THE WORLD BANK ANNUAL REPORT 1986

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The World Bank
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Cover

Rice drying on a cement courtyard in a Nigerian village. The countries of sub-Saharan Africa face a year of opportunity in 1986. Rainfall has been ample, coffee exporters are benefiting from large price increases, and oil importers are saving valuable foreign exchange through the sharp decline in oil prices. Just as governments must seize on this window of opportunity by continuing the process of economic reform, so, too, donor governments must continue their support of those reforms with much-needed assistance.

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The World Bank and IFC

The expression, "The World Bank," as used in this *Annual Report*, means both the International Bank for Reconstruction and Development (IBRD) and its affiliate, the International Development Association (IDA). The IBRD has a second affiliate, the International Finance Corporation (IFC).

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

The IBRD, established in 1945, is owned by the governments of 150 countries. The IBRD, whose capital is subscribed by its member countries, finances its lending operations primarily from its own borrowings in the world capital markets. A substantial contribution to the IBRD's resources also comes from its retained earnings and the flow of repayments on its loans. IBRD loans generally have a grace period of five years and are repayable over twenty years or less. They are directed toward developing countries at more-advanced stages of economic and social growth. The interest rate the IBRD charges on its loans is calculated in accordance with a guideline related to its cost of borrowing.

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

The International Development Association was established in 1960 to provide assistance for the same purposes as the IBRD, but primarily in the poorer developing countries and on terms that would bear less heavily on their balance of payments than would IBRD loans. IDA's assistance, therefore, is concentrated on the very poor countries—those with an annual per capita gross national product of less than $791 (in 1984 dollars). More than fifty countries are eligible under this criterion.

Membership in IDA is open to all members of the IBRD, and 134 of them have joined to date. The funds used by IDA, called credits to distinguish them from IBRD loans, come mostly in the form of subscriptions, general replenishments from IDA's more industrialized and developed members, and transfers from the net earnings of the IBRD. The terms of IDA credits, which are made to governments only, are ten-year grace periods, fifty-year maturities, and no interest.

The IFC was established in 1956. Its function is to assist the economic development of less-developed countries by promoting growth in the private sector of their economies and helping to mobilize domestic and foreign capital for this purpose. Membership in the IBRD is a prerequisite for membership in the IFC, which totals 128 countries. Legally and financially, the IFC and the IBRD are separate entities. The IFC has its own operating and legal staff, but draws upon the Bank for administrative and other services.

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

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

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The Record for Ten Years, 1977–86

	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
	Fiscal year									
IBRD										
	US$ millions									
Loans approved[a]	5,759	6,098	6,989	7,644	8,809	10,330	11,138	11,947	11,356	13,179
Disbursements[b]	2,636	2,787	3,602	4,363	5,063	6,326	6,817	8,580	8,645	8,263
Total income	1,617	1,947	2,425	2,800	2,999	3,372	4,232	4,655	5,529	6,815
Net income	209	238	407	588	610	598	752	600	1,137	1,243
General reserve	1,733	1,953	2,205	2,600	2,567	2,831	3,134	3,450	3,727	4,918
New borrowings: total	4,721	3,636	5,085	5,173	5,069	8,521	10,292	9,831	11,086	10,609
Borrowings: net	3,258	2,171	3,235	2,382	2,347	5,692	7,349	7,175	7,138	5,758
Subscribed capital	30,869	33,045	37,429	39,959	36,614	43,165	52,089	56,011	58,846	77,526
	number									
Operations approved	161	137	142	144	140	150	136	129	131	131
Borrowing countries	54	46	44	48	50	43	43	43	44	41
Member countries	129	132	134	135	139	142	144	146	148	150
Higher-level staff[c] (number)	2,187	2,282	2,361	2,463	2,552	2,689	2,703	2,735	2,805	3,617[d]
IDA										
	US$ millions									
Credit amounts	1,308	2,313	3,022	3,838	3,482	2,686	3,341	3,575	3,028	3,140
Disbursements	1,298	1,062	1,222	1,411	1,878	2,067	2,596	2,524	2,491	3,155
Usable resources, cumulative	11,789	18,062	19,661	20,773	22,331	25,280	27,967	30,910	33,295	39,177
	number									
Operations approved[e]	67	99	105	103	106	97	107	106	105	97
Borrowing countries	36	42	43	40	40	42	44	43	45	37
Member countries	117	120	121	121	125	130	131	131	133	134

[a] Excludes loans to IFC of $20 million in FY1977, $100 million in FY1981, $390 million in FY1982, $145 million in FY1983, $100 million in FY1984, $400 million in FY1985, and $150 million in FY1986. Includes amounts in FY1977 lent on Third Window terms.

[b] Excludes disbursements on loans to IFC.

[c] Higher-level staff on regular and fixed-term appointments held against authorized budget positions.

[d] In FY1986, as a result of an institutionwide job-grading exercise, the Bank's grade structure changed, and the definition of what constituted higher-level staff expanded considerably.

[e] Joint IBRD/IDA operations are counted only once as IBRD operations.

Letter of Transmittal

The details of events covering the period July 1, 1985, to June 30, 1986, are found in this *Annual Report*, which has been prepared by the Executive Directors of both the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) in accordance with the by-laws of the two organizations. Barber B. Conable, President of the IBRD and IDA and Chairman of the Boards of Executive Directors, has submitted this *Report*, together with accompanying administrative budgets and audited financial statements, to the Boards of Governors.

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

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

Executive Directors	**Alternates**
Fawzi Hamad Al-Sultan	Mohammad Al-Shawi
Mourad Benachenhou	Salem Mohamed Omeish
Gerhard Boehmer	Michael von Harpe
Kenneth Coates	Félix Alberto Camarasa
Ferdinand van Dam	Riza Sapunxhiu
Ronald H. Dean	You Kwang Park
Mario Draghi	Rodrigo M. Guimarães
Hugh W. Foster (acting)	Hugh W. Foster
Astère Girukwigomba	Mitiku Jembere
Leonor Filardo de Gonzalez	Maria Antonieta Domínguez
Jacques de Groote	Oral Akman
Edgar Gutiérrez-Castro	Patricio Rubianes
C. Ulrik Haxthausen	Veikko Kantola
Tim Lankester	Richard Manning
Xu Naijiong	Yang Guanghui
Hélène Ploix	Olivier Debains
Frank Potter	Horace Barber
C.R. Krishnaswamy Rao Sahib	Gholam Kibria
Nicéphore Soglo	André Milongo
Vibul Aunsnunta	Sashi N. Shah
Kenji Yamaguchi	Zenbei Mizoguchi

August 5, 1986

The Executive Board

Under the Articles of Agreement of the Bank, all its powers are vested in a Board of Governors, consisting of one governor for each member country. With the exception of certain powers specifically reserved to them by the Articles of Agreement, the Governors of the Bank have delegated their powers to a Board of Executive Directors that performs its duties on a full-time basis at the Bank's headquarters. There are twenty-one Executive Directors; each Director selects an alternate. As provided for in the Articles of Agreement, five Directors are appointed by the five members having the largest number of shares of capital stock, and the rest are elected by the Governors representing the other members.

The Executive Directors meet under the chairmanship of the President of the Bank. Formal votes are rare as, in practice, most decisions are reached by consensus. The Executive Directors are responsible for the conduct of the general operations of the Bank. They decide on Bank policy in the framework of the Articles of Agreement. They also decide on all loan and credit proposals.

The Executive Directors are also responsible for presentation to the Board of Governors at its Annual Meetings of an audit of accounts, an administrative budget, the Annual Report *on the operations and policies of the World Bank, and any other matter that, in their judgment, requires submission to the Board of Governors. Matters may be submitted to the Governors at the Annual Meetings or at any time between Annual Meetings.*

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

* * *

The major policy decisions of fiscal 1986[1] reflect this pattern. The Executive Directors conducted the mid-year review of the 1986 fiscal year financial and operating programs and administrative budgets and, in the process, approved an increase in the fiscal 1986 borrowing program from $9.6 billion to $10.6 billion. Before the end of the fiscal year, the Directors set IBRD lending for fiscal 1987 at between $13.5 billion and $17 billion, with an IDA program of SDR2.7 billion. With the increasing and prospective demand on the Bank's financial and staff resources, the Executive Directors are giving increasing attention to the budget processes and procedures determining the allocation of those resources.

