.05
Central African Republic	862	0.06	104.0	3.9	100.1	1,112	0.07
Chad	862	0.06	104.0	3.9	100.1	1,112	0.07
Chile	6,931	0.46	836.1	49.6	786.6	7,181	0.46
China	44,799	2.96	5,404.3	335.0	5,069.3	45,049	2.89
Colombia	6,352	0.42	766.3	45.2	721.1	6,602	0.42
Comoros	282	0.02	34.0	0.3	33.7	532	0.03
Congo, Democratic Republic of	2,643	0.17	318.8	25.4	293.5	2,893	0.19
Congo, Republic of	927	0.06	111.8	4.3	107.5	1,177	0.08
Costa Rica	233	0.02	28.1	1.9	26.2	483	0.03
Côte d'Ivoire	2,516	0.17	303.5	16.4	287.1	2,766	0.18
Croatia	2,293	0.15	276.6	17.3	259.3	2,543	0.16
Cyprus	1,461	0.10	176.2	8.4	167.9	1,711	0.11
Czech Republic	6,308	0.42	761.0	45.9	715.0	6,558	0.42
Denmark	10,251	0.68	1,236.6	74.6	1,162.0	10,501	0.67
Djibouti	559	0.04	67.4	1.6	65.9	809	0.05
Dominica	504	0.03	60.8	1.1	59.7	754	0.05
Dominican Republic	2,092	0.14	252.4	13.1	239.3	2,342	0.15
Ecuador	2,771	0.18	334.3	18.2	316.1	3,021	0.19
Egypt, Arab Republic of	7,108	0.47	857.5	50.9	806.6	7,358	0.47
El Salvador	141	0.01	17.0	1.7	15.3	391	0.03
Equatorial Guinea	715	0.05	86.3	2.7	83.5	965	0.06
Eritrea	593	0.04	71.5	1.8	69.7	843	0.05
Estonia	923	0.06	111.3	4.3	107.1	1,173	0.08
Ethiopia	978	0.06	118.0	4.7	113.3	1,228	0.08

Member	Subscriptions					Voting power	
	Shares	Percentage of total	Total amounts	Amounts paid in[1]	Amounts subject to call[1]	Number of votes	Percentage of total
Fiji	987	0.07	$ 119.1	$ 4.8	$ 114.3	1,237	0.08
Finland	8,560	0.57	1,032.6	61.9	970.8	8,810	0.57
France	69,397	4.59	8,371.7	520.4	7,851.3	69,647	4.47
Gabon	987	0.07	119.1	5.1	113.9	1,237	0.08
Gambia, The	543	0.04	65.5	1.5	64.0	793	0.05
Georgia	1,584	0.10	191.1	9.3	181.8	1,834	0.12
Germany	72,399	4.79	8,733.9	542.9	8,190.9	72,649	4.67
Ghana	1,525	0.10	184.0	12.7	171.2	1,775	0.11
Greece	1,684	0.11	203.1	14.1	189.1	1,934	0.12
Grenada	531	0.04	64.1	1.4	62.7	781	0.05
Guatemala	2,001	0.13	241.4	12.4	229.0	2,251	0.14
Guinea	1,292	0.09	155.9	7.1	148.8	1,542	0.10
Guinea-Bissau	540	0.04	65.1	1.4	63.7	790	0.05
Guyana	1,058	0.07	127.6	5.3	122.3	1,308	0.08
Haiti	1,067	0.07	128.7	5.4	123.3	1,317	0.08
Honduras	641	0.04	77.3	2.3	75.0	891	0.06
Hungary	8,050	0.53	971.1	58.0	913.1	8,300	0.53
Iceland	1,258	0.08	151.8	6.8	144.9	1,508	0.10
India	44,795	2.96	5,403.8	333.7	5,070.1	45,045	2.89
Indonesia	14,981	0.99	1,807.2	110.3	1,697.0	15,231	0.98
Iran, Islamic Republic of	23,686	1.57	2,857.4	175.8	2,681.5	23,936	1.54
Iraq	2,808	0.19	338.7	27.1	311.6	3,058	0.20
Ireland	5,271	0.35	635.9	37.1	598.8	5,521	0.35
Israel	4,750	0.31	573.0	33.2	539.8	5,000	0.32
Italy	44,795	2.96	5,403.8	334.8	5,069.0	45,045	2.89
Jamaica	2,578	0.17	311.0	16.8	294.2	2,828	0.18
Japan	93,770	6.20	11,311.9	703.5	10,608.5	94,020	6.04
Jordan	1,388	0.09	167.4	7.8	159.6	1,638	0.11
Kazakhstan	2,985	0.20	360.1	19.8	340.3	3,235	0.21
Kenya	2,461	0.16	296.9	15.9	281.0	2,711	0.17
Kiribati	465	0.03	56.1	0.9	55.2	715	0.05
Korea, Republic of	9,372	0.62	1,130.6	67.9	1,062.7	9,622	0.62
Kuwait	13,280	0.88	1,602.0	97.4	1,504.6	13,530	0.87
Kyrgyz Republic	1,107	0.07	133.5	5.7	127.9	1,357	0.09
Lao People's Democratic Republic	178	0.01	21.5	1.5	20.0	428	0.03
Latvia	1,384	0.09	167.0	7.8	159.2	1,634	0.10
Lebanon	340	0.02	41.0	1.1	39.9	590	0.04
Lesotho	663	0.04	80.0	2.3	77.6	913	0.06
Liberia	463	0.03	55.9	2.6	53.3	713	0.05
Libya	7,840	0.52	945.8	57.0	888.8	8,090	0.52
Lithuania	1,507	0.10	181.8	8.7	173.1	1,757	0.11
Luxembourg	1,652	0.11	199.3	9.8	189.5	1,902	0.12
Macedonia, former Yugoslav Republic of	427	0.03	51.5	3.2	48.3	677	0.04
Madagascar	1,422	0.09	171.5	8.1	163.5	1,672	0.11
Malawi	1,094	0.07	132.0	5.6	126.4	1,344	0.09
Malaysia	8,244	0.55	994.5	59.5	935.0	8,494	0.55
Maldives	469	0.03	56.6	0.9	55.7	719	0.05
Mali	1,162	0.08	140.2	6.1	134.1	1,412	0.09
Malta	1,074	0.07	129.6	5.4	124.1	1,324	0.09
Marshall Islands	469	0.03	56.6	0.9	55.7	719	0.05
Mauritania	900	0.06	108.6	4.1	104.4	1,150	0.07
Mauritius	1,242	0.08	149.8	6.7	143.1	1,492	0.10
Mexico	18,804	1.24	2,268.4	139.0	2,129.4	19,054	1.22
Micronesia, Federated States of	479	0.03	57.8	1.0	56.8	729	0.05
Moldova	1,368	0.09	165.0	7.6	157.4	1,618	0.10

Statement of Subscriptions to Capital Stock and Voting Power *(continued)*

June 30, 1997
Expressed in millions of U.S. dollars

	Subscriptions					Voting power	
Member	*Shares*	*Percentage of total*	*Total amounts*	*Amounts paid in*[1]	*Amounts subject to call*[1]	*Number of votes*	*Percentage of total*
Mongolia	466	0.03	$ 56.2	$ 2.3	$ 53.9	716	0.05
Morocco	4,973	0.33	599.9	34.8	565.1	5,223	0.34
Mozambique	930	0.06	112.2	4.8	107.4	1,180	0.08
Myanmar	2,484	0.16	299.7	16.1	283.6	2,734	0.18
Namibia	1,523	0.10	183.7	8.8	174.9	1,773	0.11
Nepal	968	0.06	116.8	4.6	112.1	1,218	0.08
Netherlands	35,503	2.35	4,282.9	264.8	4,018.1	35,753	2.30
New Zealand	7,236	0.48	872.9	51.9	821.0	7,486	0.48
Nicaragua	608	0.04	73.3	2.1	71.3	858	0.06
Niger	852	0.06	102.8	3.8	99.0	1,102	0.07
Nigeria	12,655	0.84	1,526.6	92.7	1,433.9	12,905	0.83
Norway	9,982	0.66	1,204.2	72.6	1,131.6	10,232	0.66
Oman	1,561	0.10	188.3	9.1	179.2	1,811	0.12
Pakistan	9,339	0.62	1,126.6	67.8	1,058.9	9,589	0.62
Panama	385	0.03	46.4	3.2	43.2	635	0.04
Papua New Guinea	1,294	0.09	156.1	7.1	149.0	1,544	0.10
Paraguay	1,229	0.08	148.3	6.6	141.6	1,479	0.09
Peru	5,331	0.35	643.1	37.5	605.6	5,581	0.36
Philippines	6,844	0.45	825.6	48.9	776.7	7,094	0.46
Poland	10,908	0.72	1,315.9	79.6	1,236.3	11,158	0.72
Portugal	5,460	0.36	658.7	38.5	620.2	5,710	0.37
Qatar	1,096	0.07	132.2	9.0	123.3	1,346	0.09
Romania	4,011	0.27	483.9	30.5	453.4	4,261	0.27
Russian Federation	44,795	2.96	5,403.8	333.9	5,070.0	45,045	2.89
Rwanda	1,046	0.07	126.2	5.2	120.9	1,296	0.08
St. Kitts and Nevis	275	0.02	33.2	0.3	32.9	525	0.03
St. Lucia	552	0.04	66.6	1.5	65.1	802	0.05
St. Vincent and the Grenadines	278	0.02	33.5	0.3	33.2	528	0.03
São Tomé and Principe	495	0.03	59.7	1.1	58.6	745	0.05
Saudi Arabia	44,795	2.96	5,403.8	335.0	5,068.9	45,045	2.89
Senegal	2,072	0.14	250.0	13.0	237.0	2,322	0.15
Seychelles	263	0.02	31.7	0.2	31.6	513	0.03
Sierra Leone	718	0.05	86.6	3.0	83.6	968	0.06
Singapore	320	0.02	38.6	3.9	34.7	570	0.04
Slovak Republic	3,216	0.21	388.0	23.0	365.0	3,466	0.22
Slovenia	1,261	0.08	152.1	9.5	142.6	1,511	0.10
Solomon Islands	513	0.03	61.9	1.2	60.7	763	0.05
Somalia	552	0.04	66.6	3.3	63.3	802	0.05
South Africa	13,462	0.89	1,624.0	98.8	1,525.2	13,712	0.88
Spain	23,686	1.57	2,857.4	175.6	2,681.7	23,936	1.54
Sri Lanka	3,817	0.25	460.5	26.1	434.3	4,067	0.26
Sudan	850	0.06	102.5	7.2	95.3	1,100	0.07
Suriname	412	0.03	49.7	2.0	47.7	662	0.04
Swaziland	440	0.03	53.1	2.0	51.1	690	0.04
Sweden	14,974	0.99	1,806.4	110.2	1,696.2	15,224	0.98
Switzerland	26,606	1.76	3,209.6	197.2	3,012.4	26,856	1.72
Syrian Arab Republic	2,202	0.15	265.6	14.0	251.7	2,452	0.16
Tajikistan	1,060	0.07	127.9	5.3	122.5	1,310	0.08
Tanzania	1,295	0.09	156.2	10.0	146.2	1,545	0.10
Thailand	6,349	0.42	765.9	45.2	720.7	6,599	0.42
Togo	1,105	0.07	133.3	5.7	127.6	1,355	0.09
Tonga	494	0.03	59.6	1.1	58.5	744	0.05
Trinidad and Tobago	2,664	0.18	321.4	17.6	303.7	2,914	0.19
Tunisia	719	0.05	86.7	5.7	81.1	969	0.06
Turkey	7,379	0.49	890.2	52.9	837.2	7,629	0.49

Member	Subscriptions					Voting power	
	Shares	Percentage of total	Total amounts	Amounts paid in[1]	Amounts subject to call[1]	Number of votes	Percentage of total
Turkmenistan	526	0.03	$ 63.5	$ 2.9	$ 60.5	776	0.05
Uganda	617	0.04	74.4	4.4	70.1	867	0.06
Ukraine	10,908	0.72	1,315.9	79.3	1,236.6	11,158	0.72
United Arab Emirates	2,385	0.16	287.7	22.6	265.1	2,635	0.17
United Kingdom	69,397	4.59	8,371.7	539.5	7,832.2	69,647	4.47
United States	264,969	17.52	31,964.5	1,998.4	29,966.2	265,219	17.03
Uruguay	2,812	0.19	339.2	18.6	320.7	3,062	0.20
Uzbekistan	2,493	0.16	300.7	16.1	284.7	2,743	0.18
Vanuatu	586	0.04	70.7	1.8	68.9	836	0.05
Venezuela	20,361	1.35	2,456.2	150.8	2,305.5	20,611	1.32
Vietnam	968	0.06	116.8	8.1	108.7	1,218	0.08
Western Samoa	531	0.04	64.1	1.4	62.7	781	0.05
Yemen, Republic of	2,212	0.15	266.8	14.0	252.8	2,462	0.16
Zambia	2,810	0.19	339.0	20.0	319.0	3,060	0.20
Zimbabwe	3,325	0.22	401.1	22.4	378.7	3,575	0.23
Total—June 30, 1997[2]	1,512,211	100.00	$182,426	$11,048	$171,378	1,557,211	100.00
Total—June 30, 1996	1,497,325	100.00	$180,630	$10,994	$169,636	1,542,325	

NOTES
1. See Notes to Financial Statements—Note A.
2. May differ from the sum of individual figures due to rounding.

The Notes to Financial Statements are an integral part of these Statements.

PURPOSE AND AFFILIATED ORGANIZATIONS

The International Bank for Reconstruction and Development (IBRD) is an international organization which commenced operations in 1946. The principal purpose of IBRD is to promote economic development in its member countries, primarily by providing loans and related technical assistance for specific projects and for programs of economic reform in developing member countries. The activities of IBRD are complemented by those of three affiliated organizations, the International Development Association (IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA). Each of these organizations is legally and financially independent from IBRD, with separate assets and liabilities, and IBRD is not liable for their respective obligations. IDA's purpose is to promote economic development in the less developed areas of the world included in IDA's membership by providing financing on concessionary terms. IFC's purpose is to encourage the growth of productive private enterprises in its member countries through loans and equity investments in such enterprises without a member's guarantee. MIGA was established to encourage the flow of investments for productive purposes among member countries and, in particular, to developing member countries by providing guarantees against noncommercial risks for foreign investment in its developing member countries.

SUMMARY OF SIGNIFICANT ACCOUNTING AND RELATED POLICIES

IBRD's financial statements are prepared in conformity with the accounting principles generally accepted in the United States and with International Accounting Standards.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. Significant judgments have been used in the computation of estimated and fair values of loans and borrowings, the adequacy of the Accumulated Provision for Loan Losses, determination of net periodic pension cost, and the present value of obligations under the Staff Retirement and Retired Staff Benefits Plans.

During the first quarter of fiscal year 1997, IBRD adopted prospectively the Statement of Financial Accounting Standards No. 121, entitled "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed of," which prescribes that long-lived assets and certain intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. This accounting standard does not apply to financial instruments. The adoption of this standard had no material impact on IBRD's financial statements.

During the fourth quarter of fiscal year 1997, IBRD adopted International Accounting Standards (IAS) No. 32 entitled "Financial Instruments: Disclosure and Presentation." IAS No. 32 specifies the disclosure of certain information on various risk elements associated with financial instruments. These disclosures are contained in Notes B, C, and D.

In 1996 the Financial Accounting Standards Board issued the Statement of Financial Accounting Standards No. 125, entitled "Accounting for Transfers of Assets and Servicing of Financial Assets and Extinguishments of Liabilities," which requires new accounting and reporting standards for transfers of assets, securitizations, collateral, and servicing of receivables and other financial assets, and extinguishments of liabilities. While the standard is effective for fiscal year 1997, the provisions which would have an impact on IBRD relating to transfers involving repurchase/resale agreements, collateral agreements and securities lending for transfers of financial assets will not be effective until the beginning of 1998. The adoption of this standard is expected to have no material impact on IBRD's financial statements.

Certain reclassifications of the prior year's information have been made to conform to the current period's presentation.

Translation of Currencies: IBRD's financial statements are expressed in terms of U.S. dollars solely for the purpose of summarizing IBRD's financial position and the results of its operations for the convenience of its members and other interested parties.

IBRD is an international organization which conducts its operations in the currencies of all of its members. IBRD's resources are derived from its capital, borrowings, and accumulated earnings in those various currencies. IBRD has a number of general policies aimed at minimizing exchange-rate risk in a multicurrency environment. IBRD matches its borrowing obligations in any one currency (after swaps) with assets in the same currency, as prescribed by its Articles of Agreement, primarily by holding or lending the proceeds of its borrowings (after swaps) in the same currencies in which they are borrowed. In addition, IBRD periodically undertakes currency conversions to more closely match the currencies underlying its Retained Earnings with those of the outstanding loans.

Assets and liabilities are translated at market exchange rates at the end of the period. Income and expenses are translated at the market exchange rates on the dates on which they are recognized or at average market exchange rates in effect during each month. Translation adjustments are charged or credited to Equity.

Valuation of Capital Stock: In the Articles of Agreement, the capital stock of IBRD is expressed in terms of "U.S. dollars of the weight and fineness in effect on July 1, 1944" (1944 dollars). Following the abolition of gold as a common denominator of the monetary system and the repeal of the provision of the U.S. law defining the par value of the U.S. dollar in terms of gold, the pre-existing basis for translating 1944 dollars into current dollars or into any other currency disappeared. The Executive Directors of IBRD have decided, until such time as the relevant provisions of the Articles of Agreement are amended, that the words "U.S. dollars of the weight and fineness in effect on July 1, 1944" in Article II, Section 2(a) of the Articles of Agreement of IBRD are interpreted to mean the Special Drawing Right (SDR) introduced by the International Monetary Fund, as the SDR was valued in terms of U.S. dollars immediately before the introduction of the basket method of valuing the SDR on July 1, 1974, such value being $1.20635 for one SDR.

Maintenance of Value: Article II, Section 9 of the Articles of Agreement provides for maintenance of the value, at the time of subscription, of such restricted currencies (see Note A), requiring (1) the member to make additional payments to IBRD in the event that the par value of its currency is reduced or the foreign exchange value of its currency has, in the opinion of IBRD, depreciated to a significant extent in its territories and (2) IBRD to reimburse the member in the event that the par value of its currency is increased.

Since currencies no longer have par values, maintenance of value amounts are determined by measuring the foreign exchange value of a member's currency against the standard of value of IBRD capital based on the 1974 SDR. Members are required to make payments to IBRD if their currencies depreciate significantly relative to the standard of value. Furthermore, the Executive Directors have adopted a policy of reimbursing members whose currencies appreciate significantly in terms of the standard of value.

The net maintenance of value amounts relating to restricted currencies out on loan are included in Deferred Amounts to Maintain Value of Currency Holdings and shown as a component of Equity since maintenance of value becomes effective only as such currencies are repaid to IBRD.

Retained Earnings: Retained Earnings consists of allocated amounts (Special Reserve, General Reserve, and Surplus) and unallocated Net Income.

The Special Reserve consists of loan commissions set aside pursuant to Article IV, Section 6 of the Articles of Agreement, which are to be held in liquid assets. These assets may be used only for the purpose of meeting liabilities of IBRD on its borrowings and guarantees in the event of defaults on loans made, participated in, or guaranteed by IBRD. The Special Reserve assets are included under Investments held in the Trading portfolio, comprising obligations of the United States Government, its agencies, and other official entities. The allocation of such commissions to the Special Reserve was discontinued in 1964 with respect to subsequent loans and no further additions are being made to it.

The General Reserve consists of earnings from prior fiscal years that in the judgment of the Executive Directors should be retained in IBRD's operations.

Surplus consists of earnings from prior fiscal years which are retained by IBRD until a further decision is made on their disposition or the conditions of transfer for specified uses have been met.

Unallocated Net Income consists of earnings in the current fiscal year. Commencing in 1950, a portion or all of the unallocated Net Income has been allocated to the General Reserve. The Board of Governors, consisting of one Governor appointed by each member, periodically approves transfers out of unallocated Net Income and Surplus, components of Retained Earnings, after an assessment by the Executive Directors of IBRD's reserve needs, to various entities for development purposes consistent with IBRD's Articles of Agreement.

Loans: All of IBRD's loans are made to or guaranteed by members, except loans to IFC. The majority of IBRD's loans have repayment obligations in various currencies determined on the basis of a currency pooling system, which is designed to equalize exchange-rate risks among borrowers. IBRD also offers single currency loans. Except for certain loans which were converted to the currency pooling system, loans negotiated prior to July 1980 and all single currency loans are repayable in the currencies disbursed.

Incremental direct costs associated with originating loans are expensed as incurred as such amounts are considered immaterial.

IBRD's policy is to not reschedule interest or principal payments on its loans or participate in debt rescheduling agreements with respect to its loans. In exceptional cases, however, such as when implementation of a financed project has been delayed, the loan amortization schedule may be modified to avoid substantial repayments prior to project completion. In addition, in the special case of Bosnia and Herzegovina, IBRD has refinanced/rescheduled, through three new IBRD consolidation loans, certain loans made to the former Socialist Federal Republic of Yugoslavia (SFRY) for which Bosnia and Herzegovina has accepted liability. IBRD's special treatment in this case was based on the following criteria: the country (i) has emerged from a current or former member of IBRD, (ii) is assuming responsibility for a share of the debt of that member, (iii) has limited creditworthiness for servicing the debt that it assumes, because of a major armed conflict in its territory involving extensive destruction of physical

assets, and (iv) can improve significantly its repayment capacity through refinancing/rescheduling, if appropriate supporting measures are taken. At the balance sheet dates no other country met these criteria.

Delays in receiving loan payments result in present value losses to IBRD since it does not charge fees or additional interest on any overdue interest or loan charges. These present value losses are equal to the difference between the present value of payments for interest and charges made according to the related loan's contractual terms and the present value of their expected future cash flows discounted at the loan's contractual interest rates. Such present value losses are considered in the determination of the Accumulated Provision for Loan Losses.

It is the policy of IBRD to place in nonaccrual status all loans made to or guaranteed by a member of IBRD if principal, interest, or other charges with respect to any such loan are overdue by more than six months, unless IBRD management determines that the overdue amount will be collected in the immediate future. In addition, if development credits made by IDA to a member government are placed in nonaccrual status, all loans made to or guaranteed by that member government will also be placed in nonaccrual status by IBRD. On the date a member's loans are placed in nonaccrual status, unpaid interest and other charges accrued on loans outstanding to the member are deducted from the income of the current period. Interest and other charges on nonaccruing loans are included in income only to the extent that payments have actually been received by IBRD. If collectibility risk is considered to be particularly high at the time of arrears clearance or if IBRD refinances/reschedules nonaccruing loans to a member so that no debt-service payments remain overdue, the member's loans may not automatically emerge from nonaccrual status, even though the member's eligibility for new loans may have been restored. The previously overdue interest and other charges are not recognized as income in the period the refinancing/rescheduling occurs. A decision on the restoration of accrual status is made on a case-by-case basis after a suitable period of payment performance has passed from the time of arrears clearance.

IBRD determines the Accumulated Provision for Loan Losses based on an assessment of collectibility risk in the total loan and callable guarantees portfolio, including loans in nonaccrual status. The accumulated provision is periodically adjusted based on a review of the prevailing circumstances. Adjustments to the accumulated provision are recorded as a charge or credit to income. In the context of determining the adequacy of the Accumulated Provision for Loan Losses, IBRD considers the present value of expected cash flows relative to the contractual cash flows for loans in making the required assessment.

Investments: Investment securities are classified based on IBRD management's intention on the date of purchase. Securities which management has the intention and ability to hold until maturity are included in the Held-to-maturity portfolio and reported at amortized cost. All other investment securities are held in a Trading portfolio and classified as an element of liquidity in the Statement of Cash Flows due to their nature and IBRD's policies governing the level and use of such investments. Investment securities and related financial instruments held in IBRD's Trading portfolio are carried and reported at market value. Unrecognized gains and losses for financial instruments held in the Trading portfolio are included in income. Derivative instruments are used in liquidity management to take advantage of profitable trading opportunities and as a proxy for cash securities. These instruments include short-term, over-the-counter foreign exchange forwards and exchange-traded futures and options on fixed income instruments. These derivatives are carried at market value. From time to time, IBRD enters into forward contracts for the sale or purchase of investment securities; these transactions are recorded at the time of commitment.

Securities Purchased Under Resale Agreements and Securities Sold Under Repurchase Agreements: Securities purchased under resale agreements and securities sold under repurchase agreements are treated as securities lending and borrowing transactions and are carried at historical cost.

Borrowings: To ensure funds are available for lending and liquidity purposes, IBRD borrows in the worldwide capital markets offering its securities to private and governmental buyers. IBRD issues short-term and medium- and long-term debt instruments denominated in various currencies with both fixed and adjustable interest rates. Borrowings are carried on the balance sheet at their par value (face value) adjusted for any unamortized premiums or discounts. Issuance costs associated with a bond offering are deferred and amortized over the period during which the related indebtedness is outstanding. The unamortized balance of the issuance costs is included in Other Assets on the balance sheet, and the issuance costs amortization is presented as a separate element under Borrowing Expenses on the income statement. Amortization of discounts and premiums is included in interest under Borrowing Expenses on the income statement.

IBRD uses derivatives in its borrowing and liability management activities to create synthetic debt instruments to take advantage of cost saving opportunities across capital markets and lower its funding costs, to delink the time at which its borrowing costs are fixed from the timing of the actual market borrowings, and to establish an appropriate match between the currency and interest rate characteristics of its assets and liabilities. These instruments include currency and interest rate swaps, swap spread-locks, foreign exchange forwards, exchange-traded futures, options and deferred and anticipatory rate setting contracts. These deriva-

tives are used to modify the interest rate and/or currency characteristics of the borrowing portfolio and are linked to the related borrowings at inception and remain so throughout the terms of their contracts. The interest component of these derivatives is recognized as an adjustment to the borrowing cost over the life of the derivative contract and included in Interest under Borrowing Expenses on the income statement. Upon termination, the change in the derivative's market value is recorded as an adjustment to the carrying value of the underlying borrowing and recognized as an adjustment of the borrowing cost over the remaining life of the borrowing. In instances where the underlying borrowing is prepaid, the change in the associated derivative's market value is recognized immediately as an adjustment to the cost of the underlying borrowing instrument and accordingly into income. Currency swap payables and receivables are recorded on a historical cost basis and are separate items on the balance sheet. The notional principal on interest rate swaps is treated as an off-balance sheet item.

Fair Value Disclosures: Financial instruments for which market quotations are available have been valued at the prevailing market value. Financial instruments for which market quotations are not readily available have been valued using methodologies and assumptions that necessarily require the use of subjective judgments. Accordingly, the actual value at which such financial instruments could be exchanged in a current transaction or whether they are actually exchangeable is not determinable.

NOTE A—CAPITAL STOCK, RESTRICTED CURRENCIES, MAINTENANCE OF VALUE AND MEMBERSHIP

Capital Stock: At June 30, 1997, IBRD's capital comprised 1,558,478 (1,558,478—June 30, 1996) authorized shares, of which 1,512,211 (1,497,325—June 30, 1996) shares had been subscribed. Each share has a par value of 0.1 million 1974 SDRs, valued at the rate of $1.20635 per 1974 SDR. Of the subscribed capital, $11,048 million ($10,994 million—June 30, 1996) has been paid in, and the remaining $171,378 million ($169,636 million—June 30, 1996) is subject to call only when required to meet the obligations of IBRD created by borrowing or guaranteeing loans. As to $145,940 million ($144,504 million—June 30, 1996) the restriction on calls is imposed by the Articles of Agreement and as to $25,438 million ($25,132 million—June 30, 1996) by resolutions of the Board of Governors.

Restricted Currencies: The portion of capital subscriptions paid in to IBRD is divided into two parts: (1) $1,105 million ($1,100 million—June 30, 1996) initially paid in gold or U.S. dollars and (2) $9,943 million ($9,894 million—June 30, 1996) paid in cash or noninterest-bearing demand obligations denominated either in the currencies of the respective members or in U.S. dollars. The amounts mentioned in (1) above, and (i) $777 million ($777 million—June 30, 1996) which were repurchased by members with U.S. dollars, and (ii) $435 million ($419 million—June 30, 1996) which were the proceeds from encashments of U.S. dollar-denominated notes which are included in the amounts mentioned in (2) above, are freely usable by IBRD in any of its operations. The portion of the amounts paid in U.S. dollar-denominated notes are encashed by IBRD in accordance with the schedules agreed between the members and IBRD. The remaining amounts paid in the currencies of the members, referred to as restricted currencies, are usable by IBRD in its lending operations only with the consent of the respective members, and for administrative expenses. The equivalent of $5,299 million ($5,522 million—June 30, 1996) has been used for lending purposes, with such consent.

Membership: In February 1993 IBRD's Executive Directors decided that the SFRY had ceased to be a member of IBRD and that the Republic of Bosnia and Herzegovina (now called Bosnia and Herzegovina), the Republic of Croatia, the former Yugoslav Republic of Macedonia, the Republic of Slovenia, and the Federal Republic of Yugoslavia (Serbia and Montenegro) (FRY) are authorized to succeed to the SFRY's membership when certain requirements are met, including entering into a final agreement with IBRD on IBRD's loans made to or guaranteed by the SFRY which the particular successor Republic would assume. Four of the five successor Republics—Bosnia and Herzegovina, the Republic of Croatia, the Republic of Slovenia, and the former Yugoslav Republic of Macedonia—have become members of IBRD. The paid-in portion of the SFRY's subscribed capital allocated to the FRY is included under Payments on Account of Pending Subscriptions until the requirements of succession are met.

NOTE B—INVESTMENTS

As part of its overall portfolio management strategy, IBRD invests in government and agency obligations, time deposits and related financial instruments with off-balance sheet risk including futures, forward contracts, covered forward contracts, options and short sales.

On April 18, 1997, the Executive Directors approved changes in IBRD's general investment authority to permit IBRD to invest in marketable bonds, notes, and other debt obligations or securities (including asset-backed securities) issued or unconditionally guaranteed by corporate entities or trusts. Such obligations or securities require a credit rating of AAA. IBRD was also authorized to enter into currency swaps for liquid asset management purposes.

Government and Agency Obligations: These obligations include marketable bonds, notes and other obligations. Obligations issued or unconditionally guaranteed by governments of countries require a minimum credit rating of AA, if denominated in a currency other than the home currency of the issuer, otherwise no rating is required. Obligations issued by

an agency or instrumentality of a government of a country, a multilateral organization or any other official entity require a minimum credit rating of AA.

Time Deposits: Time deposits include certificates of deposit, bankers' acceptances, and other obligations issued or unconditionally guaranteed by banks and other financial institutions.

Futures and Forwards: 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. Futures contracts are traded on regulated United States and international exchanges. IBRD generally closes out most open positions in futures contracts prior to maturity. Therefore, cash receipts or payments are mostly limited to the change in market value of the futures contracts. Futures contracts generally entail daily settlement of the net cash margin.

Options: Options are contracts that allow the holder of the option the right, but not the obligation to purchase or sell a financial instrument at a specified price within a specified period of time from or to the seller of the option. The purchaser of an option pays a premium at the outset to the seller of the option, who then bears the risk of an unfavorable change in the price of the financial instrument underlying the option. IBRD only invests in exchange-traded options. The initial price of an option contract is equal to the premium paid by the purchaser and is significantly less than the contract or notional amount. IBRD does not write uncovered option contracts.

Repurchase and Resale Agreements and Securities Loans: Repurchase agreements are contracts under which a party sells securities and simultaneously agrees to repurchase the same securities at a specified future date at a fixed price. The reverse of this transaction is called a resale agreement. Securities loans are contracts under which securities are lent for a specified period of time at a fixed price.

Short Sales: Short sales are sales of securities not held in IBRD's portfolio at the time of the sale. IBRD must purchase the security at a later date and bears the risk that the market value of the security will move adversely between the time of the sale and the time the security must be delivered.

Covered Forwards: Covered forwards are agreements in which cash in one currency is converted into a different currency and, simultaneously, a forward exchange agreement is executed providing for a future exchange of the two currencies in order to recover the currency converted.

Liquid Portfolio: A summary of IBRD's position in trading and other liquid portfolio instruments at June 30, 1997 and June 30, 1996 is as follows:

In millions of U.S. dollars equivalent

	Deutsche mark		*Japanese yen*		*U.S. dollars*		*Other currencies*		*All currencies*	
	1997	*1996*	*1997*	*1996*	*1997*	*1996*	*1997*	*1996*	*1997*	*1996*
Trading:										
Government and agency obligations:										
Carrying value	642	524	—	1,119	2,873	3,536	20	238	3,535	5,417
Average balance during fiscal year	429	879	324	2,738	2,237	3,473	182	257	3,172	7,347
Net gains (losses) for the fiscal year	(2)	19	(2)	(45)	(13)	(41)	10	7	(7)	(60)
Average yield (%)	3.22	4.60	—	1.35	5.92	5.03	3.52	4.82	5.40	4.12
Average maturity (years)	2.03	5.10	—	2.94	5.35	3.80	0.19	8.40	4.71	3.87
Time deposits:										
Carrying value	1,311	1,041	3,569	1,775	7,664	5,822	1,149	942	13,693	9,580
Average balance during fiscal year	578	411	2,126	1,562	6,847	3,793	1,055	1,035	10,606	6,801
Net gains (losses) for the fiscal year	—	—	—	—	—	—	—	(*)	—	(*)
Average yield (%)	3.11	3.38	0.49	0.50	5.91	5.52	3.76	3.96	4.05	4.21
Average maturity (years)	0.23	0.02	0.20	0.07	0.13	0.01	0.17	0.02	0.16	0.03
Futures and forwards:										
Carrying value	1	1	*	3	—	—	—	*	1	4
Average balance during fiscal year	1	1	2	3	—	—	*	*	3	4
Net gains (losses) for the fiscal year	(*)	(2)	1	(3)	11	15	*	(*)	12	10

(table continued on next page)

(table continued)

In millions of U.S. dollars equivalent

	Deutsche mark		*Japanese yen*		*U.S. dollars*		*Other currencies*		*All currencies*	
	1997	*1996*	*1997*	*1996*	*1997*	*1996*	*1997*	*1996*	*1997*	*1996*
Options:										
Carrying value	—	—	*	*	*	(*)	—	*	*	*
Average balance during fiscal year	—	—	*	*	*	*	*	*	*	*
Net gains (losses) for the fiscal year	(*)	(*)	(*)	(*)	(1)	(2)	*	(*)	(1)	(2)
Total Trading Investments* **										
Carrying value	1,954	1,566	3,569	2,897	10,537	9,358	1,169	1,180	17,229	15,001
Average balance during fiscal year	1,008	1,291	2,452	4,303	9,084	7,266	1,237	1,292	13,781	14,152
Net gains (losses) for the fiscal year	(2)	17	(*)	(48)	(3)	(28)	10	7	4	(52)
Repurchase agreements and Securities loans:										
Carrying value	—	—	—	—	(294)	(2,394)	—	(45)	(294)	(2,439)
Average balance during fiscal year	(34)	(142)	—	—	(716)	(1,406)	(80)	(27)	(830)	(1,575)
Average yield (%)	—	—	—	—	5.73	5.20	—	4.06	5.73	5.18
Average maturity (years)	—	—	—	—	0.02	0.02	—	0.02	0.02	0.02
Resale agreements:										
Carrying value	2	571	—	—	95	655	—	56	97	1,282
Average balance during fiscal year	305	463	—	—	721	775	92	68	1,118	1,306
Average yield (%)	2.90	3.49	—	—	5.46	5.17	—	4.40	5.41	4.39
Average maturity (years)	0.02	0.01	—	—	0.06	0.03	—	**	0.06	0.02
Short sales										
Carrying value	—	(25)	—	—	(92)	(54)	—	(*)	(92)	(79)
Average balance during fiscal year	(42)	(44)	—	(5)	(134)	(133)	(15)	(12)	(191)	(194)
Net covered forwards:										
Carrying value	(908)	60	(3,226)	(91)	4,571	(17)	(560)	50	(123)	2
Average balance during fiscal year	(198)	162	(694)	(88)	1,047	(423)	(142)	348	13	(1)
Average yield (%)	3.10	3.33	0.48	0.43	5.78	5.40	3.69	3.17	3.55	3.69
Average maturity (years)	0.33	0.01	0.21	0.04	0.24	0.02	0.27	0.01	0.24	0.02

* *Less than $0.5 million.*
** *Less than 0.005 years.*
*** *May differ from the sum of individual figures due to rounding.*

Held-to-maturity portfolio: The carrying and fair values of investment securities in the Held-to-maturity portfolio at June 30, 1997 and June 30, 1996 are as follows:

In millions

	1997				
	Carrying value	*Average yield (%)*	*Gross unrealized gains*	*Gross unrealized losses*	*Fair value*
Government and agency obligations	$1,140	8.74	$110	$—	$1,250
Time deposits	139	6.38	—	—	139
Total	$1,279	8.49	$110	$—	$1,389

In millions

	1996				
	Carrying value	*Average yield (%)*	*Gross unrealized gains*	*Gross unrealized losses*	*Fair value*
Government and agency obligations	$1,055	8.74	$56	$—	$1,111
Time deposits	114	5.81	—	—	114
Total	$1,169	8.46	$56	$—	$1,225

At June 30, 1997 and June 30, 1996, the Held-to-maturity portfolio comprised investments in pounds sterling only. The annualized rate of return on average investments in the Held-to-maturity portfolio held during the fiscal year ended June 30, 1997 was 8.31 percent (8.35 percent—June 30, 1996).