Policy discussions largely reflected the outcome of the World Bank/International Monetary Fund (IMF) Annual Meetings of the Boards of Governors and the Development Committee meeting in Seoul, Republic of Korea, in October 1985, and the Development Committee meeting in Washington, D.C. in April 1986, in which the Executive Directors participated as in past years. The Directors held a number of informal meetings with the management of the Bank to discuss the Bank's response to the proposals for an expanded role in the adjustment efforts of its heavily indebted middle-income and low-income member countries. In formal session as the Executive Board, they gave broad endorsement to the U.S. proposal (the "Trust Fund Proposal") for the Bank's participation in a program of expanded collaboration with the IMF's structural-adjustment facility (SAF)—provided that the

[1] The fiscal year of the IBRD, as well as of its two affiliates, runs from July 1 to June 30. All references to fiscal years in this *Report*, unless otherwise stated, refer to this time period.

Budget of the World Bank for the Fiscal Year Ending June 30, 1987

(Expressed in thousands of United States dollars)

	Actual expenses 1986	Budget 1987
By Organizational Unit		
Board of Governors	$ 3,830	$ 3,646
Executive Directors	18,185	18,683
Executive offices[a]	1,373	1,457
Operating Staff[b]	429,982	458,106
Cooperative programs: FAO, UNESCO, UNIDO	8,934	9,061
Economics and Research	31,714	32,589
Financial Staff	54,654	60,479
Operations Evaluation Staff	7,210	7,367
Legal, ICSID, and Secretary's	16,532	17,865
External Relations	18,853	19,691
Personnel and Administration[c]	85,044	84,604
Administrative Tribunal	731	549
Reimbursable technical assistance	7,096	7,096
Subtotal	$ 684,138	$721,193
Less		
Reimbursements	$−19,660	$−24,358
IFC service-and-support fee[d]	−3,130	−3,340
Subtotal	$ 661,348	$ 693,495
Add		
Special Programs[e]	$ 42,725	$ 51,005
Total IBRD/IDA	$ 704,073	$ 744,500
Prior year expense adjustments	$ 3,957	—
Adjusted total IBRD/IDA	$ 708,030	$ 744,500

	Actual expenses 1986	Budget 1987
By Expense Category		
Staff costs	$ 450,162	$ 473,876
Operational travel	70,366	73,492
Representation	1,835	2,012
Consultant fees	50,307	51,379
Contractual services	18,732	26,083
Overhead expenses		
Office occupancy	37,425	42,281
Depreciation	6,506	9,232
Communications	17,616	17,979
Other expenses	31,189	24,859
Subtotal	$ 684,138	$ 721,193
Less		
Reimbursements	$−19,660	$−24,358
IFC service-and-support fee[d]	−3,130	−3,340
Subtotal	$ 661,348	$ 693,495
Add		
Special Programs[e]	$ 42,725	$ 51,005
Total IBRD/IDA	$ 704,073	$ 744,500
Prior year expense adjustments	$ 3,957	—
Adjusted total IBRD/IDA	$ 708,030	$ 744,500
Of which		
IBRD	$ 427,280	$ 456,500
IDA	$ 280,750	$ 288,000

NOTE: The budget for the fiscal year ending June 30, 1987, was approved by the Executive Directors in accordance with the by-laws of the IBRD and IDA. For purposes of comparison, expenses incurred during the fiscal year ending June 30, 1986, are also shown. The Executive Directors have also approved for fiscal year 1987 a capital budget of $24.3 million. This compares with a capital budget authorization of $26.8 million in fiscal year 1986.

a. Includes Development Committee.

b. Includes Regional, Operations Policy, and Energy and Industry staff; Economic Development Institute; and the cost of the Office of the Senior Vice President, Operations. Excludes cooperative programs, reimbursable technical assistance programs, and special technical assistance. In the fiscal year 1987 budget, $4.0 million of costs for administrative support to Special Programs has been reclassified as part of Special Programs (see note e below).

c. Includes Ombudsman.

d. In fiscal year 1987, general assistance rendered by the IBRD to the IFC will be paid for by a service-and-support fee that has been established for the year at $3,340,000.

e. The fiscal year 1987 budget includes authorizations for Special Programs as follows (comparable fiscal year 1986 authorizations are shown in parentheses): agricultural research centers—$33.4 million ($31.1 million); onchocerciasis control and tropical disease research—$5.3 million ($5.8 million); the special project preparation facility for sub-Saharan Africa—$3.5 million ($3.5 million); the IDA-only special technical assistance program—$4.8 ($5.8 million); and the costs of administrative support to Special Programs—$4.0 million ($2.75 million).

eighth replenishment of IDA (IDA-8) is large enough to allow IDA to play the role expected of it in the whole range of IDA-eligible countries, and not just in those that might avail themselves of SAF resources. It is expected that the ways in which IDA-8 resources are used in conjunction with the IMF's structural-adjustment facility will be established in fiscal 1987. The Executive Directors also continued to focus much of their attention on actions to restore growth and development in sub-Saharan Africa.

Consistent with these special initiatives and the Bank's global commitment to development, growth, and poverty alleviation, the Executive Directors gave particular attention to the World Bank's overall lending program and resource requirements. Following the deliberations of the Executive Directors and the management of the Bank, projections of Bank lending in fiscal years 1986–88 have been increased to a range of from $40 billion to $50 billion, and a Bank lending level of up to $21.5 billion in fiscal year 1990 is now contemplated. It is estimated that $2.5 billion in additional concessional flows from all sources will be needed annually, over the next five years, to help meet low-income sub-Saharan Africa's financial needs.

The Executive Directors have been following the progress of the current negotiations for the IDA-8 replenishment in view of the special importance of IDA to the success of development programs in poor countries throughout the world.

Early in fiscal 1986, and continuing the initiatives begun in fiscal 1985, the Executive Directors reviewed, and consulted with their governments on, the establishment of a Multilateral Investment Guarantee Agency (MIGA), which would seek to improve the investment environment in developing countries by issuing guarantees against noncommercial risks and providing promotional services. The Directors approved their draft report and draft resolution to the Board of Governors proposing the establishment of MIGA. The Board of Governors adopted the resolution in October 1985 in Seoul.

Following their decision in fiscal 1985, the Executive Directors conducted a review of the Bank's new cofinancing instruments and concluded that, except for the untried option of prearranged sales of participations, these would become a regular part of the Bank's means for assisting its borrowers to mobilize finance from commercial sources. Periodic reports on the program will be continued in the context of the annual review of the Bank's budget and operating programs.

The Executive Directors also considered a policy paper on how the Bank might best help strengthen financial systems in developing countries (see page 51) and endorsed a strategy to adopt a broader approach in the financial sector to make financial systems more efficient and to mobilize domestic savings through encouragement of a movement towards real interest rates. Implementation of this strategy will involve increased financial sector work by the Bank, use of an array of lending instruments that supports the overall sectoral development and a wide range of institutions and markets, and a greater coordination of Bank and IFC operations in the financial sector, as well as close cooperation with the IMF.

In relation to other aspects of the Bank's increasing emphasis on assistance to, and cooperation with, the private sector in developing member countries, the Executive Directors, in their role as the IFC Board of Directors, continued to give greatly increased attention to IFC policy and operational matters. Details of the IFC's activities are contained in the IFC *Annual Report* for fiscal year 1986.

With regard to major financial policy issues, the Executive Board reviewed the Bank's net income risks and targets and agreed that while the overall level of loan charges at present appears to be in line with the general objectives on loan charges and reserves, net income prospects and loan charges should continue to be kept under close review. The management of the Bank will present to the Executive Board a detailed review of these subjects in fiscal 1987.

The Executive Directors considered the nomination of Barber B. Conable as President of the IBRD, IDA, and the IFC and unanimously selected him to be the institutions' seventh president. He succeeded A.W. Clausen as President of the Bank and IFC on July 1, 1986. On June 30, 1986, the Directors, through the dean of the Executive Board, took note of Mr. Clausen's tenure as Bank President. "Mr. Clausen," Kenji Yamaguchi, Executive Director for Japan, said, "has performed a very difficult job in a laudable manner. . . . In these very difficult five years, he has striven and devoted himself to giving new stimuli to the Bank."

The Executive Directors also review evaluations of completed projects and consider proposals for future evaluation activities by giving particular attention to the work of the Operations Evaluation Department (OED). The Director-General, Operations Evaluation, is directly responsible to the Executive Directors and is outside the regular staff structure of the Bank, but is administratively linked to the President of the Bank. In February 1986, the Executive Board approved the appointment of a new Director-General, Operations Evaluation.

The Executive Directors as a Board consider from time to time a representative sampling of

OED reports. The Executive Directors annually consider the report of the Director-General, the work program and manpower budget of the Operations Evaluation Department, and the OED review of project performance audit results. They have extended valuable support to the OED in its efforts to enlarge borrower involvement in the evaluation process. The Operations Evaluation Department is scheduled to submit a special overview of the evaluation of structural-adjustment loans to the Executive Board early in fiscal year 1987.

In addition to formal, regular Board meetings, the Executive Directors also meet as the Committee of the Whole to discuss certain matters prior to their submission to the Board for formal action. They also meet informally as frequently as required. Periodically, the Executive Directors hold seminars with Bank management that permit more informal discussion than can take place at regular Board meetings.

Topics covered in this manner during the past fiscal year included: agriculture in Africa; the Multilateral Investment Guarantee Agency (MIGA) (see page 52); the outline, and subsequently the text, of the 1986 *World Development Report*; the Bank's response to the debt initiative proposed by the U.S. Secretary of the Treasury, James A. Baker, III; management of the Bank's liquidity portfolio; ensuring food security in the developing world: issues and options (see page 49); the debt problem and growth; achievement of sustained growth in middle-income countries encountering debt-servicing difficulties and its effect on the World Bank's overall lending program and resource requirements; financing adjustment with growth in sub-Saharan Africa, 1986–90; IFC's operations, methods, and practices; and a progress report on Bank/IMF collaboration.

Joint Audit Committee. The Joint Audit Committee was established in 1970, essentially to represent the shareholders of the Bank in maintaining vigilance over the soundness of the Bank's financial practices and procedures. In pursuing its responsibilities during fiscal 1986, the Committee nominated a firm of private, independent, internationally established accountants to conduct the annual audits of the IBRD, IDA, and the IFC, discussed with them the scope of their examination, and reviewed with them the annual audited financial statements and the opinions thereon. In addition, through meetings with the Bank's senior financial officers, the Committee helps to provide assurance to the Bank's Executive Directors that the Bank's financial affairs are properly conducted.

The Committee also oversees the work of the Operations Evaluation and Internal Auditing Departments. It, therefore, reviewed the work programs of the two departments, the work in progress, desirable standards, and procedures of reporting. Through a subcommittee, it gave special attention to project performance audit reports to determine how well the Operations Evaluation Department carries out its assessment of individual projects. The Committee itself reviewed and identified reports giving rise to policy issues that may be considered by the Executive Directors. Through another subcommittee, the Committee examined a number of internal audit reports to determine the adequacy and efficiency of the Bank's internal audit.

Of continuing concern to the Committee is the adequacy of the flow of financial information to the Executive Directors in order for the Board to discharge its responsibilities properly with respect to the financial policies of the Bank. Accordingly, the system for providing financial information to the Board is reviewed periodically by the Committee.

The Committee provides a continuous channel—it usually meets once a month—through which the internal and external auditors can communicate with the Executive Directors should the need arise. The Committee consists of eight Executive Directors, who are appointed by the Board for a term of two years after each regular election of Executive Directors. Since November 1985, Fawzi Hamad Al-Sultan has served as chairman of the Committee.

The Committee on Directors' Administrative Matters (CODAM). The CODAM was established in 1968. It considers, makes recommendations, and reports its findings to the Executive Directors for their decision on matters of administrative policies relating to Executive Directors, alternates, advisers, and their staff. Its terms of reference involve it in a wide spectrum of administrative matters and charge it with the responsibility of assisting Executive Directors in the formulation of policies, changes in the existing policies, and implementing such policies. The Committee coordinates many of its recommendations with a similar committee established by the Executive Directors of the International Monetary Fund. In its recommendations, the Committee tries to maintain a balance between the organizational and administrative objectives of the institution and the unique circumstances faced by the Directors in discharging their responsibilities.

This Committee also meets about once a month. The membership consists of six Executive Directors, appointed for a term of two years after each regular election of the Executive Directors. Since November 1985, Ferdinand van Dam has served as its chairman.

The Committee on Staff Compensation Issues. The Committee on Staff Compensation Issues was established in July 1980. Its terms of reference mandate it to keep under continuing review and, where appropriate, to advise the Executive Directors on questions of staff-compensation policy and to maintain close liaison on all such matters with the Executive Directors of the IMF, bearing in mind the need for general parallelism between the two institutions.

Since its inception, the Committee has addressed a wide range of topics. These include: issues arising from a review of expatriate benefits; modifications in the financial-assistance program; principles of staff employment (subsequently adopted by the Executive Directors), as well as draft rules implementing them on sensitive issues such as separation and demotion; options for "intervening-year" salary reviews; the findings, implications, and options resulting from the 1984 major compensation review conducted by an outside consulting firm; issues arising from a joint Bank-IMF review of their pension plans; terms of reference for a joint Bank/IMF committee of Executive Directors to review certain elements of the staff compensation system; and issues arising from the Bank's job-grading program.

The Committee consists of eight Executive Directors, who are appointed by the Executive Directors for a term of two years after each regular election of the Executive Directors. Since March 1986, C.R. Krishnaswamy Rao Sahib has served as chairman of the Committee.

The Joint Bank/Fund Committee of Executive Directors on Staff Compensation consists of four Executive Directors of the Bank, including three members of the Committee on Staff Compensation Issues, and four Executive Directors of the IMF. The Committee was established in November 1984 to review those aspects of the compensation systems of the Bank and Fund that were called into question during the discussions on staff compensation in the Boards of the two institutions in June and July of 1984. Since February 1986, Guenter Grosche (IMF) has served as chairman of the Committee.

The Ad Hoc Committee on the Valuation of Bank Capital. This Committee was established in September 1983 to analyze the implications of alternative solutions to the valuation of the Bank's capital with a view to facilitating an agreed solution. The Committee consists of seven Executive Directors, who are appointed by the Executive Directors for a term of two years after each regular election of Executive Directors. Under its terms of reference, the Committee's mandate will terminate when a solution to the issue of valuation has been agreed by the Executive Board.

The Committee agreed on June 30, 1986, to send forward its recommendations on the valuation issue to the Executive Board. Those recommendations will be taken up by the Board in the near future. Since October 1983, Ronald H. Dean has served as chairman of the Committee.

Chapter One
The World Bank: Fiscal Year 1986, in Brief

It may later be said that the past year was a pivotal one in the recent history of economic relationships between developed and developing countries.

It would not do the year justice to have it remembered mainly through a series of snapshot-like events—all discussed elsewhere in this *Annual Report*: the slowdown of growth from 1984 levels in both developed and developing countries; the prolongation and deepening of the problems faced by the heavily indebted countries; the sharp decline in the price of oil and the ramifications of that decline on exporters and importers of petroleum; the fall in interest rates; the opening of a window of economic opportunity for the countries of sub-Saharan Africa; increasing protectionist pressures; and a flattening in levels of official development assistance.