The expected maturities of investment securities in the Held-to-maturity portfolio at June 30, 1997 and June 30, 1996 are summarized below

In millions

	1997		
	Carrying value	*Fair value*	*Net unrealized gains*
July 1, 1997 through June 30, 1998	$ 139	$ 139	$ —
July 1, 1998 through June 30, 2002	172	177	5
July 1, 2002 through June 30, 2007	255	277	22
Thereafter	713	796	83
Total	$1,279	$1,389	$110

In millions

	1996		
	Carrying value	*Fair value*	*Net unrealized gains*
July 1, 1996 through June 30, 1997	$ 114	$ 114	$—
July 1, 1997 through June 30, 2001	162	170	8
July 1, 2001 through June 30, 2006	236	252	16
Thereafter	657	689	32
Total	$1,169	$1,225	$56

NOTE C—LOANS, COFINANCING AND GUARANTEES

Multicurrency Loans

Fixed rate loans: On loans negotiated prior to July 1982, IBRD charges interest at fixed rates.

Adjustable rate loans: In 1982 IBRD mitigated its interest rate risk by moving from fixed rate to adjustable rate lending. This rate, reset twice a year, is based on IBRD's own cost of qualified borrowings plus a 50 basis point spread, resulting in a pass-through of its average borrowing costs to those members that benefit from IBRD loans.

Average maturity: IBRD maintains a targeted currency composition in its multicurrency loans. The present target ratio is one U.S. dollar for every 125 Japanese yen and two Deutsche mark equivalents (consisting of Deutsche mark, Netherlands guilders and Swiss francs). These five major currencies comprise at least 90 percent of the multicurrency loans' U.S. dollar equivalent value, with the remainder in other currencies. This ratio has been maintained since 1991, and is reviewed periodically. The composition of the multicurrency loans is affected by the selection of currencies for disbursements on those loans and by the currencies selected for the billing of the principal repay-

ments. Along with the selection of disbursement currencies, IBRD manages the selection of repayment currencies to maintain the alignment of the multicurrency loans' composition with the target ratio. The selection of currencies for repayment billing by IBRD precludes the determination of average maturity information for multicurrency loans by individual currency. Accordingly, IBRD only discloses the maturity periods for its multicurrency loans on a combined U.S. dollars equivalent basis.

Single Currency Loans

Fixed rate loans: IBRD introduced fixed rate single currency loans in 1995. The rates charged on fixed rate single currency loans are set on semi-annual rate fixing dates for loan amounts disbursed during the preceding six-month period and remain fixed for such disbursed amounts until they are repaid. For the interim period from the date each disbursement is made until its rate fixing date, interest accrues at a variable rate equal to the rate on LIBOR-based single currency loans (PIBOR-based for French franc denominated loans) applicable for such interim period. The fixed lending rate comprises a base rate reflecting medium- to long-term market rates on the rate fixing date, plus a total spread consisting of (a) IBRD's funding cost margin for these loans, (b) a risk premium (intended to compensate IBRD for market risks incurred in funding these loans), and (c) a spread of 50 basis points.

LIBOR-based loans: IBRD introduced LIBOR-based single currency loans in 1993. The rates charged on LIBOR-based single currency loans are a direct pass-through of IBRD's cost of funding for these loans, and are reset semi-annually. They comprise a base rate equal to the six-month reference interbank offered rate for the applicable currency on the rate reset date and a total spread consisting of (a) IBRD's average funding cost margin for these loans and (b) a spread of 50 basis points.

Since September 1, 1996, IBRD has offered its borrowers, in addition to its loan products, the option to convert undisbursed multicurrency pool loan amounts to single currency loan terms. Further, borrowers have the option to convert disbursed and undisbursed multicurrency pool loan amounts to new single currency pool loans. Borrowers selecting single currency pool loans have their choice of four different pools (U. S. dollars, Japanese yen, Deutsche mark or Swiss francs). Each single currency pool will be a multicurrency pool at inception, but will be adjusted to reach a level of at least 90 percent in the designated currency by July 1, 1999 and will be maintained at or above that level thereafter. The rates that will be charged on single currency pool loans will be variable based on the average cost of outstanding borrowings allocated to fund loans in each individual single currency pool plus a 50 basis point spread. Conversions to the new single currency pool terms will be implemented on one of three conversion dates (July 1, 1997, January 1, 1998 or July 1, 1998), depending upon the date the conversion request is approved by IBRD. At June 30, 1997, borrowers had requested and IBRD had converted $6,412 million of undisbursed multicurrency pool loan amounts to single currency loan terms and $5,764 million remained to be converted at that date. At June 30, 1997, borrowers had requested that $9,794 million of outstanding multicurrency pool loan amounts and $71 million of undisbursed multicurrency pool loan amounts be converted to single currency pool loan terms on July 1, 1997.

Waivers of Loan Interest and Charges

On August 1, 1996, IBRD's Executive Directors approved a one-year interest waiver of 25 basis points on disbursed and outstanding loans for all payment periods commencing in the fiscal year ending June 30, 1997 for all eligible borrowers. A similar waiver of 25 basis points was in effect for the fiscal year ended June 30, 1996. In fiscal year 1995 IBRD's Executive Directors approved a one-time 10 basis point interest waiver, for two consecutive six-month interest periods, on currency pool loans which a borrower converts from loan interest rate terms in effect between 1982 and 1989 to interest rate terms in effect since 1989. For the fiscal year ended June 30, 1997, the combined effect of these waivers was to reduce Net Income by $259 million ($286 million—June 30, 1996).

Further, on August 1, 1996, the Executive Directors approved a one-year commitment fee waiver of 50 basis points on undisbursed loans to all borrowers for all payment periods commencing in the fiscal year ending June 30, 1997. A similar waiver of 50 basis points was in effect for the fiscal year ended June 30, 1996. For the fiscal year ended June 30, 1997, the effect of the commitment fee waiver was to reduce Net Income by $226 million ($235 million—June 30, 1996).

A summary of IBRD's outstanding loans by currency and product at June 30, 1997 and June 30, 1996 follows:

In millions of U.S. dollars equivalent

		1997						
		Multicurrency loans		*Single currency loans*			*Total loans*	
Currency	*Rate type*	*Amount*	*Weighted average rate (%)**	*Amount*	*Weighted average rate (%)**	*Average maturity (years)*	*Amount*	*Weighted average rate (%)**
Deutsche mark	Fixed	$ 1,937	8.77	$ —	—	—	$ 1,937	8.77
	Adjustable	27,269	6.70	83	3.48	7.07	27,352	6.69
Japanese yen	Fixed	1,954	8.87	—	—	—	1,954	8.87
	Adjustable	30,154	6.70	5	0.81	3.51	30,159	6.70
Netherlands guilders	Fixed	179	8.42	—	—	—	179	8.42
	Adjustable	1,155	6.70	—	—	—	1,155	6.70
Swiss francs	Fixed	1,064	8.02	—	—	—	1,064	8.02
	Adjustable	3,438	6.70	—	—	—	3,438	6.70
U.S. dollars	Fixed	1,578	8.78	2,315	7.03	6.63	3,893	7.74
	Adjustable	27,848	6.70	4,515	6.01	8.99	32,363	6.60
Others	Fixed	154	9.11	133	6.35	7.17	287	7.83
	Adjustable	2,020	6.70	4	3.53	7.80	2,024	6.69
Loans outstanding	Fixed	6,866	8.68	2,448	6.99	6.66	9,314	8.24
	Adjustable	91,884	6.70	4,607	5.96	8.95	96,491	6.66
	Total	$ 98,750	6.84	$ 7,055	6.32	8.16	105,805	6.80
Less accumulated provision for loan losses							3,210	
Loans outstanding net of accumulated provision							$102,595	

* Excludes effects of any waivers of loan interest.

In millions of U.S. dollars equivalent

		1996						
		Multicurrency loans		*Single currency loans*			*Total loans*	
Currency	*Rate type*	*Amount*	*Weighted average rate (%)**	*Amount*	*Weighted average rate (%)**	*Average maturity (years)*	*Amount*	*Weighted average rate (%)**
Deutsche mark	Fixed	$ 3,111	8.68	$ —	—	—	$ 3,111	8.68
	Adjustable	26,838	6.98	—	—	—	26,838	6.98
Japanese yen	Fixed	3,093	8.88	—	—	—	3,093	8.88
	Adjustable	31,259	6.98	—	—	—	31,259	6.98
Netherlands guilders	Fixed	325	8.58	—	—	—	325	8.58
	Adjustable	1,845	6.98	—	—	—	1,845	6.98
Swiss francs	Fixed	1,989	8.18	—	—	—	1,989	8.18
	Adjustable	7,029	6.98	—	—	—	7,029	6.98
U.S. dollars	Fixed	2,266	8.85	1,119	6.79	7.17	3,385	8.17
	Adjustable	27,640	6.98	1,096	5.66	10.11	28,736	6.93
Others	Fixed	255	9.16	42	7.29	7.20	297	8.89
	Adjustable	2,331	6.98	8	5.07	7.80	2,339	6.97
Loans outstanding	Fixed	11,039	8.69	1,161	6.81	7.17	12,200	8.51
	Adjustable	96,942	6.98	1,104	5.66	10.09	98,046	6.96
	Total	$107,981	7.15	$ 2,265	6.25	8.59	110,246	7.13
Less accumulated provision for loan losses							3,340	
Loans outstanding net of accumulated provision							$106,906	

* Excludes effects of any waivers of loan interest.

The maturity structure of IBRD's loans outstanding, by product, at June 30, 1997 and June 30, 1996 is as follows:

In millions

		1997						
		Multicurrency loans		*Single currency loans*		*All loans*		
Period	*Rate type:*	*Fixed*	*Adjustable*	*Fixed*	*Adjustable*	*Fixed*	*Adjustable*	*Total*
July 1, 1997 through June 30, 1998		$2,844	$ 9,150	$ —	$ 4	$2,844	$ 9,154	$ 11,998
July 1, 1998 through June 30, 2002		3,675	37,141	773	774	4,448	37,915	42,363
July 1, 2002 through June 30, 2007		335	33,585	1,365	2,283	1,700	35,868	37,568
Thereafter		12	12,008	310	1,546	322	13,554	13,876
Loans outstanding		$6,866	$91,884	$2,448	$4,607	$9,314	$96,491	$105,805

In millions

		1996						
		Multicurrency loans		*Single currency loans*		*All loans*		
Period	*Rate type:*	*Fixed*	*Adjustable*	*Fixed*	*Adjustable*	*Fixed*	*Adjustable*	*Total*
July 1, 1996 through June 30, 1997		$ 3,837	$ 8,868	$ —	$ —	$ 3,837	$ 8,868	$ 12,705
July 1, 1997 through June 30, 2001		6,437	38,825	302	245	6,739	39,070	45,809
July 1, 2001 through June 30, 2006		734	35,281	646	433	1,380	35,714	37,094
Thereafter		31	13,968	213	426	244	14,394	14,638
Loans outstanding		$11,039	$96,942	$1,161	$1,104	$12,200	$98,046	$110,246

Estimated Value of Loans

All of IBRD's loans are made to or guaranteed by countries that are members of IBRD, except for those loans made to IFC. IBRD does not currently sell its loans, nor is there a market of loans comparable to those made by IBRD.

Multicurrency loans: The estimated value of fixed rate loans negotiated prior to July 1982 has been based on discounted future cash flows using the rate at which IBRD could undertake borrowings of comparable maturities at June 30, 1997 plus a 50 basis point spread. The estimated value of adjustable rate multicurrency loans is based on the relationship of the fair value to the carrying value of the underlying qualified borrowings, since the interest rate for such loans is based on the interest rate of the qualified borrowings.

Single Currency Loans: The estimated value of fixed rate single currency loans has been based on discounted future cash flows using the rate at which IBRD could make similar loans of comparable maturities at June 30, 1997. The estimated value of LIBOR-based single currency loans has been based on the relationship of the fair value to the carrying value of the underlying borrowings funding these loans.

The following table reflects the carrying and estimated values of the loan portfolio based on current borrowing rates net of the Accumulated Provision for Loan Losses at June 30, 1997 and June 30, 1996:

In millions

	1997		1996	
	Carrying value	*Estimated value*	*Carrying value*	*Estimated value*
Multicurrency loans				
Fixed	$ 6,866	$ 7,655	$ 11,039	$ 12,383
Adjustable	91,884	99,775	96,942	103,080
Single currency loans				
Fixed	2,448	2,497	1,161	1,067
Adjustable	4,607	4,844	1,104	1,108
Total loans				
Fixed	9,314	10,152	12,200	13,450
Adjustable	96,491	104,619	98,046	104,188
	105,805	114,771	110,246	117,638
Less accumulated provision for loan losses	3,210	3,210	3,340	3,340
Loans outstanding net of accumulated provision	$102,595	$111,561	$106,906	$114,298

Cofinancing and Guarantees

IBRD has taken direct participations in, or provided partial guarantees of, loans syndicated by other financial institutions for projects or programs also financed by IBRD through regular loans. IBRD also has provided partial guarantees of securities issued by an entity eligible for IBRD loans. IBRD's partial guarantees of bond issues are included in the guarantees amount mentioned below. IBRD's direct participations in syndicated loans are included in the reported loan balances.

Guarantees of loan principal of $1,593 million at June 30, 1997 ($1,537 million—June 30, 1996) were not included in reported loan balances. At June 30, 1997, $148 million of these guarantees were subject to call ($122 million—June 30, 1996). IBRD has partially guaranteed the timely payment of interest amounts on certain loans that have been sold. At June 30, 1997, these guarantees, approximating $1 million ($1 million—June 30, 1996), were subject to call.

Statutory Lending Limit

Under the Articles of Agreement, the total amount outstanding of callable guarantees, participations in loans, and direct loans made by IBRD may not be increased to an amount exceeding 100 percent of the sum of Subscribed Capital, reserves, and surplus. At June 30, 1997 and June 30, 1996, the status of the statutory lending limit is as follows:

In millions

	1997	*1996*
Statutory lending limit		
Subscribed capital	$182,426	$180,630
Retained earnings	16,194	16,099
Cumulative translation adjustment	85	1,056
	$198,705	$197,785
Loans and guarantees outstanding		
Loans outstanding	$105,805	$110,246
Principal guarantees callable	148	122
Interest guarantees callable	1	1
	$105,954	$110,369
Loans and guarantees outstanding as a percentage of statutory lending limit	53%	56%

Overdue Amounts

At June 30, 1997, no loans payable to IBRD other than those referred to in the following paragraphs were overdue by more than three months.

At June 30, 1997, the loans made to or guaranteed by certain member countries and the FRY with an aggregate principal balance outstanding of $2,360 million ($2,520 million—June 30, 1996), of which $1,314 million ($1,227 million—June 30, 1996) was overdue, were in nonaccrual status. At such date, overdue interest and other charges in respect of these loans totaled $893 million ($808 million—June 30, 1996). If these loans had not been in nonaccrual status, income from loans for the fiscal year ended June 30, 1997 would have been higher by $146 million ($188 million—June 30, 1996).

A summary of countries with loans or guarantees in nonaccrual status follows:

In millions

	1997		
Borrower	*Principal outstanding*	*Principal and charges overdue*	*Nonaccrual since*
With overdues			
Congo, Democratic Republic of	$ 84	$ 72	November 1993
Iraq	44	68	December 1990
Liberia	141	252	June 1987
Sudan	6	4	January 1994
Syrian Arab Republic	360	513	February 1987
Yugoslavia, Federal Republic of (Serbia/Montenegro)	1,146	1,298	September 1992
Total	1,781	2,207	
Without overdues			
Bosnia and Herzegovina	579	—	September 1992
Total	$2,360	$2,207	

In connection with the cessation of the membership of the SFRY discussed in Note A, in February 1993 IBRD reached an agreement with the FRY for the apportionment and service of debt due to IBRD on loans made to or guaranteed by the SFRY and assumed by the FRY, which confirmed a February 1992 interim agreement between the SFRY (then consisting of the Republics of Bosnia and Herzegovina, Macedonia, Montenegro and Serbia) and IBRD pertaining, among other things, to such loans. As of the date hereof, no debt-service payments have been received by IBRD from the FRY.

In June 1996 the accumulated arrears on loans to the former SFRY assumed by Bosnia and Herzegovina were cleared through three new consolidation loans extended by IBRD. These new loans consolidated all outstanding principal and overdue interest on the loans assumed by Bosnia and Herzegovina. This resulted in an increase in loans outstanding of $168 million and the deferral of the recognition of the related interest income. The first consolidation loan was a currency pool loan of $29 million carrying IBRD's adjustable lending rate for such loans at the time, 6.98 percent, plus 41 basis points. The second consolidation loan was also a currency pool loan in the amount of $285 million carrying IBRD's adjustable lending rate for such loans at the time, 6.98 percent, plus 4 basis points. The third consolidation loan was a U. S. dollar LIBOR-based single currency loan of $307 million carrying IBRD's lending rate for such loans at the time, 5.38 percent. All three consolidation loans have a final maturity of 30 years, which includes a five-year grace period. The consolidation loans aggregated the existing assumed loans which had final maturities ranging from April 1, 1992 to May 15, 2001 and a combined weighted-average interest rate of 7.95 percent.

The average recorded investment in nonaccruing loans during the fiscal year ended June 30, 1997 was $2,430 million ($2,466 million—June 30, 1996).

During the fiscal years ended June 30, 1997 and June 30, 1996, no loans came out of nonaccrual status.

Accumulated Provision for Loan Losses

IBRD has never suffered a loss on any of its loans, with the exception of losses resulting from the difference between the present value of payments for interest and charges made according to the related loan's contractual terms and the present value of their expected future cash flows discounted at the loan's contractual rates. Certain borrowers have found it difficult to make timely payments for protracted periods, resulting in their loans being placed in nonaccrual status. Several borrowers have emerged from nonaccrual status after a period of time by bringing up-to-date all principal payments and all overdue service payments, including interest and other charges. In an attempt to recognize the risk inherent in these and any other potential overdue payments, IBRD maintains a provision for loan losses.

An analysis of the changes to the Accumulated Provision for Loan Losses for the fiscal years ended June 30, 1997 and June 30, 1996 appears below:

In millions

	1997	*1996*
Balance, beginning of the fiscal year	$3,340	$3,740
Provision for loan losses	63	42
Translation adjustment	(193)	(442)
Balance, end of the fiscal year	$3,210	$3,340

IBRD has endorsed a multilateral initiative for addressing the debt problems of a group of countries identified as heavily indebted poor countries (HIPCs) to ensure that the reform efforts of these countries will not be put at risk by unsustainable external debt burdens. Under this initiative, creditors are to provide enhanced debt relief for those countries that demonstrated good policy performance over an extended period to bring their debt burdens to sustainable levels. On November 7, 1996, the HIPC Debt Initiative Trust Fund was established, constituted by funds to be contributed by creditors of HIPCs, to assist eligible beneficiary countries reduce their overall debt burden. The HIPC Debt Initiative Trust Fund is administered by IDA. IBRD has taken the situation of these countries into account in its review of the adequacy of the Accumulated Provision for Loan Losses.