Rather, the year may best be remembered as one in which rhetoric was transformed into action on a number of critical issues. To be sure, divisive issues remain unresolved. For others, only the outlines of possible solutions are discernible. Yet, the convergence of opinion among industrial and developing countries on the nature of current economic problems and on the paths that might be taken to ameliorate them, or even reverse their chronic, adverse trends, is what distinguishes the year from those that preceded it.

Two key issues, in particular, stand out upon which a vital convergence took place: the need to stimulate economic growth in those heavily indebted countries that have been undertaking, at some social pain, far-reaching programs of economic adjustment and the need for concerted action, by all parties concerned, to reverse the decades of economic decline in the nations of sub-Saharan Africa.

As the international community voiced its resolve to address these paramount issues, yet another growing consensus began to emerge: that during the remaining years of the current decade and into the 1990s, the World Bank must play a major role in stimulating growth in the heavily indebted countries, in helping reverse economic decline in Africa, and in promoting and coordinating capital flows to the world's developing countries. (See Table 1-1, which reports on those aid-coordination meetings chaired by the Bank in fiscal 1986.)

The major venues that gave voice to the emerging international consensus were the Annual Meetings of the World Bank and International Monetary Fund (IMF) (Seoul, Korea: October 1985) and the meetings of the Development Committee[1] (Seoul, Korea: October 1985 and Washington, D.C.: April 1986). Other international meetings, as well, including the Economic Summit in Tokyo (May 1986) and the special week-long session of the UN General Assembly on the economic problems of Africa (May 1986), also reflected this new spirit of cooperation.

By the time of the Seoul Annual Meetings, it had become apparent that the debt-servicing problems of many heavily indebted middle-income countries were likely to be protracted and that their long-term solution depended critically on the restoration of sustained growth. In too many instances, these countries had pursued adjustment policies that led to a compression of imports rather than increases in exports and savings; budget deficits were being pared not through increases in output, but by reducing expenditures on health, education, and other social services, thus endangering both long-term economic growth and social harmony.

The consensus that emerged was that concerted, not sequential, action by all the major parties to the problem—indebted countries, industrialized countries, commercial banks, and international financial institutions—had to be taken.

The scenario saw the indebted countries continuing their focus on measures to attain several major policy objectives: a stable macroeconomic environment, an increase in total invest-

[1] The Development Committee—formally known as the Joint Ministerial Committee of the Boards of Governors of the World Bank and the International Monetary Fund on the Transfer of Real Resources to Developing Countries—was established in 1974. The Committee's membership consists of ministers designated by each member government of the World Bank or the Fund that appoints an Executive Director, or by a group of members that elects an Executive Director.

Table 1-1. Aid Coordination Group Meetings Chaired by the World Bank, Fiscal 1986 (Consortia, Consultative and Aid Groups)

Date	Country	Location
1985		
July 18-19	Philippines: Ad hoc Subcommittee Meeting	Tokyo, Japan
September 25-26	The Gambia: Donors' Meeting on Emergency Assistance	London, England
November 5-6	Somalia	Paris, France
November 19-20	Ghana	Paris, France
November 26-27	Mauritania	Paris, France
December 17	Zambia: Interim Meeting	Paris, France
1986		
January 14	Burma	Tokyo, Japan
January 16	Nepal	Tokyo, Japan
January 21-22	Malawi	Paris, France
March 13	Caribbean Group: Ad hoc Advisory Committee	St. Lucia
April 11	Guinea: Donors' Meeting	Paris, France
April 14-15	Bangladesh	Paris, France
April 17-18	Pakistan	Paris, France
April 21-22	Zaire	Paris, France
April 24-25	Madagascar	Paris, France
April 29-30	Kenya	Paris, France
May 29-30	Philippines: Second Subcommittee Meeting	Tokyo, Japan
June 10-11	Tanzania	Paris, France
June 16-17	India	Paris, France
June 19	Sri Lanka	Paris, France

ment, improvements in productivity, rapid export growth, expansion of domestic savings, and rationalization of incentives for the private sector. The World Bank, in association with the IMF, would help governments establish and implement the domestic-policy reforms needed to increase lender and investor confidence in the ability of these countries to resume growth.

At the same time, industrial countries would act together to ensure satisfactory rates of noninflationary growth and join with commercial banks and multilateral development banks to boost investment in countries whose domestic policies would permit additional resources to be used efficiently.

Progress in realizing that scenario has been made. The indebted countries have continued to implement programs of adjustment; enhanced coordination of economic policies by the Group of Five has taken place; and the World Bank has expanded its lending in support of adjustment efforts.

Expanded Bank support to these countries—made possible through strengthened international consensus—has come mainly in three areas: through assistance, in close association with the IMF, in the formulation, implementation, and monitoring of medium-term adjustment programs; in its lending in support of those programs; and through its catalytic role in mobilizing and coordinating private and official flows.

Disbursements to fourteen highly indebted middle-income countries have risen from $2.4 billion in fiscal 1982 to about $4.1 billion at the end of fiscal 1986—mostly, but not exclusively, in support of adjustment programs in Latin American countries.

Lending in support of programs of adjustment now totals approximately a third of all Bank commitments to these countries. Whether through structural-adjustment or sector-adjustment loans, the funds provided in support of policy changes are disbursed quickly and thus make a swift contribution to a country's external-capital needs.

Commensurate increases in private lending, however, have not occurred. "It is apparent . . . that the recent weakness of private bank lending to developing countries is hard to turn around," World Bank President A.W. Clausen reported to the Development Committee at its April 1986 meeting.

The Development Committee, in turn, responded by urging creditor governments to ensure that regulations and guidelines imposed by their bank supervisors do not impede financing arrangements that can provide prudent but increased commercial bank flows to countries implementing significant programs of adjustment and growth.

In a related action, support was also given during the year to a World Bank initiative to secure greater flows of private foreign investment to developing countries, when a draft Convention for the Multilateral Investment Guarantee Agency (MIGA) was approved by the Bank's Board of Governors. MIGA, which has as its goal the stimulation of just such flows, is endowed with authority to issue guarantees against noncommercial risk through a wide range of technical-assistance and consultative activities.[2]

Throughout the year, the Bank sought to encourage commercial banks to increase their lending—disbursements by commercial banks to the highly indebted middle-income countries increased by less than 1 percent in 1985—to these countries. Over the longer term, commercial bank confidence in the ability of these countries to resume growth may well be bolstered if the Bank has the resources needed to help the highly indebted countries design and implement crucial policy reforms in coming years.

A program of expanded Bank lending to its developing member countries during the period fiscal 1986–88—of between $40 billion and $45 billion—was endorsed early in the fiscal year by ministers from both developed and developing countries. Later in the year, the Bank recognized the potential for additional lending—not only to the heavily indebted countries, but also to other countries, including "blend" countries, whose access to IDA's concessional flows may be limited—and so raised its lending range for these years to as much as $50 billion, while also projecting a lending volume in an amount of up to $21.5 billion in fiscal 1990.

Because such expanded lending demands an expansion of the IBRD's capital, the question of the timing of a general capital increase (GCI) has become increasingly crucial. There is no question, noted the April 1986 communique of the Development Committee, that the Bank should not be constrained by a lack of capital or borrowing authority in meeting future demands by its borrowing member countries. The President of the Bank noted,[3] however, that it will be important for shareholders to agree in principle on a capital increase in fiscal year 1987 so as to ensure that the IBRD can fully meet the needs of its members.

The second major area in which there was a noticeable convergence of opinion concerned the nations of sub-Saharan Africa. In 1986, sub-Saharan Africa began to emerge from one of the worst famines in recent history, and per capita incomes are expected to rise for the first time since 1980. This good news was relative: Low-income Africa remains poorer today than it was a quarter of a century ago.