Fifth Dimension Program

Under IDA's Fifth Dimension program established in September 1988, a portion of principal repayments to IDA are allocated on an annual basis to provide supplementary IDA credits to IDA-eligible countries that are no longer able to borrow on IBRD terms, but have outstanding IBRD loans approved prior to September 1988 and have in place an IDA-supported structural adjustment program. Such supplementary IDA credits are allocated to countries that meet specified conditions, in proportion to each country's interest payments due that year on its pre-September 1988 IBRD loans. To be eligible for such IDA supplemental credits, a member country must meet IDA's eligibility criteria for lending, must be ineligible for IBRD lending and must not have had an IBRD loan approved within the last twelve months. To receive a supplemental credit from the program, a member country cannot be more than 60 days overdue on its debt-service payments to IBRD or IDA. At June 30, 1997, IDA had approved credits of $1,526 million ($1,379 million—June 30, 1996) under this program from inception, of which $1,435 million ($1,327 million—June 30, 1996) had been disbursed to the eligible countries.

NOTE D—BORROWINGS

Providing liquidity and minimizing the cost of funds are key objectives to IBRD's overall borrowing strategy. IBRD uses swaps in its borrowing strategy to lower the overall cost of its borrowings for those members who benefit from IBRD loans. IBRD undertakes swap transactions with a list of authorized counterparties. Credit limits have been established for each counterparty.

Currency swaps: Currency swaps are agreements comprised of a conversion of the proceeds of a borrowing into a different currency and a forward exchange agreement 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.

Interest rate swaps: Interest rate swaps are agreements which transform a fixed rate payment obligation in a particular currency into a floating rate obligation in that currency or vice-versa.

Forward interest rate swaps: A forward interest rate swap is an agreement under which the cash flow exchanges of the underlying interest rate swaps would begin to take effect from a specified date.

Swaptions: A swaption is an option that gives the holder the right to enter into an interest rate or currency swap at a certain future date.

Deferred rate setting (DRS) agreements: DRS allows an entity to fix the effective interest cost of all or a portion of debt issues over a specified period of time after the issue date of the respective debt issues. IBRD enters into DRS agreements in conjunction with some of its bond issues. The agreements provide for payments to be made to or by IBRD reflecting gain or loss on one or more government securities or related financial instruments. The potential credit loss to IBRD from nonperformance is limited to any amounts due, but unsettled, from the financial intermediary. However, periodic mark-to-market settlements on these agreements limit this risk. At June 30, 1997 and June 30, 1996, the effective interest cost of all principal amounts had been fixed.

A summary of IBRD's borrowings portfolio at June 30, 1997 and June 30, 1996 follows:

Medium- and Long-term Borrowings and Swaps at June 30, 1997

In millions of U.S. dollars equivalent

	Direct borrowings			Currency swap agreements			Interest rate swap agreements			Net currency obligations		
Currency/ Rate type	*Amount*	*Wgtd. avg. cost (%)*	*Average matu-rity (years)*	*Amount payable (receiv-able)*	*Wgtd. avg. cost (%)*	*Average maturity (years)*	*Notional amount payable (receiv-able)*	*Wgtd. avg. cost (%)*	*Average matu-rity (years)*	*Amount payable (receiv-able)*	*Wgtd. avg. cost (%)*	*Average maturity* (years)*
Deutsche mark												
Fixed	$12,468	6.58	5.43	$ 3,071	7.47	2.33	$ 6,800	6.93	2.74	$ 22,339	6.81	4.19
				(393)	5.93	14.05	(2,878)	5.25	4.48	(3,271)	5.33	5.63
Adjustable	203	7.54	6.12	8,921	3.05	2.98	2,936	3.24	4.53	12,060	3.17	3.41
				(22)	5.58	0.99	(6,858)	3.35	2.78	(6,880)	3.35	2.77
Japanese yen												
Fixed	24,501	5.15	4.48	529	5.63	2.39	2,148	3.60	1.87	27,178	5.04	4.23
				(1,251)	5.99	6.07	(3,123)	3.02	4.39	(4,374)	3.85	4.86
Adjustable	1,223	1.83	2.66	506	0.05	1.20	3,123	0.57	4.39	4,852	0.83	3.62
				(44)	4.45	14.98	(2,148)	1.34	1.87	(2,192)	1.41	2.13
Netherlands guilders												
Fixed	1,873	7.25	3.28	80	6.31	0.19	—	—	—	1,953	7.21	3.15
				(1,123)	7.62	2.05				(1,123)	7.62	2.05
Swiss francs												
Fixed	3,916	6.02	5.63	1,862	5.20	2.94	780	7.11	2.77	6,558	5.91	4.52
				(3,050)	5.79	2.84				(3,050)	5.79	2.84
Adjustable	—	—	—	780	0.74	2.70				780	0.74	2.70
							(780)	1.73	2.77	(780)	1.73	2.77
U.S. dollars												
Fixed	23,725	7.49	6.63	178	8.98	2.99	6,095	6.81	3.67	29,998	7.36	6.01
				(1,023)	9.19	3.12	(10,518)	6.29	5.69	(11,541)	6.55	5.46
Adjustable	1,213	5.14	3.59	12,111	5.49	6.26	10,646	5.77	5.64	23,970	5.59	5.85
				(2,511)	5.57	2.31	(6,223)	5.78	3.62	(8,734)	5.72	3.24
Others												
Fixed	18,112	8.71	4.80	157	8.34	2.09	113	5.77	7.17	18,382	8.68	4.79
				(16,029)	8.59	4.43	(424)	7.12	5.73	(16,453)	8.55	4.46
Adjustable	1,798	5.92	4.95	13	0.85	0.32	424	3.35	5.73	2,235	5.46	5.07
				(2,149)	5.61	5.08	(113)	3.46	7.17	(2,262)	5.50	5.18
Total												
Fixed	84,595	6.86	5.32	5,877			15,936			106,408	6.79	4.82
				(22,869)			(16,943)			(39,812)	6.95	4.70
Adjustable	4,437	4.65	4.00	22,331			17,129			43,897	4.31	4.83
				(4,726)			(16,122)			(20,848)	4.31	3.16
Principal at face value	89,032	6.75	5.25	613						89,645	6.07	5.26
Net unamortized discounts	(1)						—			(1)		
Total	$89,031	6.75	5.25	$ 613			$ —			$ 89,644	6.07	5.26

* At June 30, 1997 the average repricing period of the net currency obligations for adjustable rate borrowings is four months.

Medium- and Long-term Borrowings and Swaps at June 30, 1996

In millions of U.S. dollars equivalent

	Direct borrowings			Currency swap agreements			Interest rate swap agreements			Net currency obligations		
Currency/ Rate type	*Amount*	*Wgtd. avg. cost (%)*	*Average matu-rity (years)*	*Amount payable (receiv-able)*	*Wgtd. avg. cost (%)*	*Average maturity (years)*	*Notional amount payable (receiv-able)*	*Wgtd. avg. cost (%)*	*Average matu-rity (years)*	*Amount payable (receiv-able)*	*Wgtd. avg. cost (%)*	*Average maturity (years)*
Deutsche mark												
Fixed	$14,287	6.71	5.58	$ 2,000	7.75	2.51	$ 8,544	7.08	3.41	$24,831	6.92	4.59
							(2,134)	5.26	5.51	(2,134)	5.26	5.51
Adjustable	229	7.54	7.12	9,919	2.93	3.53	2,199	3.37	5.57	12,347	3.09	3.96
							(8,609)	3.47	3.45	(8,609)	3.47	3.45
Japanese yen												
Fixed	29,466	5.24	4.78	335	5.51	2.21	1,329	5.49	3.15	31,130	5.26	4.68
				(964)	6.12	8.07	(2,528)	2.64	5.72	(3,492)	3.59	6.36
Adjustable	1,232	2.04	3.21	71	0.03	1.59	2,528	0.67	5.72	3,831	1.09	4.83
				(92)	0.25	0.48	(1,329)	2.09	3.15	(1,421)	1.97	2.97
Netherlands guilders												
Fixed	2,837	7.23	3.33	91	6.31	1.19	—	—	—	2,928	7.20	3.26
				(1,447)	7.70	2.77				(1,447)	7.70	2.77
Swiss francs												
Fixed	4,996	6.04	6.28	2,523	5.19	3.39	892	7.11	3.77	8,411	5.90	5.15
				(873)	6.47	3.46				(873)	6.47	3.46
Adjustable	—	—	—	892	0.84	3.70				892	0.84	3.70
							(892)	2.08	3.77	(892)	2.08	3.77
U.S. dollars												
Fixed	23,305	7.84	6.91	178	8.98	3.99	4,002	7.10	3.72	27,485	7.74	6.43
				(1,198)	9.02	3.73	(6,211)	6.45	7.50	(7,409)	6.87	6.89
Adjustable	1,453	4.90	3.87	3,344	5.06	4.49	6,449	5.55	7.27	11,246	5.32	6.00
				(848)	4.94	4.66	(4,240)	5.53	3.58	(5,088)	5.43	3.76
Others												
Fixed	13,180	9.30	3.72				36	6.62	7.20	13,216	9.29	3.73
				(10,904)	9.25	2.97	(287)	7.43	4.37	(11,191)	9.21	3.01
Adjustable	1,419	6.38	4.62				417	5.24	4.57	1,836	6.12	4.61
				(1,610)	5.97	4.51	(166)	8.74	5.47	(1,776)	6.22	4.60
Total												
Fixed	88,071	6.90	5.36	5,127			14,803			108,001	6.87	4.98
				(15,386)			(11,160)			(26,546)	7.33	4.74
Adjustable	4,333	4.70	4.10	14,226			11,593			30,152	3.79	4.87
				(2,550)			(15,236)			(17,786)	4.12	3.59
Principal at face value	92,404			1,417			—			93,821		
Net unamortized discounts	(13)									(13)		
Total	$92,391	6.80	5.29	$ 1,417			$ —			$93,808	6.26	5.29

Short-term Borrowings and Swaps at June 30, 1997 and June 30, 1996

In millions of U.S. dollars equivalent

	1997					1996				
Currency/ Rate type	*Principal outstanding*	*Currency swap payable (receivable)*	*Interest rate swap payable (receivable)*	*Net currency obligations**	*Wgtd. avg. cost (%)*	*Principal outstanding*	*Currency swap payable (receivable)*	*Interest rate swap payable (receivable)*	*Net currency obligations*	*Wgtd. avg. cost (%)*
Short-term Notes										
U.S. dollars										
Fixed	$3,015	$ —	$ —	$3,015	5.68	$1,369	$ —	$ —	$1,369	5.46
Global Multicurrency Notes										
Czech koruny										
Fixed	220	—	—	220	10.88	54	—	—	54	10.91
		(220)	—	(220)	10.88		(54)	—	(54)	10.91
Deutsche mark										
Fixed	—	—	—	—	—	—	20	—	20	3.09
Adjustable	—	394	—	394	2.80	—	54	—	54	3.05
Italian lire										
Fixed	148	—	—	148	6.80	20	—	—	20	8.62
		(148)	—	(148)	6.80		(20)	—	(20)	8.62
Japanese yen										
Fixed	95	88	—	183	3.16	—	—	—	—	—
		(95)	—	(95)	5.93	—	—	—	—	—
New Zealand dollars										
Fixed	137	—	—	137	7.96	—	—	—	—	—
		(137)	—	(137)	7.96					
Slovak koruny										
Fixed	67	—	—	67	12.65	—	—	—	—	—
		(67)	—	(67)	12.65	—	—	—	—	—
U.S. dollars										
Fixed	1,100	120	—	1,220	4.93	300	—	—	300	5.52
			(900)	(900)	4.65	—	—	—	—	—
Adjustable	—	877	900	1,777	5.52	—	—	—	—	—
		(112)	—	(112)	5.40	—	—	—	—	—
South African rand						—	—	—	—	—
Fixed	657	—	—	657	15.07	—	—	—	—	—
		(657)	—	(657)	15.07	—	—	—	—	—
Central Bank Facility										
U.S. dollars										
Adjustable	2,200	—	—	2,200	5.14	2,586	—	—	2,586	5.47
Total										
Fixed	5,439	208	—	5,647	6.90	1,743	20	—	1,763	5.65
		(1,324)	(900)	(2,224)	8.99	—	(74)	—	(74)	10.29
Adjustable	2,200	1,271	900	4,371	5.09	2,586	54	—	2,640	5.42
		(112)		(112)	5.40					
Principal at face value	7,639	43	—	7,682	5.28	4,329	—	—	4,329	5.43
Net unamortized premiums (discounts)	9			9		(1)			(1)	—
Total	$7,648	$ 43	$ —	$7,691	5.28	$4,328	$ —	$ —	$4,328	5.43

* At June 30, 1997 the average repricing period of the net currency obligations for short-term borrowings is three months.

The maturity structure of IBRD's Medium-and Long-term borrowings outstanding at June 30, 1997 and June 30, 1996 is as follows:

In millions	
Period	1997
July 1, 1997 through June 30, 1998	$13,185
July 1, 1998 through June 30, 1999	9,492
July 1, 1999 through June 30, 2000	17,430
July 1, 2000 through June 30, 2001	8,173
July 1, 2001 through June 30, 2002	9,498
July 1, 2002 through June 30, 2007	21,806
Thereafter	9,448
Total	$89,032

In millions	
Period	1996
July 1, 1996 through June 30, 1997	$12,467
July 1, 1997 through June 30, 1998	13,949
July 1, 1998 through June 30, 1999	9,526
July 1, 1999 through June 30, 2000	14,262
July 1, 2000 through June 30, 2001	7,529
July 1, 2001 through June 30, 2006	25,886
Thereafter	8,785
Total	$92,404

The following table reflects the carrying and estimated fair values of the borrowings portfolio at June 30, 1997 and June 30, 1996:

In millions	*1997*		*1996*	
	Carrying value	*Estimated fair value*	*Carrying value*	*Estimated fair value*
Short-term	$ 7,648	$ 7,699	$ 4,328	$ 4,371
Medium- and long-term	89,031	96,310	92,391	99,250
Swaps				
Currency				
Payable	29,687	30,098	19,427	19,841
Receivable	(29,031)	(30,375)	(18,010)	(19,203)
Interest rate	—	654	—	1,064
Swaptions	—	1	—	1
Total	$ 97,335	$104,387	$ 98,136	$105,324

The estimated fair values are based on quoted market prices where such prices are available. Where no quoted market price is available, the fair value is estimated based on the cost at which IBRD could currently undertake borrowings with similar terms and remaining maturities, using the secondary market yield curve. The fair value of swaps represents the estimated cost of replacing these contracts on that date.

NOTE E—CREDIT RISK

Country Credit Risk: This risk includes potential losses arising from protracted arrears on payments from borrowers. IBRD manages country credit risk through individual country exposure limits according to creditworthiness. These exposure limits are tied to performance on macroeconomic and structural policies. In addition, IBRD establishes absolute limits on the share of outstanding loans to any individual borrower. The country credit risk is further managed by financial incentives such as pricing loans using IBRD's own cost of borrowing and partial interest charge waivers conditioned on timely payment that give borrowers self-interest in IBRD's continued strong intermediation capacity. Collectibility risk is covered by the Accumulated Provision for Loan Losses. IBRD also uses a simulation model to assess the adequacy of its reserves in the case a major borrower, or group of borrowers, stops servicing its loans for an extended period of time.

Commercial Credit Risk: For the purpose of risk management, IBRD is party to a variety of financial instruments, certain of which involve elements of credit risk in excess of the amount recorded on the balance sheet. Credit risk exposure represents the maximum potential accounting loss due to possible nonperformance by obligors and counterparties under the terms of the contracts. Additionally, the nature of the instruments involve contract value and notional principal amounts that are not reflected in the basic financial statements. For both on- and off-balance sheet securities, IBRD limits trading to a list of authorized dealers and counterparties. Credit risk is controlled through application of eligibility criteria and volume limits for transactions with individual counterparties and through the expanding use of mark-to-market collateral arrangements for swap transactions. IBRD may also accept collateral in the form of cash or other approved liquid securities from individual counterparties in order to mitigate its credit exposure.

The contract value/notional amounts and credit risk exposure, as applicable, of these financial instruments at June 30, 1997 and June 30, 1996 are given below:

In millions

	1997	1996
INVESTMENTS—TRADING PORTFOLIO		
Futures and forwards		
• Long position	$ 6,620	$ 1,499
• Short position	6,675	5,875
• Credit exposure due to potential nonperformance by counterparties	1	2
Options		
• Long position	134	679
• Short position	—	429
Covered forwards		
• Credit exposure due to potential nonperformance by counterparties	36	2
BORROWINGS PORTFOLIO		
Currency swaps		
• Credit exposure due to potential nonperformance by counterparties	1,255	728
Interest rate swaps		
• Notional principal	33,965	26,396
• Credit exposure due to potential nonperformance by counterparties	393	96
Swaptions		
• Notional principal	74	30
• Credit exposure due to potential nonperformance by counterparties	—	—

NOTE F—RETAINED EARNINGS, ALLOCATIONS AND TRANSFERS

Retained Earnings: Retained Earnings comprises the following elements at June 30, 1997 and June 30, 1996:

In millions

	1997	1996
Special reserve	$ 293	$ 293
General reserve	14,159	13,909
Surplus	457	710
Unallocated net income	1,285	1,187
Total	$16,194	$16,099

On August 1, 1996, the Executive Directors allocated $250 million of the net income earned in the fiscal year ended June 30, 1996 to the General Reserve. On October 3, 1996, the Board of Governors approved the following transfers, out of unallocated Net Income: an amount equivalent to $300 million in SDRs (valued at June 30, 1996) to IDA, by way of grant, and $637 million to Surplus. On the same day, the Board of Governors approved the following transfers, by way of grant, out of Surplus: an amount equivalent to $300 million in SDRs (valued at June 30, 1996) to IDA and amounts up to $500 million to the Heavily Indebted Poor Countries (HIPC) Debt Initiative Trust Fund or other arrangements in support of the HIPC Debt Initiative when other creditors of the eligible beneficiary countries are determined by IBRD to have agreed to meet their share of the costs envisaged within the framework of the initiative. On February 3, 1997, the Board of Governors approved a transfer from Surplus, by way of grant, of $90 million to the Trust Fund for Gaza and West Bank.

Transfers to International Development Association: The Board of Governors had approved aggregate transfers through June 30, 1996 to IDA totaling $4,831 million from unallocated Net Income. On October 3, 1996, the Board of Governors approved a transfer to IDA, by way of grant, of $300 million in an equivalent amount in SDRs out of unallocated Net Income. On the same day, the Board of Governors approved a transfer, by way of grant, out of Surplus of $300 million in an equivalent amount in SDRs. At June 30, 1997, there was no payable to IDA.

Transfers to Debt Reduction Facility for IDA-Only Countries: The Board of Governors had approved aggregate transfers through June 30, 1996 to the Debt Reduction Facility for IDA-Only Countries (DRF) totaling $300 million. At June 30, 1997, $118 million ($119 million—June 30, 1996) remained payable.