In late fiscal year 1985, following the publication by the Bank of *Toward Sustained Development in Sub-Saharan Africa: A Joint Program of Action*, consensus built for the Bank to explore ways to mobilize additional resources to implement a program of action that could lead to the region's realization of its potential.

The Bank's efforts led to the creation of the Special Facility for sub-Saharan Africa, whose mandate was to support financially, over a three-year period, reform programs undertaken by African governments. That facility began operations on July 1, 1985.[4]

In fiscal 1986, the Bank reported on recent developments in the sub-Saharan region. Its study[5] drew several conclusions: that African governments were making significant progress in the formulation and implementation of structural-adjustment programs, but that much remains to be done; that Africa's declining level of imports—not only of investment goods but of essential consumer goods and raw materials, as well—threatens to undermine the reforms now under way; and that known and expected aid commitments to the region in the period 1986–90 of $32.8 billion leave a resource gap of $2.5 billion to be filled. The report's principal theme was stark: that without additional resources, in the form of new aid and debt relief, to those countries that continue their efforts at structural adjustment, their attempts to help themselves must fail.

Consensus on a number of Bank recommendations to assist the nations of this region has emerged, as industrial nations have agreed to exert their best efforts to close the $2.5 billion gap by providing additional official development assistance, through both multilateral and bilateral channels, to countries that are undertaking significant reform programs. Furthermore, widespread agreement exists on the principle that donor countries should not be net recipients of official capital flows from those very African governments they are trying to assist. To the recommendation of the Bank that donors act in greater concert with respect to their assistance programs in the region came the suggestion that the Bank take the leadership in this endeavor.

Movement on securing the funds needed by the Bank to fulfill its role in helping finance ad-

[2] Details of the Multilateral Investment Guarantee Agency are found beginning on page 52.

[3] A.W. Clausen to the Development Committee, April 1986.

[4] For a report on Facility activities in fiscal 1986, see page 22.

[5] *Financing Adjustment with Growth in Sub-Saharan Africa, 1986–90.*

Note on Dollar Amounts

Dollar amounts used in the text of the *Annual Report* refer to current United States dollars. Where special drawing right (SDR) amounts are used for the capital of the Bank, one SDR equals 1.17757 current United States dollars at June 30, 1986 (one SDR equaled 0.998281 current United States dollars at June 28, 1985).

For a detailed discussion and the basis for SDR amounts used for IDA subscriptions and contributions, see IDA Financial Statements, Appendix F—Notes for Financial Statements.

justment with growth in sub-Saharan Africa continued throughout the year. During negotiations on an eighth replenishment of IDA resources for the period fiscal 1988-90, deputies, representing thirty-four donor nations, agreed to exert every effort to achieve a replenishment of $12 billion.

The need for an IDA replenishment of a sufficiently high level goes well beyond the borders of sub-Saharan Africa, however. Poor countries in other parts of the globe also have a legitimate claim to be continuous and substantial IDA beneficiaries.

The Bank also welcomed during the year the decision of the IMF Board of Executive Directors to establish a structural-adjustment facility that will make available SDR2.7 billion for balance-of-payments assistance to low-income countries that have developed medium-term adjustment programs. The Bank is currently exploring ways in which it might collaborate with the Fund to enhance the facility's effectiveness.

Increased collaboration with the Fund continued in fiscal 1986, as both institutions stepped up their efforts to help member countries resume sustainable growth. During the year, the Bank and Fund worked particularly closely in heavily indebted countries to help support adjustment programs with the aim—unfulfilled at the end of the fiscal year—of securing additional commercial-bank financing.

Fiscal 1986 may have set the stage for events to come: for a continuation of progress through concerted international action to secure noninflationary, sustained economic growth and increased responsibility by the World Bank in that process.

It is a responsibility for which the Bank is ready, as it has now assumed a principal role in the endeavor through the expansion of its services in several areas, including lending, provision of policy advice and technical assistance, and the enhancement of its catalytic role with commercial banks and in aid coordination. The strengthening of that role is now under way in two key areas:

- Stepped-up assistance to those heavily indebted middle-income countries that wish the Bank's help in pursuing medium-term policies that are consistent with growth and adjustment
- Enhanced assistance under the joint program of action to the countries of sub-Saharan Africa. This assistance will take the form of lending (whose amounts in fiscal 1987 continue to be limited by the results of past agreements), as well as through the elaboration of medium-term "frameworks" in collaboration with the IMF and the use of those frameworks as a basis for a growing catalytic role.[6]

Fiscal Year 1986—Some Highlights

In fiscal year 1986, lending commitments by the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), and the International Finance Corporation (IFC) totaled $17,475 million.

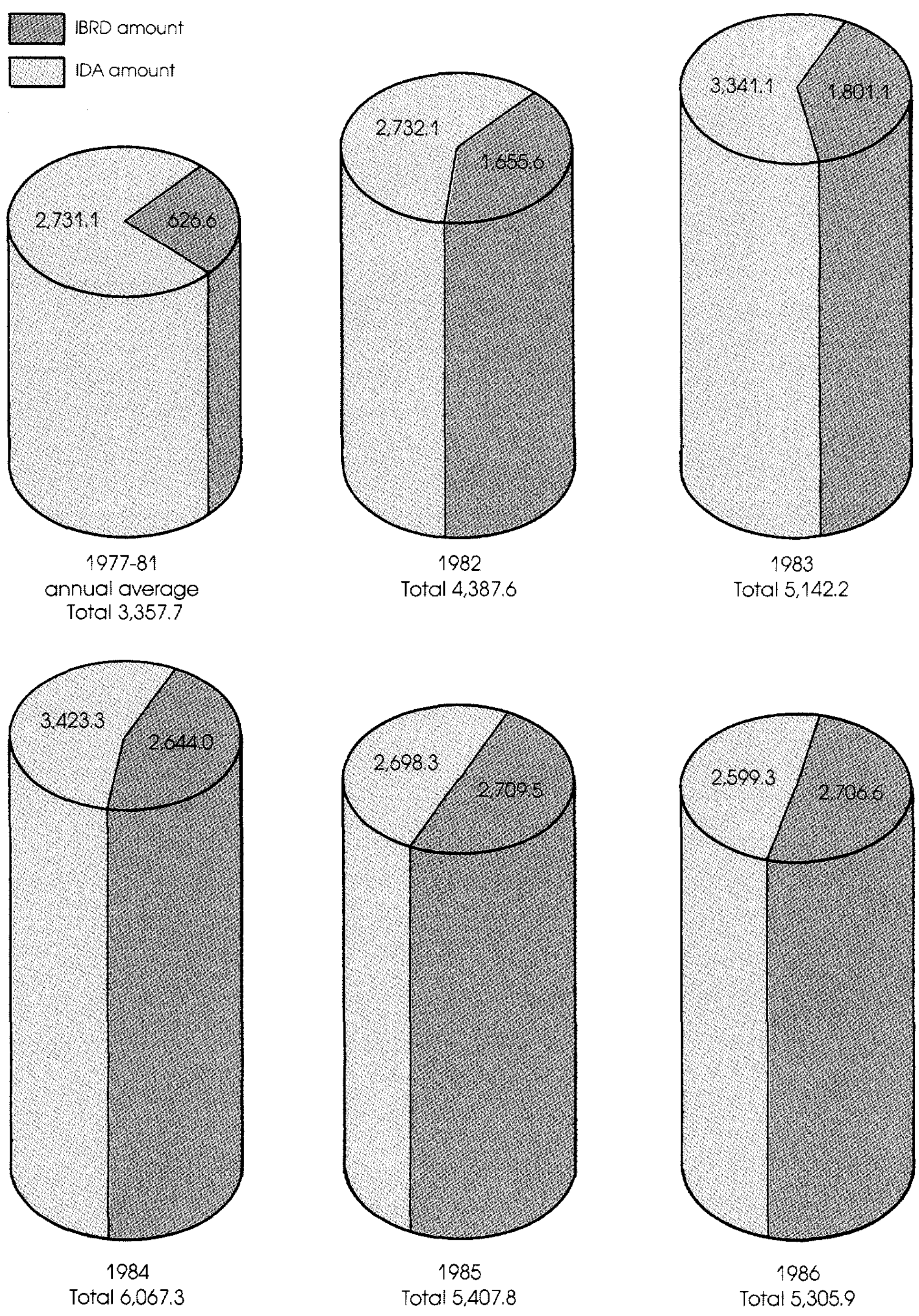
That amount was $2,153 million higher (14 percent) than the previous year's record of $15,322 million.[7] Commitments by the IBRD were $13,179 million, up $1,823 million (16 percent) from fiscal year 1985 amounts. IDA commitments, of $3,140 million, were $112 million higher (3.7 percent) than in fiscal year 1985. Commitments from the IFC, some $1,156 million, were $219 million higher (23 percent) than in the year before.

In addition to IBRD and IDA lending, Special Facility for sub-Saharan Africa operations

[6] The ability of the Bank to handle its increased responsibilities effectively depends on a multitude of factors. The global economic environment, adequate resources, and the continued ability of the Bank to attract and retain professional and dedicated staff are factors of paramount importance. Among the others is the Bank's ability to ensure that its staff work in an environment that encourages efficiency. Page 27 reports on ways being developed to enhance Bank efficiency in its operational work.

[7] Since the real value of loan commitments by the IBRD and IDA is eroded to the extent that cost inflation occurs over the period of disbursements, the Bank plans and monitors its commitments in "real," as well as "nominal" terms. The deflator now used to express commitments in real terms is a weighted average of the price levels assumed to be prevailing over the period of disbursement of these commitments, where the weights are the proportion of a typical loan that would be disbursed each year. The price levels are U.S. dollar-denominated indexes of the unit value of manufactured exports from developed countries to developing countries, which take account of both inflation in the former and changes in their currencies (for example, Deutsche mark, Japanese yen, and so forth) *vis-à-vis* the U.S. dollar. If fiscal 1986 IBRD and IDA commitments were to be expressed in terms of fiscal 1985 dollars, they would be $15,389 million.

Figure 1-1. IBRD and IDA Lending to Poorest Countries, Fiscal Years 1977—86
(1984 US$ millions)



Note: The poorest countries are defined as those with per capita income less than $400 in 1984 US dollars.

Table 1-2. Eastern and Southern Africa: Net Transfers to Current Borrowers

(millions of US dollars)

	Sudan		Zimbabwe		Kenya		Ethiopia		Total region	
Item	1986	1982–86	1986	1982–86	1986	1982–86	1986	1982–86	1986	1982–86
IBRD and IDA commitments	62.6	377.5	—	347.0	75.0	647.2	67.5	395.5	915.9	4,732.9
Gross disbursements	52.7	342.2	35.8	226.5	92.3	639.0	50.4	191.1	821.8	3,645.8
Repayments	8.0	31.0	—	—	40.0	118.6	7.8	30.0	151.5	551.3
Net disbursements	44.7	311.2	35.8	226.5	52.3	520.4	42.6	161.1	670.3	3,094.5
Interest and charges	7.6	29.4	21.3	54.7	67.2	226.5	7.8	32.9	212.6	809.5
Net transfer	37.1	281.8	14.5	171.8	(14.9)	293.9	34.7	128.2	457.7	2,285.0

NOTE: Current borrowers are countries having a lending program in fiscal 1986–89. Transactions relating to Part II countries guaranteed by Part I countries are included. Disbursements from the IDA Special Fund are excluded. The countries shown in the table are those with the largest GNP, listed in descending order. Details may not add to totals because of rounding.

Table 1-3. Western Africa: Net Transfers to Current Borrowers

(millions of US dollars)

	Nigeria		Cameroon		Côte d'Ivoire		Ghana		Total region	
Item	1986	1982–86	1986	1982–86	1986	1982–86	1986	1982–86	1986	1982–86
IBRD and IDA commitments	312.9	1,303.9	30.1	398.2	340.1	1,138.8	96.0	416.3	1,130.6	4,868.1
Gross disbursements	284.3	1,034.6	73.9	283.9	102.7	790.0	96.9	238.0	873.9	3,519.6
Repayments	58.0	198.4	18.5	51.6	45.6	136.0	9.8	42.0	168.5	544.6
Net disbursements	226.3	836.2	55.4	232.3	57.2	654.0	87.1	196.0	705.4	2,975.0
Interest and charges	115.1	359.8	26.1	93.2	88.4	275.5	11.5	49.7	284.0	948.0
Net transfer	111.2	476.4	29.3	139.1	(31.2)	378.5	75.6	146.3	421.4	2,027.0

NOTE: Current borrowers are countries having a lending program in fiscal 1986–89. Transactions relating to Part II countries guaranteed by Part I countries are included. Disbursements from the IDA Special Fund are excluded. The countries shown in the table are those with the largest GNP, listed in descending order. Details may not add to totals because of rounding.

Table 1-4. East Asia and Pacific: Net Transfers to Current Borrowers

(millions of US dollars)

	China		Indonesia		Korea		Thailand		Total region	
Item	1986	1982–86	1986	1982–86	1986	1982–86	1986	1982–86	1986	1982–86
IBRD and IDA commitments	1,137.0	3,951.9	1,132.0	5,394.1	626.0	3,092.5	93.0	1,358.3	3,565.2	16,399.7
Gross disbursements	593.6	1,139.3	818.1	3,395.2	322.6	2,565.0	246.9	1,678.2	2,336.1	11,169.5
Repayments	—	—	179.2	520.8	293.8	936.0	102.7	295.2	825.7	2,514.4
Net disbursements	593.6	1,139.3	638.9	2,874.4	28.8	1,629.0	144.2	1,383.0	1,510.4	8,655.1
Interest and charges	52.6	80.0	331.6	1,030.1	319.9	1,151.9	194.5	654.0	1,183.1	3,993.1
Net transfer	541.0	1,059.3	307.3	1,844.3	(291.1)	477.1	(50.3)	729.0	327.3	4,662.0

NOTE: Current borrowers are countries having a lending program in fiscal 1986–89. Transactions relating to Part II countries guaranteed by Part I countries are included. Disbursements from the IDA Special Fund are excluded. The countries shown in the table are those with the largest GNP, listed in descending order. Details may not add to totals because of rounding.

Table 1-5. South Asia: Net Transfers to Current Borrowers

(millions of US dollars)

	India		Pakistan		Bangladesh		Burma		Total region	
Item	1986	1982–86	1986	1982–86	1986	1982–86	1986	1982–86	1986	1982–86
IBRD and IDA commitments	2,368.3	11,753.3	650.2	2,248.0	463.0	1,880.4	30.0	309.0	3,631.0	16,993.9
Gross disbursements	1,365.7	6,336.0	214.5	865.2	343.4	1,198.8	50.6	267.2	2,116.9	9,208.6
Repayments	161.7	589.1	46.7	194.5	6.7	14.2	0.9	1.9	222.5	820.0
Net disbursements	1,204.0	5,746.9	167.8	670.7	336.7	1,184.6	49.7	265.3	1,894.4	8,388.6
Interest and charges	287.7	974.6	52.2	202.4	21.9	79.3	3.9	12.7	377.9	1,305.4
Net transfer	916.3	4,772.2	115.6	468.3	314.8	1,105.3	45.8	252.6	1,516.5	7,083.2

NOTE: Current borrowers are countries having a lending program in fiscal 1986–89. Transactions relating to Part II countries guaranteed by Part I countries are included. Disbursements from the IDA Special Fund are excluded. The countries shown in the table are those with the largest GNP, listed in descending order. Details may not add to totals because of rounding.