Transfer to Trust Fund for Gaza and West Bank: The Board of Governors had approved aggregate transfers through June 30, 1996 to the Trust Fund for Gaza and West Bank (TFG), totaling $140 million. On February 3, 1997, the Board of Governors approved a transfer from Surplus, by way of grant, of $90 million. At June 30, 1997, $83 million ($70 million—June 30, 1996) remained payable.

Transfer to Trust Fund for Bosnia and Herzegovina: In February 1996 the Board of Governors approved a transfer from Surplus, by way of grant, of $150 million to a trust fund administered by IDA to finance an emergency reconstruction program in Bosnia and Herzegovina. At June 30, 1997, there was no payable to the Trust Fund. At June 30, 1996, $16 million remained payable.

Transfers to the Heavily Indebted Poor Countries Debt Initiative Trust Fund: On October 3, 1996, the Board of Governors approved a transfer from Surplus, by way of grant, of amounts up to $500 million to the HIPC Debt Initiative Trust Fund contingent upon IBRD's determination that the other creditors of the eligible beneficiary countries have agreed to meet their share of the costs envisaged under the HIPC Debt Initiative. On May 5, 1997, upon management's determination that creditors holding a substantial portion of the debts of countries eligible under the HIPC Debt Initiative have agreed to meet their share of the costs envisaged under the Initiative, IBRD's Executive Directors approved the transfer of the $500 million that had been set aside in Surplus for the HIPC Debt Initiative Trust Fund. At June 30, 1997, there was no payable to the HIPC Debt Initiative Trust Fund.

NOTE G—ADMINISTRATIVE EXPENSES AND CONTRIBUTIONS TO SPECIAL PROGRAMS

In fiscal year 1995 the Executive Directors authorized expenditures for costs associated with planned staff reductions. The total cost of this program was $112 million, of which $45 million was charged to IDA. At June 30, 1997, $64 million ($26 million—June 30, 1996) has been charged against the accrual of $112 million. This accrual included costs associated with job search assistance, training, outplacement consulting, pension plan contributions, medical insurance contributions and related tax allowances.

On March 31, 1997, the Executive Directors approved a multiyear program of institutional renewal to improve IBRD's and IDA's business processes, products and services, strengthen their human resources through more skilled and better trained staff, and achieve a higher level of development effectiveness. Implementation of this program is expected to result in costs associated with staff reductions during the fiscal years 1997 through 1999. At June 30, 1997, 57 staff had been identified for separation at a cost of $10 million. Included in the total charge of $10 million are costs associated with outplacement consulting, job search assistance, training, medical insurance plan contributions and related tax allowances. Of the total charge of $10 million, $4 million has been charged to ida for fiscal year 1997 consistent with normal cost apportionment procedures applied in the calculation of the management fee.

Administrative Expenses for the fiscal year ended June 30, 1997 are net of the management fee of $416 million ($508 million—June 30, 1996) charged to IDA and $108 million ($102 million—June 30, 1996) charged to reimbursable programs. Included in the amounts charged to reimbursable programs are allocated charges of $21 million ($22 million—June 30, 1996) charged to IFC and $1 million ($1 million—June 30, 1996) charged to MIGA.

Contributions to special programs represent grants for agricultural research, the control of onchocerciasis, and other developmental activities.

NOTE H—TRUST FUNDS

IBRD, alone or jointly with IDA, administers on behalf of donors, including members, their agencies and other entities, funds restricted for specific uses which include the cofinancing of IBRD lending projects, debt reduction operations, technical assistance for borrowers including feasibility studies and project preparation, global and regional programs and research and training programs. These funds are placed in trust and are not included in the assets of IBRD. The distribution of trust fund assets by executing agent at June 30, 1997 and June 30, 1996 is as follows:

	1997		*1996*	
	Total fiduciary assets (in millions)	*Number of trust fund accounts*	*Total fiduciary assets (in millions)*	*Number of trust fund accounts*
IBRD executed	$ 552	1,622	$ 548	1,314
Recipient executed	1,513	1,236	1,308	935
Total	$2,065	2,858	$1,856	2,249

The responsibilities of IBRD under these arrangements vary and range from services normally provided under its own lending projects to full project implementation including procurement of goods and services. During the fiscal year ended June 30, 1997, IBRD received $15 million ($15 million—June 30, 1996) as fees for administering trust funds. These fees have been recorded as a reduction of administrative expenses.

NOTE I—STAFF RETIREMENT PLAN

IBRD has a defined benefit retirement plan (the Plan) covering substantially all of its staff. The Plan also covers substantially all the staff of IFC and MIGA. Under the Plan, benefits are based on the 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 IBRD contributing the remainder of the actuarially-determined cost of future Plan benefits. The actuarial present values of Plan obligations throughout the fiscal year are determined at the beginning of the fiscal year by the Plan's actuary. All contributions to the Plan and all other assets and income held for the purposes of the Plan are held by IBRD separately from the other assets and income of IBRD, IDA, 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 IBRD participants for the fiscal years ended June 30, 1997 and June 30, 1996 consisted of the following components:

In millions

	1997	*1996*
Service cost—benefits earned during the fiscal year	$ 189	$ 216
Interest cost on projected benefit obligation	342	360
Actual return on plan assets	(1,472)	(917)
Net amortization and deferral	842	437
Net periodic pension (income) cost	$ (99)	$ 96

IBRD has re-evaluated the economic assumptions underlying its pension expense methodology. Based on changes arising from this re-evaluation and changes in the Plan assets at their fair value, IBRD recorded $63 million in pension income for the fiscal year ending June 30, 1997 versus pension expense of $60 million for the fiscal year ended June 30, 1996. For the fiscal year ended June 30, 1997, the employers' cash contribution for all participants in the Plan was $94 million, of which $49 million is attributable to IBRD and is included in Miscellaneous Assets on the balance sheet. For the fiscal year ended June 30, 1997, the management fee charged to IDA was reduced by $36 million representing the portion of the pension income allocated to IDA. For the fiscal year ended June 30, 1996, a pension expense of $36 million was included in the management fee charged to IDA.

The following table sets forth the Plan's funded status at June 30, 1997 and June 30, 1996:

In millions

	1997	*1996*
Actuarial present value of benefit obligations		
Accumulated benefit obligation		
Vested	$(3,760)	$(3,543)
Nonvested	(49)	(36)
Subtotal	(3,809)	(3,579)
Effect of projected compensation levels	(1,783)	(1,718)
Projected benefit obligation	(5,592)	(5,297)
Plan assets at fair value	8,698	7,033
Plan assets in excess of projected benefit obligation	3,106	1,736
Remaining unrecognized net transition asset	(78)	(91)
Unrecognized prior service cost	66	74
Unrecognized net gain from past experience different from that assumed and from changes in assumptions	(2,881)	(1,719)
Prepaid pension cost	$ 213	$ —

Of the $213 million prepaid at June 30, 1997 ($nil at June 30, 1996), $184 million is attributable to IBRD ($nil at June 30, 1996) and is included in Miscellaneous Assets on the balance sheet. The remainder has been attributed to IFC and MIGA.

The weighted-average discount rate used in determining the actuarial present value of the projected benefit obligation was 7.5 percent (7.5 percent—June 30, 1996). The effect of projected compensation levels was calculated based on a scale that provides for a decreasing rate of salary increase depending on age, beginning with 11.0 percent (13.3 percent—June 30, 1996) at age 20 and decreasing to 5.5 percent (6.8 percent—June 30, 1996) at age 64. The expected long-term rate of return on assets was 9 percent (9 percent—June 30, 1996).

NOTE J—RETIRED STAFF BENEFITS PLAN

IBRD has a Retired Staff Benefits Plan (RSBP) that 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 IBRD. The RSBP also covers the staff of IFC and MIGA.

Retirees contribute a level amount toward life insurance based on the amount of coverage. Retiree contributions toward health care are based on length of service and age at retirement. IBRD annually contributes the remainder of the actuarially-determined cost for future benefits. The actuarial present values of RSBP obligations throughout the fiscal year are determined at the beginning of the fiscal year by the RSBP's actuary. All contributions to the RSBP and all other assets and income held for purposes of the RSBP are held by IBRD separately from the other assets and income of IBRD, IDA, IFC, and MIGA and can be used only for the benefit of the participants in the RSBP and their beneficiaries until all liabilities to them have been paid or provided for. RSBP assets consist primarily of fixed income and equity securities.

Net periodic postretirement benefits cost for IBRD participants for the fiscal years ended June 30, 1997 and June 30, 1996 consisted of the following components:

In millions

	1997	*1996*
Service cost—benefits earned during the fiscal year	$ 38	$ 32
Interest cost on accumulated postretirement benefit obligation	47	45
Actual return on plan assets	(200)	(130)
Net amortization and deferral	139	87
Net periodic postretirement benefits cost	$ 24	$ 34

The portion of this cost that relates to IBRD and is included in Administrative Expenses for the fiscal year ended June 30, 1997 is $15 million ($22 million—June 30, 1996). The balance has been included in the management fee charged to IDA.

The following table sets forth the RSBP's funded status at June 30, 1997 and June 30, 1996:

In millions

	1997	*1996*
Accumulated postretirement benefit obligation		
Retirees	$(320)	$(293)
Fully eligible active plan participants	(142)	(128)
Other active plan participants	(277)	(285)
	(739)	(706)
Plan assets at fair value	1,177	937
Plan assets in excess of accumulated postretirement benefit obligation	438	231
Unrecognized prior service costs	(10)	(12)
Unrecognized net loss from past experience different from that assumed and from changes in assumptions	(99)	107
Prepaid postretirement benefit cost	$ 329	$ 326

Of the $329 million prepaid at June 30, 1997 ($326 million—June 30, 1996), $296 million is attributable to IBRD ($295 million—June 30, 1996) and is included in Miscellaneous Assets on the balance sheet. The remainder has been attributed to IFC and MIGA.

For June 30, 1997, the accumulated plan benefit obligation (APBO) was determined using health care cost trend rates of 13.7 percent to 10.8 percent, decreasing gradually to 5.5 percent in 2009 and thereafter. The health care cost trend rates used for June 30, 1996 were 14.4 percent to 11.2 percent decreasing gradually to 5.5 percent in 2010 and thereafter.

The health care cost trend rates assumption has a significant effect on the amounts reported. To illustrate, increasing the assumed health care cost trend rates by one percentage point would increase the APBO at June 30, 1997 by $139 million and the net periodic postretirement benefit cost for the fiscal year then ended by $21 million.

The weighted average discount rate used in determining the APBO was 7.5 percent (8 percent—June 30, 1996). The expected long-term rate of return on plan assets was 7.5 percent (8 percent—June 30, 1996).

Price Waterhouse
(International Firm)

The Hague
Beijing
Hong Kong
London

New York
Tokyo
Washington

Price Waterhouse

July 28, 1997

President and Board of Governors
International Bank for Reconstruction
and Development

In our opinion, the financial statements appearing on pages 186 through 216 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, 1997 and 1996, 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, including International Standards on Auditing, 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)

Special Purpose Financial Statements of the International Development Association

Statement of Sources and Applications of Development Resources

June 30, 1997 and June 30, 1996
Expressed in millions of U.S. dollars

	1997	1996
Applications of Development Resources		
NET RESOURCES AVAILABLE FOR DEVELOPMENT ACTIVITIES		
Cash and investments immediately available for disbursement		
Due from banks	$ 29	$ 15
Obligations of governments and other official entities—Notes B and F	2,044	2,487
Obligations of banks and other financial institutions—Notes B and F	3,174	2,257
Net payable on investment securities transactions—Notes B and F	(55)	(307)
	5,192	4,452
Cash and investments not immediately available for disbursement		
Due from banks	1	8
Obligations of governments and other official entities—Notes B and F	2,669	1,413
Obligations of banks and other financial institutions—Notes B and F	811	273
Net payable on investment securities transactions—Notes B and F	(14)	—
	3,467	1,694
Restricted cash and notes	66	69
Nonnegotiable, noninterest-bearing demand obligations on account of member subscriptions and contributions	15,034	21,232
Other resources, net	239	166
Total net resources available for development activities	23,998	27,613
RESOURCES USED FOR DEVELOPMENT CREDITS (see Summary Statement of Development Credits, Notes E and F)		
Total development credits	96,473	97,450
Less undisbursed balance	20,349	24,629
Total resources used for development credits	76,124	72,821
Total applications of development resources	$100,122	$100,434

Sources of Development Resources

	1997	1996
Member subscriptions and contributions (see Statement of Voting Power, and Subscriptions and Contributions, Note C)		
Unrestricted	$ 89,790	$ 90,614
Restricted	286	287
Subscriptions and contributions committed	90,076	90,901
Less subscriptions and contributions receivable—Note C	633	1,517
Subscriptions and contributions paid in	89,443	89,384
Deferred amounts receivable to maintain value of currency holdings	(223)	(221)
Payments on account of pending membership—Note C	7	7
Transfers from the International Bank for Reconstruction and Development—Note D	5,430	4,831
Cumulative translation adjustment on development credits	2,373	4,291
Accumulated surplus (see Statement of Changes in Accumulated Surplus)	1,998	1,790
Securities sold under agreements to repurchase and payable for cash collateral received—Notes B and F	1,094	352
Total sources of development resources	$100,122	$100,434

The Notes to Special Purpose Financial Statements are an integral part of these Statements.

Statement of Changes in Accumulated Surplus

For the fiscal years ended June 30, 1997 and June 30, 1996
Expressed in millions of U.S. dollars

	1997	1996
Income from development credits—Note E	$ 537	$ 512
Income from investments—Note B	450	345
Management fee charged by the International Bank for Reconstruction and Development—Notes G and H	(416)	(508)
Amortization of discount on subscription advances	(13)	(9)
Changes from operations	558	340
Effect of exchange rate changes on accumulated surplus	(350)	(545)
Net changes	208	(205)
Balance at beginning of the fiscal year	1,790	1,995
Balance at end of the fiscal year	$1,998	$1,790

The Notes to Special Purpose Financial Statements are an integral part of these Statements.

Statement of Cash Flows

For the fiscal years ended June 30, 1997 and June 30, 1996
Expressed in millions of U.S. dollars

	1997	1996
Cash flows from development activities		
Development credit disbursements	$(5,836)	$(5,884)
Development credit principal repayments	615	563
Net cash used in development activities	(5,221)	(5,321)
Cash flows from member subscriptions and contributions	5,115	5,087
Cash flows from International Bank for Reconstruction and Development transfers	599	250
Cash flows from operating activities		
Changes from operations	558	340
Less income from restricted investments	175	80
Adjustments to reconcile changes from operations to net cash provided by operating activities		
Amortization of discount on subscription advances	13	9
Net changes in other development resources	148	240
Net cash provided by operating activities	544	509
Effect of exchange rate changes on cash and investments immediately available for disbursement	(297)	(430)
Net increase in cash and investments immediately available for disbursement	740	95
Cash and investments immediately available for disbursement at beginning of the fiscal year	4,452	4,357
Cash and investments immediately available for disbursement at end of the fiscal year	$ 5,192	$ 4,452
Supplemental disclosure		
Decrease in ending balances resulting from exchange rate fluctuations		
Development credits outstanding	$(1,918)	$(4,532)

The Notes to Special Purpose Financial Statements are an integral part of these Statements.

Summary Statement of Development Credits

June 30, 1997
Expressed in millions of U.S. dollars

Borrower or guarantor	Total development credits	Undisbursed development credits[1]	Development credits outstanding	Percentage of development credits outstanding
Afghanistan	$ 75	$ —	$ 75	0.10
Albania	268	126	142	0.19
Angola	273	146	127	0.17
Armenia	241	62	179	0.24
Azerbaijan	181	112	69	0.09
Bangladesh	6,870	1,147	5,723	7.52
Benin	671	155	516	0.68
Bhutan	27	5	22	0.03
Bolivia	1,169	284	885	1.16
Bosnia and Herzegovina	171	46	125	0.16
Botswana	11	—	11	0.01
Burkina Faso	779	138	641	0.84
Burundi	679	98	581	0.76
Cambodia	170	52	118	0.16
Cameroon	734	231	503	0.66
Cape Verde	67	24	43	0.06
Central African Republic	451	37	414	0.54
Chad	525	92	433	0.57
Chile	10	—	10	0.01
China	9,550	1,855	7,695	10.11
Colombia	10	—	10	0.01
Comoros	78	10	68	0.09
Congo, Democratic Republic of	1,253	—	1,253	1.65
Congo, Republic of	173	5	168	0.22
Costa Rica	2	—	2	*
Côte d'Ivoire	1,302	281	1,021	1.34
Djibouti	54	8	46	0.06
Dominica	15	3	12	0.02
Dominican Republic	16	—	16	0.02
Ecuador	25	—	25	0.03
Egypt, Arab Republic of	1,444	328	1,116	1.47
El Salvador	19	—	19	0.02
Equatorial Guinea	53	2	51	0.07
Eritrea	48	20	28	0.04
Ethiopia	2,008	467	1,541	2.03
Gambia, The	175	8	167	0.22
Georgia	255	95	160	0.21
Ghana	3,375	782	2,593	3.41
Grenada	10	3	7	0.01
Guinea	1,023	152	871	1.14
Guinea-Bissau	254	36	218	0.29
Guyana	285	74	211	0.28
Haiti	580	123	457	0.60
Honduras	655	183	472	0.62
India	22,368	4,651	17,717	23.27
Indonesia	725	—	725	0.95
Jordan	66	—	66	0.09
Kenya	2,698	646	2,052	2.70
Korea, Republic of	77	—	77	0.10
Kyrgyz Republic	317	114	203	0.27
Lao People's Democratic Republic	515	164	351	0.46
Lesotho	234	72	162	0.21
Liberia	107	3	104	0.14
Macedonia, former Yugoslav Republic of	181	35	146	0.19
Madagascar	1,468	318	1,150	1.51
Malawi	1,669	332	1,337	1.76
Maldives	48	10	38	0.05
Mali	1,135	216	919	1.21
Mauritania	485	111	374	0.49
Mauritius	16	—	16	0.02

Borrower or guarantor	Total development credits	Undisbursed development credits[1]	Development credits outstanding	Percentage of development credits outstanding
Moldova	$ 9	$ 9	$ —	*
Mongolia	140	67	73	0.10
Morocco	31	—	31	0.04
Mozambique	1,551	446	1,105	1.45
Myanmar	744	—	744	0.98
Nepal	1,290	235	1,055	1.39
Nicaragua	482	127	355	0.47
Niger	766	136	630	0.83
Nigeria	798	422	376	0.49
Pakistan	4,557	1,034	3,523	4.63
Papua New Guinea	103	—	103	0.14
Paraguay	33	—	33	0.04
Philippines	269	75	194	0.25
Rwanda	692	155	537	0.71
St. Kitts and Nevis	2	—	2	*
St. Lucia	13	5	8	0.01
St. Vincent and the Grenadines	10	2	8	0.01
São Tomé and Principe	67	9	58	0.08
Senegal	1,433	231	1,202	1.58
Sierra Leone	394	118	276	0.36
Solomon Islands	35	5	30	0.04
Somalia	414	—	414	0.54
Sri Lanka	1,896	380	1,516	1.99
Sudan	1,220	—	1,220	1.60
Swaziland	6	—	6	0.01
Syrian Arab Republic	44	—	44	0.06
Tajikistan	66	16	50	0.07
Tanzania	3,047	794	2,253	2.96
Thailand	99	—	99	0.13
Togo	649	80	569	0.75
Tonga	4	—	4	0.01
Tunisia	46	—	46	0.06
Turkey	121	—	121	0.16
Uganda	2,342	444	1,898	2.49
Vanuatu	16	3	13	0.02
Vietnam	1,293	806	487	0.64
Western Samoa	46	3	43	0.06
Yemen, Republic of	1,219	298	921	1.21
Zambia	1,782	386	1,396	1.83
Zimbabwe	490	159	331	0.43
Subtotal members[2]	96,362	20,308	76,054	99.91
West African Development Bank[3]	61	21	40	0.05
Caribbean Development Bank[4]	43	20	23	0.03
Subtotal regional development banks	104	41	63	0.08
Other[5]	7	—	7	0.01
Total—June 30, 1997[2]	$96,473	$20,349	$76,124	100.00
Total—June 30, 1996	$97,450	$24,629	$72,821	

* *Indicates amounts less than 0.005 percent.*

NOTES

1. Of the undisbursed balance at June 30, 1997, IDA has entered into irrevocable commitments to disburse $271 million ($349 million—June 30, 1996).