Table 1-6. Europe, Middle East, and North Africa: Net Transfers to Current Borrowers

(millions of US dollars)

	Turkey		Algeria		Yugoslavia		Romania		Total region	
Item	1986	1982–86	1986	1982–86	1986	1982–86	1986	1982–86	1986	1982–86
IBRD and IDA commitments	1,057.0	3,867.0	—	680.0	121.5	1,641.6	—	321.5	2,304.8	12,774.5
Gross disbursements	590.8	2,817.9	108.6	368.2	240.0	1,551.1	23.5	1,190.0	2,086.4	10,318.4
Repayments	184.8	613.6	47.0	156.7	185.7	738.0	126.9	482.4	903.4	3,076.0
Net disbursements	406.0	2,204.3	61.6	211.5	54.3	813.1	(103.4)	707.6	1,183.0	7,242.4
Interest and charges	286.5	947.9	39.1	139.8	190.9	709.6	98.6	536.5	997.7	3,584.9
Net transfer	119.5	1,256.4	22.5	71.7	(136.6)	103.5	(202.0)	171.1	185.3	3,657.5

NOTE: Current borrowers are countries having a lending program in fiscal 1986–89. Transactions relating to Part II countries guaranteed by Part I countries are included. Disbursements from the IDA Special Fund are excluded. The countries shown in the table are those with the largest GNP, listed in descending order. Details may not add to totals because of rounding.

Table 1-7. Latin America and the Caribbean: Net Transfers to Current Borrowers

(millions of US dollars)

	Brazil		Mexico		Argentina		Colombia		Total region	
Item	1986	1982–86	1986	1982–86	1986	1982–86	1986	1982–86	1986	1982–86
IBRD and IDA commitments	1,620.0	6,926.9	904.0	3,623.5	544.5	1,224.5	700.3	2,241.6	4,771.2	17,751.0
Gross disbursements	716.3	4,411.4	656.2	2,799.4	150.9	537.7	654.3	2,094.2	3,093.7	13,004.1
Repayments	496.6	1,565.8	375.6	1,160.9	81.9	315.3	200.8	687.5	1,433.1	4,659.8
Net disbursements	219.7	2,845.6	280.6	1,638.5	69.0	222.4	453.5	1,406.7	1,660.6	8,344.3
Interest and charges	477.5	1,550.1	326.4	1,186.5	56.3	234.5	197.6	637.2	1,384.3	4,764.0
Net transfer	(257.8)	1,295.5	(45.8)	452.0	12.7	(12.1)	255.9	769.5	276.3	3,580.3

NOTE: Current borrowers are countries having a lending program in fiscal 1986–89. Transactions relating to Part II countries guaranteed by Part I countries are included. Disbursements from the IDA Special Fund are excluded. The countries shown in the table are those with the largest GNP, listed in descending order. Details may not add to totals because of rounding.

amounted to $782 million to fifteen countries during fiscal 1986.

A total of 131 IBRD loans were distributed among forty-one countries. Ninety-seven IDA credits were distributed among thirty-seven countries; IFC's eighty-five investments were in thirty-nine countries.

For those projects for which total costs can be calculated, IBRD and IDA assistance provided about 30 percent of the total funds required.

The most active borrowers from the IBRD were India ($1,743 million for six projects), Brazil ($1,620 million for eleven projects), and Indonesia ($1,132 million for eleven projects). IDA was most active in India ($625 million for six projects), Bangladesh ($463 million for six projects), and China ($450 million for four projects).

During fiscal 1986, disbursements by the IBRD to countries totaled $8,263 million, down $382 million from fiscal 1985. IDA disbursements, at $3,155 million, rose by $664 million over their fiscal 1985 amounts. The decline in IBRD disbursements reflected the continuing higher-than-average rate of loan cancellations and a very slow project-implementation pace in certain borrowing countries.

The net transfer of resources to current borrower countries by the IBRD and IDA combined was $3,184 million, as compared with the fiscal 1985 total of $4,936 million.

In fiscal 1986, 113 IBRD-assisted and IDA-assisted projects involved cofinancing funds, amounting to $3.5 billion (see Table 1-10). That amount was $1.5 billion less than in the previous year. The 113 cofinanced projects represented almost half of the total number of projects approved by the two institutions.

Net income of the IBRD for fiscal 1986, at $1,243 million, increased by 9 percent ($106 million) over the fiscal 1985 level of $1,137 million. The increase resulted primarily from high returns on the IBRD's liquidity and from lower borrowing costs.

Total borrowings of the IBRD were $10,609 million, as opposed to $11,086 million in fiscal 1985. The IBRD was most active in borrowing (before swaps) U.S. dollars (31 percent), Swiss francs (18 percent), Japanese yen (17 percent), Deutsche mark (16 percent), and Dutch guilders (7 percent). After swaps, the IBRD was most active in borrowing Swiss francs (29 percent), Deutsche mark (20 percent), United States dollars (19 percent), Japanese yen (18 percent), and Dutch guilders (9 percent).

The subscribed capital of the IBRD increased by SDR6,889 million during fiscal 1986. Of that amount, SDR4,865 million was the result of subscriptions authorized by the general capital increase approved in January 1980.

Special Facility for sub-Saharan Africa

The Special Facility for sub-Saharan Africa began operations on July 1, 1985, with expected available resources—from direct contributions, as well as resources from special joint financing—totaling more than $1.2 billion.

The facility was designed to provide quick-disbursing assistance to IDA-eligible countries in sub-Saharan Africa that had undertaken, or were committed to undertake, appropriate medium-term programs of policy reform. Eligibility under this formula is determined in a flexible manner, taking into account the specific circumstances of countries. Although there has been no attempt to predetermine the allocation of resources among eligible countries, as a general rule, Special Facility credits will not exceed 60 percent to 70 percent of a country's planned allocation under the seventh replenishment of IDA resources.

During the year, Special Facility operations, totaling $782 million, were approved in fifteen countries. Table 1-8 details the breakdown of Special Facility credits by country and amount. Structural-adjustment credits, together with reconstruction-imports credits, accounted for approximately 45 percent of Special Facility commitments. Sector-adjustment credits accounted for 40 percent of commitments; the remainder went to help finance rehabilitation projects with a major policy content.

Disbursements under the Special Facility, including $17.4 million in disbursements from special joint financing, amounted to $119.1 million during the year. As the majority of the projects approved for Special Facility financing became effective during the second half of the fiscal year, Special Facility disbursements are expected to accelerate in fiscal 1987.

The Special Facility's resources were augmented during the year by the addition of three direct contributors—Belgium, Ireland, and the United States—and by the addition of Belgium as a special joint financer. Table 1-9 shows the amounts pledged to the Special Facility as of June 3, 1986.

IDA

An initial discussion of the eighth replenishment of resources of the International Development Association (IDA-8) took place at the World Bank-IMF Annual Meetings in Seoul, Korea, in October 1985. Negotiations of the replenishment were formally launched, however, with a meeting of IDA deputies on January 27 and 28, 1986, in Paris. A further meeting took place in Washington, D.C. on April 7 and 8, 1986. Resources contributed under the eighth re-

Table 1-8. Special Facility for sub-Saharan Africa Operations Approved, Fiscal 1986

Country and project	Special Facility amount[a] (US$ millions)	Date of approval
Burundi		
Structural-adjustment credit I	36.0	May 1986
Equatorial Guinea		
Reconstruction-import credit	4.0	May 1986
Ghana		
Road-rehabilitation and maintenance credit	14.0	August 1985[b]
Reconstruction-import credit II	41.0	September 1985[b]
Industrial sector-adjustment credit	25.0	April 1986
Guinea		
Structural-adjustment credit	59.0	February 1986
Guinea-Bissau		
Reconstruction-import credit	5.0	April 1986[b]
Kenya		
Agricultural-sector credit	40.0	June 1986
Madagascar		
Industrial-assistance credit	20.0	December 1985[b]
Agricultural-adjustment credit	41.0	May 1986
Malawi		
Structural-adjustment credit III	79.0	December 1985
Niger		
Structural-adjustment credit	40.0	February 1986
Transportation-sector credit	38.0	May 1986
Rwanda		
Highway IV project	15.0	December 1985
Senegal		
Structural-adjustment credit	51.0	February 1986
Somalia		
Agricultural-inputs program I	22.0	December 1985[b]
Agricultural sector-adjustment credit	40.0	June 1986
Togo		
Structural-adjustment credit II	40.0	August 1985[b]
Zaire		
Highway VI project	34.0	November 1985[b]
Industrial sector-adjustment credit	60.0	June 1986
Zambia		
Agricultural-rehabilitation credit	14.0	November 1985[b]
Industrial-reorientation credit	64.0	September 1985
Total	782.0[c]	

a. The amounts shown include approved Special Facility credits plus specific amounts of special joint financing (SJF) indicated by SJF contributors.

b. For these projects, IDA credits were approved in fiscal 1985. The approval date indicates approval of the Special Facility supplemental financing.

c. Figures rounded in millions of dollars.