2. May differ from the sum of individual figures shown because of rounding.

3. These development credits are for the benefit of Benin, Burkina Faso, Côte d'Ivoire, Mali, Niger, Senegal, and Togo.

4. These development credits are for the benefit of Grenada and territories of the United Kingdom (Associated States and Dependencies) in the Caribbean region.

5. Represents development credits made at a time when the authorities on Taiwan represented China in IDA (prior to May 15, 1980).

June 30, 1997
Expressed in millions of U.S. dollars

Maturity Structure of Development Credits Outstanding

Period	
July 1, 1997 through June 30, 1998	$ 861
July 1, 1998 through June 30, 1999	883
July 1, 1999 through June 30, 2000	1,033
July 1, 2000 through June 30, 2001	1,243
July 1, 2001 through June 30, 2002	1,455
July 1, 2002 through June 30, 2007	10,315
July 1, 2007 through June 30, 2012	13,288
July 1, 2012 through June 30, 2017	15,038
July 1, 2017 through June 30, 2022	13,607
July 1, 2022 through June 30, 2027	10,478
July 1, 2027 through June 30, 2032	6,069
July 1, 2032 through June 30, 2037	1,853
July 1, 2037 through June 30, 2042	1
Total	$76,124

The Notes to Special Purpose Financial Statements are an integral part of these Statements.

Statement of Voting Power, and Subscriptions and Contributions

June 30, 1997
Expressed in millions of U.S. dollars

Member[1]	*Number of votes*	*Percentage of total*	*Subscriptions and contributions committed*
Part I Members			
Australia	141,883	1.31	$ 1,546.7
Austria	71,910	0.67	749.7
Belgium	126,316	1.17	1,510.9
Canada	325,422	3.01	3,980.2
Denmark	104,317	0.97	1,180.4
Finland	68,091	0.63	598.8
France	451,054	4.18	6,254.2
Germany	747,221	6.92	10,407.7
Iceland	24,561	0.23	16.4
Ireland	30,401	0.28	103.8
Italy	295,641	2.74	3,700.0
Japan	1,154,286	10.69	19,914.1
Kuwait	69,834	0.65	649.1
Luxembourg	25,959	0.24	47.4
Netherlands	234,735	2.17	3,367.2
New Zealand	30,575	0.28	105.4
Norway	105,156	0.97	1,116.8
Portugal	24,702	0.23	22.0
Russian Federation	28,202	0.26	141.2
South Africa	30,365	0.28	82.2
Spain	58,166	0.54	407.2
Sweden	214,153	1.98	2,320.2
Switzerland[2]	95,430	0.88	979.5
United Arab Emirates	1,367	0.01	5.6
United Kingdom	540,211	5.00	6,602.3
United States	1,650,557	15.29	21,831.5
Subtotal Part I Members[3]	6,650,515	61.62	87,640.4
Part II Members			
Afghanistan	13,557	0.13	1.3
Albania	24,389	0.23	0.3
Algeria	27,720	0.26	5.1
Angola	45,662	0.42	7.9
Argentina	112,879	1.05	58.0
Armenia	584	0.01	0.5
Azerbaijan	644	0.01	0.9
Bangladesh	61,951	0.57	7.2
Belize	1,788	0.02	0.2
Benin	5,297	0.05	0.6
Bhutan	12,272	0.11	0.1
Bolivia	30,397	0.28	1.4
Bosnia and Herzegovina	17,871	0.17	2.3
Botswana	23,815	0.22	0.2
Brazil	176,169	1.63	91.9
Burkina Faso	19,466	0.18	0.7
Burundi	23,006	0.21	1.0

Statement of Voting Power, and Subscriptions and Contributions *(continued)*

June 30, 1997
Expressed in millions of U.S. dollars

Member[1]	*Number of votes*	*Percentage of total*	*Subscriptions and contributions committed*
Cambodia	7,826	0.07	$ 1.3
Cameroon	19,459	0.18	1.3
Cape Verde	5,012	0.05	0.1
Central African Republic	10,920	0.10	0.6
Chad	10,990	0.10	0.6
Chile	31,782	0.29	4.5
China	217,996	2.02	39.7
Colombia	43,080	0.40	22.5
Comoros	13,141	0.12	0.1
Congo, Democratic Republic of	12,164	0.11	3.8
Congo, Republic of	6,685	0.06	0.6
Costa Rica	12,480	0.12	0.3
Côte d'Ivoire	18,669	0.17	1.3
Croatia	29,526	0.27	5.5
Cyprus	28,236	0.26	1.1
Czech Republic	40,537	0.38	23.7
Djibouti	532	*	0.2
Dominica	15,049	0.14	0.1
Dominican Republic	25,658	0.24	0.6
Ecuador	23,800	0.22	0.8
Egypt, Arab Republic of	49,528	0.46	6.7
El Salvador	6,244	0.06	0.4
Equatorial Guinea	6,167	0.06	0.4
Eritrea	23,363	0.22	0.1
Ethiopia	21,353	0.20	0.7
Fiji	7,206	0.07	0.7
Gabon	2,093	0.02	0.6
Gambia, The	15,366	0.14	0.3
Georgia	22,523	0.21	0.9
Ghana	22,131	0.21	3.0
Greece	45,138	0.42	24.9
Grenada	18,999	0.18	0.1
Guatemala	25,634	0.24	0.5
Guinea	28,087	0.26	1.3
Guinea-Bissau	5,090	0.05	0.2
Guyana	18,160	0.17	1.0
Haiti	17,143	0.16	1.0
Honduras	21,570	0.20	0.4
Hungary	80,902	0.75	33.3
India	338,901	3.14	54.8
Indonesia	103,697	0.96	14.7
Iran, Islamic Republic of	15,455	0.14	5.7
Iraq	9,407	0.09	1.0
Israel	35,331	0.33	2.6
Jordan	24,865	0.23	0.4
Kazakhstan	806	0.01	1.8
Kenya	27,105	0.25	2.2
Kiribati	4,777	0.04	0.1
Korea, Republic of	43,668	0.40	112.1
Kyrgyz Republic	580	0.01	0.5

Member[1]	*Number of votes*	*Percentage of total*	*Subscriptions and contributions committed*
Lao People's Democratic Republic	11,723	0.11	$ 0.6
Latvia	614	0.01	0.7
Lebanon	8,562	0.08	0.6
Lesotho	23,874	0.22	0.2
Liberia	23,379	0.22	1.1
Libya	7,771	0.07	1.3
Macedonia, former Yugoslav Republic of	15,759	0.15	1.0
Madagascar	11,600	0.11	1.2
Malawi	27,960	0.26	1.0
Malaysia	41,061	0.38	3.6
Maldives	22,916	0.21	*
Mali	22,407	0.21	1.2
Marshall Islands	4,914	0.05	*
Mauritania	10,885	0.10	0.6
Mauritius	29,011	0.27	1.2
Mexico	78,854	0.73	121.3
Micronesia, Federated States of	18,424	0.17	*
Moldova	612	0.01	0.7
Mongolia	24,389	0.23	0.3
Morocco	48,482	0.45	4.8
Mozambique	6,815	0.06	1.7
Myanmar	37,470	0.35	2.9
Nepal	26,166	0.24	0.7
Nicaragua	24,865	0.23	0.4
Niger	16,541	0.15	0.7
Nigeria	8,257	0.08	4.2
Oman	24,870	0.23	0.4
Pakistan	97,461	0.90	13.5
Panama	5,657	0.05	*
Papua New Guinea	13,050	0.12	1.1
Paraguay	11,419	0.11	0.4
Peru	13,524	0.13	2.2
Philippines	16,583	0.15	6.5
Poland	249,421	2.31	52.0
Rwanda	17,979	0.17	1.0
St. Kitts and Nevis	5,082	0.05	0.2
St. Lucia	22,535	0.21	0.2
St. Vincent and the Grenadines	514	*	0.1
São Tomé and Principe	4,714	0.04	0.1
Saudi Arabia	377,100	3.49	2,033.2
Senegal	28,447	0.26	2.2
Sierra Leone	12,667	0.12	1.0
Slovak Republic	20,893	0.19	7.0
Slovenia	18,956	0.18	3.0
Solomon Islands	518	*	0.1
Somalia	10,506	0.10	1.0
Sri Lanka	44,784	0.41	4.0
Sudan	23,689	0.22	1.3
Swaziland	11,073	0.10	0.4
Syrian Arab Republic	7,651	0.07	1.2

Statement of Voting Power, and Subscriptions and Contributions *(continued)*

June 30, 1997
Expressed in millions of U.S. dollars

Member[1]	*Number of votes*	*Percentage of total*	*Subscriptions and contributions committed*
Tajikistan	20,568	0.19	$ 0.5
Tanzania	34,943	0.32	2.1
Thailand	44,784	0.41	4.2
Togo	22,455	0.21	1.0
Tonga	11,380	0.11	0.1
Trinidad and Tobago	770	0.01	1.6
Tunisia	2,793	0.03	1.9
Turkey	70,837	0.66	75.2
Uganda	22,438	0.21	2.2
Uzbekistan	746	0.01	1.5
Vanuatu	13,821	0.13	0.2
Vietnam	8,889	0.08	1.9
Western Samoa	13,061	0.12	0.1
Yemen, Republic of	33,296	0.31	2.0
Zambia	26,868	0.25	3.4
Zimbabwe	10,657	0.10	5.0
Subtotal Part II Members [3]	4,143,008	38.38	2,947.4
Total—June 30, 1997 [2, 3]	10,793,523	100.00	$90,587.8
Total—June 30, 1996	10,728,072	100.00	$91,413.0

** Indicates amounts less than $0.05 million or less than 0.005 percent.*

Notes

1. See Notes to Special Purpose Financial Statements—Note A for an explanation of the two categories of membership.
2. $512.3 million of Switzerland's subscription and contribution have not been included in the Statements of Sources and Applications of Development Resources at June 30, 1997 and June 30, 1996 since this represents the difference between the total cofinancing grants of $580.1 million provided by Switzerland directly to IDA borrowers as cofinancing grants between the fourth and the ninth replenishments of the IDA resources, and the July 1992 contribution by Switzerland of $67.8 million.
3. May differ from the sum of individual figures shown because of rounding.

The Notes to Special Purpose Financial Statements are an integral part of these Statements.

NOTE A—ORGANIZATION, OPERATIONS AND SIGNIFICANT ACCOUNTING AND RELATED POLICIES

PURPOSE AND AFFILIATED ORGANIZATIONS

The International Development Association (IDA) is an international organization established on September 24, 1960 to promote economic development in the less developed areas of the world included in IDA's membership by providing financing on concessionary terms. IDA has three affiliated organizations, the International Bank for Reconstruction and Development (IBRD), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA). Each of these organizations is legally and financially independent from IDA, with separate assets and liabilities, and IDA is not liable for their respective obligations. The principal purpose of IBRD is to promote the economic development of its member countries, primarily by providing loans and related technical assistance for specific projects and for programs of economic reform in developing member countries. IFC's purpose is to encourage the growth of productive private enterprises in its member countries through loans and equity investments in such enterprises without a member's guarantee. MIGA was established to encourage the flow of investments for productive purposes among member countries and, in particular, to developing member countries by providing guarantees against noncommercial risks for foreign investment in its developing member countries.

SUMMARY OF SIGNIFICANT ACCOUNTING AND RELATED POLICIES

Due to the nature and organization of IDA, these financial statements have been prepared for the specific purpose of reflecting the sources and applications of member subscriptions and are not intended to be a presentation in accordance with generally accepted accounting principles in the United States or with International Accounting Standards. These special purpose financial statements have been prepared to comply with Article VI, Section 11 (a) of the Articles of Agreement of IDA.

IDA's special purpose financial statements are prepared in accordance with the accounting policies outlined below.

Certain reclassifications of the prior year's information have been made to conform to the current period's presentation.

Basis of Accounting

IDA's special purpose financial statements are prepared on the accrual basis of accounting for development credit income, investment income and administrative expenses. That is, the effects of transactions and other events are recognized when they occur (and not as cash or its equivalent is received or paid) and are recorded in the accounting records and reported in the financial statements of the periods to which they relate.

Translation of Currencies

IDA's special purpose financial statements are expressed in terms of U.S. dollars solely for the purpose of summarizing IDA's financial position and the results of its operations for the convenience of its members and other interested parties.

IDA is an international organization which conducts its operations in the currencies of all of its members. Development resources and sources of development resources are translated at market rates of exchange at the end of the accounting period, except Member Subscriptions and Contributions which are translated in the manner described below. Income and expenses are translated at the market rates of exchange at the dates on which they are recognized or at an average of the market rates of exchange in effect during each month. Translation adjustments relating to the revaluation of development credits denominated in Special Drawing Rights (SDRs) are charged or credited to Cumulative Translation Adjustment on Development Credits. Other translation adjustments are charged or credited to the Accumulated Surplus.

Member Subscriptions and Contributions

Recognition

Member Subscriptions and Contributions for each IDA replenishment are recorded in full as Subscriptions and Contributions Committed upon effectiveness of the relevant replenishment. Replenishments become effective when IDA has received commitments from members for subscriptions and contributions of a specified portion of the full replenishment. Amounts not yet paid in, at the date of effectiveness, are recorded as Subscriptions and Contributions Receivable and shown as a reduction of Subscriptions and Contributions Committed. These receivables come due throughout the replenishment period (generally three years) in accordance with an agreed maturity schedule. The actual payment of receivables when they become due from certain members is conditional upon the respective member's budgetary appropriation processes.

The Subscriptions and Contributions Receivable are settled through payment of cash or nonnegotiable, noninterest-bearing demand notes. If the receivable is settled in cash, the cash is recorded in Cash and Investments Not Immediately Available for Disbursement, until such time as it becomes available in accordance with the replenishment agreement. The notes are encashed by IDA as provided in the relevant replenishment resolution over the disbursement period of the credits committed under the replenishment and the cash received is recorded in Cash and Investments Immediately Available for Disbursement.

In certain replenishments, members have had the option of paying all of their subscription and contribution amount in cash before it becomes due and receiving a discount. In these cases, IDA and the member agree that IDA will invest the cash and retain the income. The related subscription and contribution is recorded at the full undiscounted amount. The cash and investments are recorded in Cash and Investments Not Immediately Available for Disbursement until the date when it would have become due, at which time it becomes available. The discount is recorded in Subscriptions and Contributions Receivable and amortized over the projected encashment period.

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. As discussed in the previous paragraph, donors sometimes contribute resources substantially ahead of their pro rata share. Unless otherwise agreed, IDA does not disburse these funds ahead of donors' pro rata shares. Cash and Investments Not Immediately Available for Disbursement represents the difference between the amount contributed and the amount available for disbursements on a pro rata basis.

Transfers to IDA from IBRD are recorded as Sources of Development Resources and are receivable upon approval by IBRD's Board of Governors.

For the purposes of its financial resources, the membership of IDA is divided into two categories: (1) Part I members, which make payments of subscriptions and contributions provided to IDA in convertible currencies which may be freely used or exchanged by IDA in its operations and (2) Part II members, which make payments of ten percent of their initial subscriptions in freely convertible currencies, and the remaining ninety percent of their initial subscriptions, and all additional subscriptions and contributions in their own currencies or in freely convertible currencies. Certain Part II members provide a portion of their subscriptions and contributions in the same manner as mentioned in (1) above. IDA's Articles of Agreement and subsequent replenishment agreements provide that the currency of any Part II member paid in by it may not be used by IDA for projects financed by IDA and located outside the territory of the member except by agreement between the member and IDA. These subscriptions of Part II members are recorded as Restricted Cash and Notes.

Valuation

The subscriptions and contributions provided through the third replenishment are expressed in terms of "U.S. dollars of the weight and fineness in effect on January 1, 1960" (1960 dollars). Following the abolition of gold as a common denominator of the monetary system and the repeal of the provision of the U.S. law defining the par value of the U.S. dollar in terms of gold, the pre-existing basis for translating 1960 dollars into current dollars or any other currency disappeared. The Executive Directors of IDA have decided, with effect on that date and until such time as the relevant provisions of the Articles of Agreement are amended, that the words "U.S. dollars of the weight and fineness in effect on January 1, 1960" in Article II, Section 2(b) of the Articles of Agreement of IDA are interpreted to mean the SDR introduced by the International Monetary Fund as the SDR was valued in terms of U.S. dollars immediately before the introduction of the basket method of valuing the SDR on July 1, 1974, such value being equal to $1.20635 for one SDR (the 1974 SDR), and have also decided to apply the same standard of value to amounts expressed in 1960 dollars in the relevant resolutions of the Board of Governors.

The subscriptions and contributions provided through the third replenishment are expressed on the basis of the 1974 SDR. Prior to the decision of the Executive Directors, IDA had valued these subscriptions and contributions on the basis of the SDR at the current market value of the SDR.

The subscriptions and contributions provided under the fourth replenishment and thereafter are expressed in members' currencies or SDRs and are payable in members' currencies. Beginning July 1, 1986, subscriptions and contributions made available for disbursement in cash to IDA are translated at market rates of exchange on the dates they were made available. Prior to that date, subscriptions and contributions which had been disbursed or converted into other currencies were translated at market rates of exchange on dates of disbursement or conversion. Subscriptions and contributions not yet available for disbursements are translated at market rates of exchange at the end of the accounting period.

Article IV, Section 2(a) and (b) of IDA's Articles of Agreement provides for maintenance of value payments on account of the local currency portion of the initial subscription whenever the par value of the member's currency or its foreign exchange value has, in the opinion of IDA, depreciated or appreciated to a significant extent within the member's territories, so long as and to the extent that such currency shall not have been initially disbursed or exchanged for the currency of another member. The provisions of Article IV, Section 2(a) and (b) have by agreement been extended to cover additional subscriptions and contributions of IDA through the third replenishment, but are not applicable to those of the fourth and subsequent replenishments.

The Executive Directors decided on June 30, 1987 that settlements of maintenance of value, which would result from the resolution of the valuation issue on the basis of the 1974 SDR, would be deferred until the Executive Directors decide to resume such settlements. These amounts are shown as Deferred Amounts Receivable to Maintain Value of Currency Holdings.

Development Credits

All development credits are made to or guaranteed by member governments or to the government of a territory of a member (except for development credits which have been made to regional development banks for the benefit of members or territories of members of IDA). In order to qualify for lending on IDA terms, a country's per capita income must be below a certain level and the country may have only limited or no creditworthiness for IBRD lending. Development credits carry a service charge of 0.75 percent and generally have 35- or 40-year final maturities and a 10-year grace period for principal payments. Development credits are carried in the Special Purpose Financial Statements at the full face amount of the borrowers' outstanding obligations.

It is the policy of IDA to place in nonaccrual status all development credits made to a member government or to the government of a territory of a member if principal or charges with respect to any such development credit are overdue by more than six months, unless IDA management determines that the overdue amount will be collected in the immediate future. In addition, if loans by IBRD to a member government are placed in nonaccrual status, all development credits to that member government will also be placed in nonaccrual status by IDA. On the date a member's development credits are placed in nonaccrual status, charges that had been accrued on development credits outstanding to the member which remained unpaid are deducted from the income from development credits of the current period. Charges on nonaccruing development credits are included in income only to the extent that payments have actually been received by IDA. On the date a member pays in full all overdue amounts to IBRD and IDA, the member's credits emerge from nonaccrual status, its eligibility for new credits is restored, and all overdue charges (including those from prior years) are recognized as income from development credits in the current period. If collectibility risk is considered to be particularly high at the time of arrears clearance, or if IBRD or IDA refinances/reschedules nonaccruing loans or credits to a member so that no debt-service payments remain overdue, its loans or credits may not automatically emerge from nonaccrual status, even though its eligibility for new loans or credits may have been restored. The previously overdue interest and other charges are not recognized as income in the period the refinancing/rescheduling occurs. After a suitable period of payment performance has passed from the time of arrears clearance, a decision on the restoration of accrual status is made on a case-by-case basis.

In fulfilling its mission, IDA makes concessional loans to the poorest countries, therefore there is significant credit risk in the portfolio of development credits. Management continually monitors this credit risk. However, no provision for credit losses has been established because it is not practicable to determine such an amount in view of the nature and maturity structure of the credit portfolio. Should actual losses occur, they would be charged against IDA's Sources of Development Resources. In a development credit refinancing/restructuring (such as that for the heavily indebted poor countries (HIPCs), see Note I), the difference between the cash received from the development credit refinancing/restructuring and the carrying value of the credits will be reflected separately as a reduction in Sources of Development Resources, and would be recognized when binding agreements are signed.

The repayment obligations of IDA's development credits funded from resources through the fifth replenishment are expressed in the development credit agreements in terms of 1960 dollars. In June 1987, the Executive Directors decided to value those development credits at the rate of $1.20635 per 1960 dollar on a permanent basis. Development credits funded from resources provided under the sixth replenishment and thereafter are denominated in SDRs; the principal amounts disbursed under such development credits are to be repaid in currency amounts currently equivalent to the SDRs disbursed.

Investments

IDA carries its investment securities and related financial instruments at market value. Both realized and unrealized gains and losses are included in Income from Investments.

Interim Trust Fund

The Interim Trust Fund, established by IDA's Board of Governors in June 1996, is administered by IDA to help fund operations during the period July 1, 1996 to June 30, 1997 and its funds have a separate legal, procurement and accounting status. The Interim Trust Fund became effective on November 14, 1996. Credits financed by the Interim Trust Fund are made on the same terms and conditions as those of IDA credits with two exceptions. First, eligibility for procurement under the Interim Fund Credits is extended only to nationals of countries that either have contributed to the Interim Trust Fund or are eligible to borrow from IBRD or IDA. Second, the Interim Fund Credits are approved by IDA's President after consultation with a committee of Executive Directors representing the donors and eligible borrowers. Charges paid by borrowers on Interim Fund Credits are received by IDA to compensate it for its services as administrator. The Interim Trust Fund is expected to be terminated when the credits it financed have been substantially disbursed. Upon termination, its assets and liabilities will transfer to IDA.

NOTE B—INVESTMENTS

As part of its overall portfolio management strategy, IDA invests in government and agency obligations, time deposits and related financial instruments with off-balance sheet risk including futures, forward

contracts, covered forward contracts, options, and short sales.

Government and Agency Obligations: These obligations include marketable bonds, notes and other obligations. Obligations issued or unconditionally guaranteed by governments of countries require a minimum credit rating of AA if denominated in a currency other than the home currency of the issuer, otherwise no rating is required. Obligations issued by an agency or instrumentality of a government of a country, a multilateral organization or any other official entity require a credit rating of AAA.

Time Deposits: Time deposits include certificates of deposit, bankers' acceptances, and other obligations issued or unconditionally guaranteed by banks and other financial institutions.

Futures and Forwards: 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. Futures contracts are traded on regulated United States and international exchanges. IDA generally closes out most open positions in futures contracts prior to maturity. Therefore, cash receipts or payments are mostly limited to the change in market value of the futures contracts. Futures contracts generally entail daily settlement of the net cash margin.

Covered Forwards: Covered forwards are agreements in which cash in one currency is converted into a different currency and, simultaneously, a forward exchange agreement is executed providing for a future exchange of the two currencies in order to recover the currency converted.

Options: Options are contracts that allow the holder of the option the right, but not the obligation to purchase or sell a financial instrument at a specified price within a specified period of time from or to the seller of the option. The purchaser of an option pays a premium at the outset to the seller of the option, who then bears the risk of an unfavorable change in the price of the financial instrument underlying the option. IDA only invests in exchange-traded options. The initial price of an option contract is equal to the premium paid by the purchaser and is significantly less than the contract or notional amount. IDA does not write uncovered option contracts.

Short Sales: Short sales are sales of securities not held in IDA's portfolio at the time of the sale. IDA must purchase the security at a later date and bears the risk that the market value of the security will move adversely between the time of the sale and the time the security must be delivered.

Repurchase and Resale Agreements and Securities Loans: Repurchase agreements are contracts under which a party sells securities and simultaneously agrees to repurchase the same securities at a specified future date at a fixed price. The reverse of this transaction is called a resale agreement. Securities loans are contracts under which securities are lent for a specified period of time at a fixed price.

A summary of IDA's investment portfolio by instrument for Investments Immediately Available for Disbursement at June 30, 1997 and June 30, 1996 is as follows:

In millions

	1997			*1996*		
	Carrying value	*Average daily balance during the fiscal year*	*Net gains (losses) for the fiscal year*	*Carrying value*	*Average daily balance during the fiscal year*	*Net gains (losses) for the fiscal year*
Government and agency obligations	$1,923	$1,928	$20	$2,282	$1,900	$(6)
Time deposits	3,174	3,254	—	2,257	2,309	—
Futures and forwards	*	1	(2)	1	1	4
Covered forwards	—	(3)	—	*	(1)	—
Options	*	*	(*)	*	*	(1)
Resale agreements	121	578	—	204	629	—
	$5,218	$5,758	$18	$4,744	$4,838	$(3)
Short sales	$ (53)	$ (100)	$—	$ (34)	$ (32)	$—
Repurchase agreements and securities loans	(447)	(562)	—	(319)	(281)	—

* Less than $0.5 million.

A summary of IDA's investment portfolio by instrument for Investments Not Immediately Available for Disbursement at June 30, 1997 and June 30, 1996 is as follows:

In millions

	1997			1996		
	Carrying value	*Average daily balance during the fiscal year*	*Net gains (losses) for the fiscal year*	*Carrying value*	*Average daily balance during the fiscal year*	*Net gains (losses) for the fiscal year*
Government and agency obligations	$2,653	$2,089	$37	$1,320	$ 963	$(1)
Time deposits	811	422	—	272	327	—
Futures and forwards	1	1	(1)	1	1	4
Covered forwards	—	(1)	—	*	*	—
Options	*	*	(*)	*	*	*
Resale agreements	15	131	—	93	93	—
	$3,480	$2,642	$36	$1,686	$1,384	$ 3
Short sales	$ (15)	$ (42)	$—	$ (24)	$ (8)	$—
Repurchase agreements and securities loans	(648)	(416)	—	(33)	(138)	—

* Less than $0.5 million.

A summary of the currency composition of Investments Immediately Available for Disbursement and Not Immediately Available for Disbursement at June 30, 1997 and June 30, 1996 is as follows:

In millions of U.S. dollar equivalent

	1997			1996		
	Immediately available for disbursement	*Not immediately available for disbursement*	*Total*	*Immediately available for disbursement*	*Not immediately available for disbursement*	*Total*
Canadian dollars	$ 28	$ —	$ 28	$ —	$ —	$ —
Deutsche mark	1,691	707	2,398	1,739	321	2,060
French francs	449	289	738	387	167	554
Japanese yen	67	506	573	542	299	841
Pound sterling	917	324	1,241	425	146	571
U.S. dollars	2,066	1,654	3,720	1,651	753	2,404
Other currencies	—	—	—	*	—	*
	$5,218	$3,480	$8,698	$4,744	$1,686	$6,430

* Less than $0.5 million.

For the purpose of risk management, IDA is party to a variety of financial instruments, certain of which involve elements of credit risk in excess of the amount reflected in the Statement of Sources and Applications of Development Resources. Credit risk represents the maximum potential accounting loss due to possible nonperformance by obligors and counterparties under the terms of the contracts. Additionally, the nature of the instruments involve contract value and notional principal amounts that are not reflected in the basic financial statements. For both on- and off-balance sheet securities, IDA limits trading to a list of authorized dealers and counterparties. Credit limits have been established for each counterparty by type of instrument and maturity category.

The credit risk exposure and contract value, as applicable, of these financial instruments at June 30, 1997 and June 30, 1996 are given below:

In millions	*1997*	*1996*
Futures and Forwards		
Long position	$1,880	$ 759
Short position	2,704	2,840
Credit exposure due to potential nonperformance by counterparties	9	7
Options		
Long position	46	179
Short position	—	36
Covered forward contracts		
Credit exposure due to potential nonperformance by counterparties	—	1

NOTE C—MEMBER SUBSCRIPTIONS AND CONTRIBUTIONS

Subscriptions and Contributions Receivable: At June 30, 1997, receivables from subscriptions and contributions was $633 million ($1,517 million—June 30, 1996) of which $564 million ($945 million—June 30, 1996) was due and $69 million ($572 million—June 30, 1996) was not yet due.

Subscriptions and contributions due at June 30, 1997 were as follows:

In millions	
Amounts initially due on	
July 1, 1996 through June 30, 1997	$329
July 1, 1995 through June 30, 1996	235
July 1, 1994 through June 30, 1995	—
June 30, 1994 and earlier	*
Total	$564

* Less than $0.5 million.

Subscriptions and contributions not yet due at June 30, 1997 will become due as follows:

In millions	
Period	
July 1, 1997 through June 30, 1998	$11
July 1, 1998 through June 30, 1999	10
Thereafter	48
Total	$69

Eleventh Replenishment: In June 1996 the Board of Governors of IDA adopted resolutions authorizing the Eleventh Replenishment of IDA's resources. The Eleventh Replenishment provides IDA with resources to fund credits and grants committed during the period July 1, 1996 to June 30, 1999. The total amount of donor contributions pledged during this period, including supplementary contributions provided by certain members, is equivalent to SDR 6,929 million. The Eleventh Replenishment will become effective when IDA has received commitments for subscriptions and contributions of SDR 3,746 million. As part of the Eleventh Replenishment, an Interim Trust Fund consisting of donor contributions pledged equivalent to SDR 2,228 million has been established and is administered by IDA.

Membership: In February 1993 the Socialist Federal Republic of Yugoslavia (SFRY) ceased to be a member of IDA due to the cessation of its membership in IBRD. Four of the five successor Republics—Bosnia and Herzegovina, the Republics of Croatia and Slovenia and the former Yugoslav Republic of Macedonia—have since become members of IDA. At December 31, 1996, the subscription and contributions allocated to the other successor country the Federal Republic of Yugoslavia (Serbia and Montenegro) are included under Payments on Account of Pending Membership.

In May 1992 Switzerland became a member of IDA. Before that date Switzerland had contributed to IDA an equivalent of $51 million. As agreed between the Swiss Confederation and IDA, these grant contributions were converted to an IDA subscription. Further, during the commitment periods between the fourth and the ninth replenishments of IDA resources, Switzerland had cofinanced projects by making available to IDA borrowers untied grants in the aggregate amount of Swiss francs 1,055 million (historical U.S. dollar amount of $580 million). In July 1992, as agreed between the Swiss Confederation and IDA, these grant contributions were converted to an IDA subscription and contribution when Switzerland contributed a further $68 million, representing the present value of future reflows of the cofinancing grants if they had been made through IDA on IDA's repayment terms. At June 30, 1997, $512 million ($512 million—June 30, 1996), representing the difference between the total cofinancing grants of $580 million and the present value of future reflows of $68 million, have not been included in the Member Subscriptions and Contributions in the Statement of Sources and Applications of Development Resources.

NOTE D—TRANSFERS FROM IBRD

IBRD's Board of Governors had approved aggregate transfers to IDA totaling $5,430 million through June 30, 1997 ($4,831 million—June 30, 1996).

NOTE E—DEVELOPMENT CREDITS

At June 30, 1997, principal installments of $0.1 million and charges of $0.3 million payable to IDA on development credits, other than those referred to in the following paragraph, were overdue by more than three months and the aggregate amounts outstanding on these development credits were $414 million.

At June 30, 1997, the development credits made to or guaranteed by certain member countries with an aggregate principal balance outstanding of $3,235 million ($3,183 million—June 30, 1996), of which $130 million ($95 million—June 30, 1996) was overdue, were in nonaccrual status. At such date, overdue charges in respect of these development credits totaled $108 million ($86 million—June 30, 1996). If these development credits had not been in nonaccrual status, income from development credits for the fiscal year ended June 30, 1997 would have been higher by $24 million ($24 million—June 30, 1996), which is net of charges received from such members during the period. A summary of member countries with credits or guarantees in nonaccrual status is as follows:

In millions

	June 30, 1997		
Borrower	*Principal outstanding*	*Principal and charges overdue*	*Nonaccrual since*
With overdues			
Afghanistan	$ 75	$ 11	June 1992
Congo, Democratic Republic of	1,253	76	November 1993
Liberia	104	17	April 1988
Somalia	414	41	July 1991
Sudan	1,220	81	January 1994
Syrian Arab Republic	44	12	April 1988
Total	3,110	238	
Without overdues			
Bosnia and Herzegovina	125	—	September 1992
Total	$3,235	$238	

During the fiscal years ended June 30, 1997 and June 30, 1996, no development credits came out of nonaccrual status.

Under a program established in September 1988, a portion of principal repayments to IDA are allocated on an annual basis to provide supplementary IDA credits to IDA-eligible countries that are no longer able to borrow on IBRD terms but have outstanding IBRD loans approved prior to September 1988 and have in place an IDA-supported structural adjustment program. Such supplementary IDA credits are allocated to countries that meet specified conditions, in proportion to each country's interest payments due that year on its pre-September 1988 IBRD loans. To be eligible for such IDA supplemental credits, a member country must meet IDA's eligibility criteria for lending, must be ineligible for IBRD lending and must not have had an IBRD loan approved within the last twelve months. To receive a supplemental credit from the program, a member country cannot be more than 60 days overdue on its debt-service payments to IBRD or IDA.

A summary of cumulative IDA credits committed and disbursed under this program from inception at June 30, 1997 and June 30, 1996 is given below:

In millions

	1997	*1996*
Commitments	$1,526	$1,379
Less: undisbursed	91	52
Disbursed and Outstanding	$1,435	$1,327

NOTE F—FAIR VALUE OF FINANCIAL INSTRUMENTS

Investments: Since IDA carries its investments at market value, the carrying amount represents the fair value of the portfolio. These fair values are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. The fair value of short-term financial instruments approximates their carrying value.

Development Credits: IDA development credits have a significant grant element because of the concessional nature of IDA's terms. Discounting IDA's credits using the standard 10% discount rate of the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development provides an estimate for the grant element of IDA credits. Using the 10% DAC discount rate indicates that the typical IDA credit contains a grant element of 75% to 80% of the nominal credit amount at the time the credit is committed. This grant element calculation considers interest rates, maturity structures and grace periods for the credits. It does not consider credit risk, portfolio seasoning, multilateral and sovereign credit preferences and other risks or indicators that would be relevant in calculating fair value. Estimating the impact of these factors is not practicable. However, the fair value of Total Development Credits is substantially lower than the $96,473 million reflected on the Statement of Sources and Applications of Development Resources.

NOTE G—INCOME AND EXPENSES

IDA receives charges paid by borrowers on Interim Fund Credits as compensation for its services as administrator.

IDA pays a management fee to IBRD representing its share of the administrative expenses incurred by IBRD. The management fee for the fiscal year ended June 30, 1997 was reduced by $72 million allocated from IBRD upon completion of a review of pension accounting expense estimates by IBRD. For the fiscal year ended June 30, 1996, the management fee included $36 million of pension expense.

NOTE H—TRUST FUNDS

IDA, alone or jointly with IBRD, administers on behalf of donors, including members, their agencies and other entities, funds restricted for specific uses which include the cofinancing of IDA lending projects, debt reduction operations for IDA members, technical assistance for borrowers including feasibility studies and project preparation, global and regional programs and research and training programs. These funds are placed in trust and are not included in the development resources of IDA. At June 30, 1997 and June 30, 1996, the distribution of trust fund assets by executing agent is as follows:

	1997		*1996*	
	Total fiduciary assets (in millions)	*Number of trust fund accounts*	*Total fiduciary assets (in millions)*	*Number of trust fund accounts*
IDA executed	$ 714	583	$235	454
Recipient executed	512	510	537	384
Total	$1,226	1,093	$772	838

The responsibilities of IDA under these arrangements vary and range from services normally provided under its own lending projects to full project implementation including procurement of goods and services. IDA receives fees for administering trust funds as a reduction of the Management Fee Charged by IBRD. During the fiscal year ended June 30, 1997, IDA received $11 million ($10 million—June 30, 1996) as fees for administering trust funds.

NOTE I—HEAVILY INDEBTED POOR COUNTRIES

IDA has endorsed a multilateral initiative for addressing the debt problems of a group of countries identified as HIPCs to ensure that reform efforts of these countries will not be put at risk by unsustainable external debt burdens. Under the initiative, creditors are to provide enhanced debt relief for those countries that demonstrated good policy performance over an extended period in order to bring their debt burdens to sustainable levels.

On November 7, 1996, the HIPC Debt Initiative Trust Fund was established, constituted by funds to be contributed by creditors of HIPCs, to help beneficiaries reduce their overall debt, including IDA debt. The HIPC Debt Initiative Trust Fund is administered by IDA. The HIPC Debt Initiative Trust Fund will pay cash to IDA for specific credits in amounts equivalent to the present value of the debt servicing obligations of the credits. The total development credits outstanding will be decreased by the carrying value of the credits sold. The difference between the cash received from the HIPC Debt Initiative Trust Fund and the carrying value of the credits will be reflected separately as a reduction in Sources of Development Resources.

At June 30, 1997, one IDA borrower has been approved by IDA's Executive Directors for debt relief, subject to the confirmation of other multilateral creditors that they will provide proportional relief on their claims and subject to agreement with the borrower. Details regarding IDA's Board approval are as follows:

In millions

	Estimated		
Country	*Carrying value*	*Net present value*	*Reduction in sources of development resources*
Uganda	$300	$138	$162

Report of Independent Accountants on Special Purpose Financial Statements

Price Waterhouse
(International Firm)

The Hague
Beijing
Hong Kong
London

New York
Tokyo
Washington

Price Waterhouse

July 28, 1997

President and Board of Governors
International Development Association

We have audited the special purpose Statement of Sources and Applications of Development Resources as of June 30, 1997 and 1996, the Summary Statement of Development Credits and the Statement of Voting Power, and Subscriptions and Contributions as of June 30, 1997, and the related special purpose Statements of Changes in Accumulated Surplus and of Cash Flows for the years ended June 30, 1997 and 1996, expressed in terms of United States dollars, of the International Development Association (IDA), which appear on pages 220 through 238 of this Report. 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 in accordance with generally accepted auditing standards, including International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The special purpose financial statements were prepared to reflect the sources and applications of development resources and the development credits, voting power, and subscriptions and contributions of IDA to comply with Article VI, Section 11(a) of the Articles of Agreement of IDA as described in Note A, and are not intended to be a presentation in conformity with generally accepted accounting principles in the United States or with International Accounting Standards.

In our opinion, the special purpose financial statements referred to above present fairly, in all material respects, in terms of United States dollars, the sources and applications of development resources as of June 30, 1997 and 1996, the development credits, voting power, and subscriptions and contributions of IDA at June 30, 1997 and the changes in its accumulated surplus and its cash flows for the years ended June 30, 1997 and 1996, on the basis of accounting described in Note A.

This report is intended solely for the information of the Board of Governors, management and members of IDA. However, under IDA's Articles of Agreement, this report is a matter of public record and its distribution is not limited.

Price Waterhouse
(International Firm)

Special Purpose Financial Statements of the Interim Trust Fund

Statement of Sources and Applications of Development Resources

June 30, 1997
Expressed in millions of U.S. dollars

Applications of Development Resources

NET RESOURCES AVAILABLE FOR DEVELOPMENT ACTIVITIES	
Cash and investments immediately available for disbursement	
Due from banks	$ 1.1
Obligations of governments and other official entities—Notes B and D	0.6
Obligations of banks and other financial institutions—Notes B and D	41.3
	43.0
Nonnegotiable, noninterest-bearing demand obligations on account of contributions	2,538.9
Other resources, net	(0.4)
Total net resources available for development activities	2,581.5
RESOURCES USED FOR INTERIM FUND CREDITS (see Summary Statement of Interim Fund Credits, Notes D and E)	
Total Interim Fund Credits	1,628.0
Less undisbursed balance	1,484.4
Total resources used for Interim Fund Credits	143.6
Total applications of development resources	$2,725.1

Sources of Development Resources

Contributions (see Statement of Contributions)	
Contributions committed	$2,708.8
Less unamortized discount on contributions	2.0
	2,706.8
Less contributions receivable—Note C	3.8
Contributions paid in	2,703.0
Cumulative translation adjustment of Interim Fund Credits	0.8
Accumulated deficit (see Statement of Changes in Accumulated Surplus)	(0.7)
Short-term borrowing	22.0
Total sources of development resources	$2,725.1

The Notes to Special Purpose Financial Statements are an integral part of these Statements.

Statement of Changes in Accumulated Surplus

For the fiscal year ended June 30, 1997
Expressed in millions of U.S. dollars

Income from investments—Note B	$ 2.0
Amortization of discount on contribution advances	(0.1)
Changes from operations	1.9
Effect of exchange rate changes on accumulated surplus	(2.6)
Net changes	(0.7)
Balance at beginning of the fiscal year	—
Balance at end of the fiscal year	$(0.7)

Statement of Cash Flows

For the fiscal year ended June 30, 1997
Expressed in millions of U.S. dollars

Cash flows from development activities	
Interim Fund Credit disbursements	$(142.8)
Cash flows from financing activities	
Net short-term borrowings	22.0
Donor contributions	164.0
Net cash provided by financing activities	186.0
Cash flows from operating activities	
Changes from operations	1.9
Adjustments to reconcile changes from operations to net cash provided by operating activities	
Amortization of discount on contribution advances	0.1
Net changes in other development resources	0.2
Net cash provided by operating activities	2.2
Effect of exchange rate changes on cash and investments immediately available for disbursement	(2.4)
Net increase in cash and investments immediately available for disbursement	43.0
Cash and investments immediately available for disbursement at beginning of the fiscal year	—
Cash and investments immediately available for disbursement at end of the fiscal year	$ 43.0

The Notes to Special Purpose Financial Statements are an integral part of these Statements.

Summary Statement of Interim Fund Credits

June 30, 1997
Expressed in millions of U.S. dollars

Borrower or guarantor	*Total credits*	*Undisbursed credits*	*Credits outstanding*	*Percentage of credits outstanding*
Armenia	$ 16.2	$ 16.1	$ 0.1	0.04
Bosnia and Herzegovina	31.1	25.9	5.2	3.60
Burkina Faso	45.7	45.7	—	—
Cambodia	54.9	54.7	0.2	0.13
Chad	25.1	25.1	—	—
China	222.9	222.9	—	—
Comoros	7.1	7.1	—	—
Côte d'Ivoire	41.3	41.3	—	—
Egypt, Arab Republic of	71.8	71.8	—	—
Ghana	29.0	29.0	—	—
Guinea	25.1	25.1	—	—
India	250.2	250.2	—	—
Kenya	26.9	26.9	—	—
Kyrgyz Republic	44.6	22.3	22.3	15.53
Madagascar	96.5	28.7	67.8	47.17
Malawi	12.1	12.1	—	—
Mali	81.6	81.6	—	—
Mozambique	96.3	48.1	48.2	33.53
Senegal	6.8	6.8	—	—
Sri Lanka	14.9	14.9	—	—
Uganda	126.0	126.0	—	—
Vietnam	289.4	289.4	—	—
Zimbabwe	12.4	12.4	—	—
Total—June 30, 1997[1]	$1,628.0	$1,484.4	$143.6	100.00

Note:
1. May differ from the sum of individual figures shown because of rounding.

Summary Statement of Interim Fund Credits

June 30, 1997
Expressed in millions of U.S. dollars

Maturity Structure of Interim Fund Credits Outstanding

Period	
July 1, 1997 through June 30, 2002	$ —
July 1, 2002 through June 30, 2007	1.1
July 1, 2007 through June 30, 2012	24.6
July 1, 2012 through June 30, 2017	23.5
July 1, 2017 through June 30, 2022	44.1
July 1, 2022 through June 30, 2027	23.2
July 1, 2027 through June 30, 2032	13.6
July 1, 2032 through June 30, 2037	13.5
Total	$143.6

The Notes to Special Purpose Financial Statements are an integral part of these Statements.

Statement of Contributions

June 30, 1997
Expressed in millions of U.S. dollars

Donor	*Contributions deposited*
Australia	$ 83.5
Austria	37.5
Belgium	58.0
Botswana	0.5
Brazil	6.7
Canada	156.7
Czech Republic	2.0
Denmark	50.2
Finland	21.0
France	281.5
Germany	414.2
Greece	1.9
Hungary	2.8
Iceland	1.3
Japan	752.5
Korea, Republic of	11.8
Luxembourg	3.7
Mexico	4.6
Netherlands	222.3
New Zealand	7.2
Norway	69.4
Poland	1.3
Portugal	7.8
Russian Federation	11.2
Saudi Arabia	25.0
Slovak Republic	1.4
South Africa	2.9
Sweden	110.5
Switzerland	64.1
United Kingdom	295.4
Total[1]	$2,708.8

Note:
1. May differ from the sum of individual figures shown because of rounding.

The Notes to Special Purpose Financial Statements are an integral part of these Statements.

NOTE A—ORGANIZATION, OPERATIONS AND SIGNIFICANT ACCOUNTING AND RELATED POLICIES

Purpose

The Interim Trust Fund, established by the International Development Association's (IDA) Board of Governors on June 26, 1996, is administered by IDA to help fund operations during the period July 1, 1996 to June 30, 1997 and it has a separate legal, procurement and accounting status. The Interim Trust Fund became effective on November 14, 1996 when contributions in excess of SDR 400 million from seven donors were received.

The Interim Trust Fund is expected to be terminated when the credits it financed have been substantially disbursed. Upon termination, its assets and liabilities will transfer to IDA. Voting rights in IDA on account of contributions made to the Interim Trust Fund will be allocated to contributors upon termination of the Interim Trust Fund.

Summary of Significant Accounting and Related Policies

Due to the nature of the Interim Trust Fund, these financial statements have been prepared for the specific purpose of reflecting the sources and applications of contributions and are not intended to be a presentation in accordance with generally accepted accounting principles in the United States or with International Accounting Standards. These special purpose financial statements have been prepared consistent with Article VI, Section 11 (a) of the Articles of Agreement of IDA, and Section 2(e) of the Board of Governors' Resolution establishing the Interim Trust Fund.

The Interim Trust Fund's special purpose financial statements are prepared in accordance with the accounting policies outlined below.

Basis of Accounting

The Interim Trust Fund's special purpose financial statements are prepared on the accrual basis of accounting for investment income. That is, the effects of transactions and other events are recognized when they occur (and not as cash or its equivalent is received or paid) and are recorded in the accounting records and reported in the financial statements of the periods to which they relate.

Translation of Currencies

The Interim Trust Fund's special purpose financial statements are expressed in terms of U.S. dollars solely for the purpose of summarizing the Interim Trust Fund's financial position and the results of its operations for the convenience of its donors and other interested parties.

The Interim Trust Fund conducts its operations in the various currencies contributed to it. Development resources are translated at market rates of exchange at the end of the accounting period. Contributions are translated in the manner described below. Income and expenses are translated at the market rates of exchange at the dates on which they are recognized or at an average of the market rates of exchange in effect during each month. Translation adjustments relating to the revaluation of Interim Fund Credits denominated in Special Drawing Rights (SDRs) are charged or credited to Cumulative Translation Adjustment on Interim Fund Credits. Other translation adjustments are charged or credited to the Accumulated Surplus.

Contributions

Contributions to the Interim Trust Fund are paid in cash and nonnegotiable, noninterest-bearing demand notes. The demand notes are encashed by IDA, on behalf of the Interim Trust Fund, on an approximately pro rata basis among donors, at reasonable intervals over the projected encashment period (approximately seven years) to meet the Interim Trust Fund's operational commitments.

Interim Trust Fund contributions are expressed and are payable in contributors' currencies, freely convertible currencies and SDRs. Contributions made available for disbursement in cash are translated at market rates of exchange on the dates they were made available. Contributions not yet available for disbursements are translated at market rates of exchange at the end of the accounting period.

Interim Fund Credits

Interim Fund Credits finance specific development projects or programs. The policies, practices and procedures governing the allocation of Interim Trust Fund resources, the selection and appraisal of projects or programs to be financed out of such resources and the approval and administration of Interim Fund Credits, including the terms and conditions thereof, are the same as those applicable with respect to development credits made under IDA's Eleventh Replenishment with two exceptions. First, eligibility for procurement under the Interim Fund Credits is extended only to nationals of countries that either have contributed to the Interim Trust Fund or are eligible to borrow from the International Bank for Reconstruction and Development (IBRD) or IDA. Second, the Interim Fund Credits are approved by IDA's President after consultation with a committee of Executive Directors representing the donors and eligible borrowers.

Interim Fund Credits are denominated in SDRs and are to be repaid in currency amounts currently equivalent to the SDRs disbursed. Principal repayments of Interim Fund Credits will be part of the resources of the Interim Trust Fund until it is terminated.

It is the policy of the Interim Trust Fund to place in nonaccrual status all Interim Fund Credits made to a member government or to the government of a territory of a member if principal or charges with respect to any such Interim Fund Credits are overdue by more than six months, unless IDA management determines that the overdue amount will be collected in the immediate future. In addition, if loans by IBRD or development credits by IDA to a member government are placed in nonaccrual status, all Interim Fund Credits to that member government will also be placed in nonaccrual status by

the Interim Trust Fund. On the date a member's Interim Fund Credits are placed in nonaccrual status, charges that had been accrued by IDA, as administrator, on Interim Fund Credits outstanding to the member which remained unpaid are deducted from IDA's income from development credits of the current period. Charges on nonaccruing development credits are included in IDA's income only to the extent that payments have actually been received by IDA. On the date a member pays in full all overdue amounts to IBRD, IDA and the Interim Trust Fund, the member's Interim Fund Credits emerge from nonaccrual status, its eligibility for new Interim Fund Credits is restored, and all overdue charges (including those from prior years) are recognized by IDA as income from development credits in the current period. If collectibility risk is considered to be particularly high at the time of arrears clearance, or if IBRD, IDA or the Interim Trust Fund refinances/reschedules nonaccruing loans, development credits or Interim Fund Credits to a member so that no debt-service payments remain overdue, its loans, development credits and Interim Fund Credits may not automatically emerge from nonaccrual status, even though its eligibility for new loans, development credits or Interim Fund Credits may have been restored. The previously overdue interest and other charges are not recognized as income by IDA in the period the refinancing/rescheduling occurs. After a suitable period of payment performance has passed from the time of arrears clearance, a decision on the restoration of accrual status is made on a case-by-case basis.

Investments

The Interim Trust Fund carries its investment securities and related financial instruments at market value. Both realized and unrealized gains and losses are included in Income from Investments.

NOTE B—INVESTMENTS

Interim Trust Fund resources are invested in time deposits including certificates of deposit, bankers' acceptances, and other obligations. A summary of the Interim Trust Fund's investment portfolio by instrument for Investments Immediately Available for Disbursement at June 30, 1997 is as follows:

In millions

	Carrying value	*Average daily balance during the period*	*Net gains (losses) for the period*
Government and agency obligations	$ 0.6	$ 4.2	$—
Time deposits	41.3	44.4	—
	$41.9	$48.6	$—

A summary of the currency composition of Investments Immediately Available for Disbursement at June 30, 1997 is as follows:

In millions of U.S. dollars equivalent

Canadian dollars	$ 5.5
Deutsche mark	11.7
French francs	6.9
Japanese yen	10.4
Pounds sterling	7.4
	$41.9

NOTE C—DONOR CONTRIBUTIONS

At June 30, 1997, receivables from contributions was $3.8 million, all of which was not yet due. Subscriptions and contributions not yet due at June 30, 1997 will become due as follows:

In millions

Period	
July 1, 1997 through June 30, 1998	$0.8
July 1, 1998 through June 30, 1999	0.8
Thereafter	2.2
Total	$3.8

NOTE D—FAIR VALUE OF FINANCIAL INSTRUMENTS

Investments: Since the Interim Trust Fund carries its investments at market value, the carrying amount represents the fair value of the portfolio. These fair values are based on quoted market prices, where available. The fair value of short-term financial instruments approximates their carrying value.

Interim Fund Credits: Interim Fund Credits have a significant grant element because of the concessional nature of their terms. Discounting the Interim Fund Credits using the standard 10% discount rate of the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development provides an estimate for the grant element of Interim Fund Credits. Using the 10% DAC discount rate indicates that the typical Interim Fund Credit contains a grant element of 75% to 80% of the nominal credit amount at the time the credit is committed. This grant element calculation considers interest rates, maturity structures and grace periods for the credits. It does not consider credit risk, portfolio seasoning, multilateral and sovereign credit preferences and other risks or indicators that would be relevant in calculating fair value. Estimating the impact of these factors is not practicable. However, the fair value of Total Interim Fund Credits is substantially lower than the $1,628.0 million reflected on the Statement of Sources and Applications of Development Resources.

NOTE E—INTERIM FUND CREDITS

At June 30, 1997, Interim Fund Credits made to or guaranteed by Bosnia and Herzegovina with an aggregate principal balance outstanding of $5.2 million, none of which was overdue, were in nonaccrual status, consistent with IBRD and IDA policy by which all Bosnia and Herzegovina debt is in nonaccrual status.

NOTE F—INCOME AND EXPENSES

Charges paid by borrowers on Interim Fund Credits are paid to IDA as compensation for its services as administrator of the Interim Trust Fund.

Report of Independent Accountants on Special Purpose Financial Statements

Price Waterhouse
(International Firm)

The Hague
Beijing
Hong Kong
London

New York
Tokyo
Washington

Price Waterhouse

July 28, 1997

President and Board of Governors
International Development Association,
as Administrator of the Interim Trust Fund

We have audited the special purpose Statement of Sources and Applications of Development Resources, the Summary Statement of Interim Fund Credits, and the Statement of Contributions as of June 30, 1997, and the related special purpose Statements of Changes in Accumulated Surplus and of Cash Flows for the year ended June 30, 1997, expressed in terms of United States dollars, of the Interim Trust Fund, which appear on pages 241 through 247 of this Report. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, including International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The special purpose financial statements were prepared to reflect the sources and applications of development resources and the Interim Fund Credits, and contributions of the Interim Trust Fund to comply with Section 2(e) of the Board of Governors' Resolution of International Development Association (IDA) and Article VI, Section 11(a) of the Articles of Agreement as described in Note A, and are not intended to be a presentation in conformity with generally accepted accounting principles in the United States or with International Accounting Standards.

In our opinion, the special purpose financial statements referred to above present fairly, in all material respects, in terms of United States dollars, the sources and applications of development resources, and the Interim Fund Credits, and contributions of the Interim Trust Fund at June 30, 1997 and the changes in its accumulated surplus and its cash flows for the year then ended, on the basis of accounting described in Note A.

This report is intended solely for the information of the Board of Governors, IDA's management as Administrator of the Interim Trust Fund, contributors to and borrowers from the Interim Trust Fund, and members of IDA. However, under IDA's Board of Governors' Resolution establishing the Interim Trust Fund, this report is included in the Annual Report of the Executive Directors to the Board of Governors of IDA and is therefore a matter of public record and its distribution is not limited.

Price Waterhouse
(International Firm)

INDEX

THE WORLD BANK
1818 H Street N.W.
Washington, D.C. 20433, U.S.A.

TELEPHONE	(202) 477-1234
FACSIMILE	(202) 477-6391
TELEX	MCI 64145 Worldbank MCI 248423 Worldbank
CABLE ADDRESS	INTBAFRAD WASHINGTONDC
WORLD WIDE WEB	http://www.worldbank.org/
E-MAIL	Books@worldbank.org

13760
9 780821 337608

ISBN 0-8213-3760-2