***Table 1-9.* Proposed Contributions to the Special Facility for sub-Saharan Africa**
(millions)

Donor	National currency		Special drawing rights[a]	US dollars[a]
Direct contributions				
Austria	S	222.8	12.1	13.9
Belgium	BF	300.0	5.6	6.4
Canada	Can$	100.0	62.5	71.8
Denmark	Dkrl	170.0	17.1	19.7
Finland	Fmk	78.0	12.9	14.8
France	F	1,500.0	179.2	206.0
Ireland	£Ir	1.5	1.7	2.0
Italy	Lit	300,000.0	164.7	189.3
Netherlands	f.	350.0	118.3	136.0
Norway[b]	NKr	265.0	29.8	34.2
Spain	Ptas	1,665.9	9.9	11.4
Sweden	SKr	440.0	52.3	60.2
United States	$	71.8	62.4	71.8
IBRD[c]		—	130.5	150.0
Special joint financing				
Belgium	BF	300.0	5.6	6.4
Germany, Federal Republic of[d]	DM	300.0	114.1	131.2
Japan[e]	¥	33,200.0	166.0	190.9
Saudi Arabia	SRls	360.0	85.9	98.8
Switzerland	SwF	80.4	36.9	42.5
United Kingdom[f]	£	75.0	97.1	111.6
Total			1,364.9	1,568.8

NOTE: Amounts are indicative as of June 3, 1986.

a. The US-dollar and SDR equivalents are based on exchange rates prevailing on June 3, 1986.

b. Includes investment income of NKr4 million.

c. On October 11, 1985, the Board of Governors approved the transfer of FY1985 IBRD net income to the Special Facility for sub-Saharan Africa.

d. DM100 million a year, first two years allotted, third year to be requested.

e. ¥17,500 million provided for the first year and ¥15,700 million provided in the second year; amount for the third year to be determined.

f. £75 million to be disbursed over a five-year period.

plenishment of IDA will provide the Association with funds for credit commitments in the period fiscal 1988–90.

In Seoul, where IDA-7 (the seventh replenishment) was reviewed at the midpoint of the replenishment period, IDA deputies discussed the marked deterioration in the economies of the poorest countries, especially those in Africa. At the same time, the planned lending by the Association to the poorest countries had been sharply curtailed because of the lower volume of resources made available under IDA-7 as compared with IDA-6 (the sixth replenishment). As a result, investments in these countries in infrastructure, social sectors, and productive activity were deferred, with a resulting adverse impact on long-term growth and the living standards of the poor. These concerns added urgency to the negotiations for IDA-8 and led to a commitment by IDA deputies to complete the negotiations by the time of the 1986 Annual Meetings.

The deputies also reaffirmed at the Seoul meeting their strong support for IDA as an institution and emphasized its important role as a multilateral institution in providing basic investment for long-term growth and for helping design and support needed economic reforms and structural changes. They also stressed that IDA was an effective institution and that, therefore, it should play a pivotal role in alleviating poverty and enhancing development in the poorest nations.

Considerable progress was made during the first two formal meetings. At the Paris meeting, the IDA deputies discussed a negotiating range for the replenishment, the terms of IDA lending, and allocations among country groups. It was decided that, as these three issues were closely linked, they should be negotiated as a package. In this context, the key issue was the size of IDA-8, with a final agreement on the package of issues depending ultimately on the resolution of the question of size.

At the Washington meeting, progress was made on this issue. Most deputies focused on a figure around $12 billion, which would represent the value, in real terms, of IDA-7 and the Special Facility for sub-Saharan Africa combined. The meeting also addressed the question of burden sharing among donors. The focal point of discussion was on donors' existing shares in IDA-7. Most deputies stressed that IDA-8 shares should not be reduced if the goal of seeking a reduction in the 2.6 percent unallocated portion of IDA-7 were to be secured.

Fiscal commitment authority. In fiscal 1986, IDA received additional notification of participation in the seventh replenishment from five Part I donors (Belgium, Ireland, Italy, the Netherlands, and New Zealand) and two Part II donors (Spain and Yugoslavia). New Zealand submitted its notification of participation in IDA-7 for an amount 36 percent higher than the amount agreed to during the IDA-7 negotiations. Cumulative notifications of participation in IDA-7 now represent about 98.8 percent of the total replenishment volume.

The Association requested advance release in fiscal 1986 of the second tranche of IDA-7 to mitigate a hiatus in commitment authority. Australia, Canada, Denmark, Greece, Japan, Norway, South Africa, Spain, Sweden, and the United Kingdom made such advance releases. Scheduled releases of the second tranche have now been made by Austria, Belgium, Brazil, Finland, France, Hungary, Iceland, Italy, the Republic of Korea, Kuwait, Luxembourg, Mexico, Saudi Arabia, and Yugoslavia. Together, these releases increased commitment authority by about SDR1,630 million. The United States' and the Federal Republic of Germany's portion of the second tranche have not been released fully because the United States was unable to appropriate the full amount of its second tranche of $750 million. The United States' payment was reduced by 11 percent to $669.9 million, and Germany exercised its right to reduce its second tranche pro-rata with the United States. As a result, the United States' and Germany's portion of the second tranche released for commitment amounted to about SDR880 million.

Additional commitment authority for fiscal 1986 was also provided by Australia's decision to contribute an additional A$60 million; by the transfer from the IBRD of $150 million out of its fiscal 1985 net income; and by advance releases of the third tranche of IDA-7 subscriptions and contributions aggregating SDR104 million. Advance releases were made by Austria, Denmark, Iceland, Korea, Norway, Spain, and Yugoslavia.

The Bank and the Environment

Several initiatives designed to improve environmental aspects of Bank assistance to developing countries were launched in fiscal 1986.

The developments, which represent an extension of the Bank's past policies and procedures that aim at ensuring that economic development takes place without undue ecological damage, include:

- A program of natural-resource management, designed to explore ways in which the Bank's country economic and sector work can be improved to give greater weight to environmental considerations
- Establishment of a natural-resources information system using satellite sensing and other technology to create a global data base on environmental conditions in developing countries
- A stepped-up program of in-house training to make nontechnical operational staff better able to assess environmental aspects of development projects. Special training for developing-country officials will also be offered through the Bank's Economic Development Institute
- Development of a hazard-analysis computer program, which will be made available to developing countries, as well as to industrial-plant designers and contractors worldwide. The program software will help developers identify and determine the consequences of potential major accidents and learn how they can be reduced or eliminated by appropriate process changes, reductions of inventories, layout or siting changes, and so forth
- New policies and guidelines for the preservation and management of wildlands. The goals are to provide greater protection for tropical forests and rare and endangered species, preserve biological diversity, and promote the economically beneficial services that wildlands offer. (See accompanying box.)

These initiatives, announced late in the fiscal year, are the most recent in a series of actions taken by the Bank over the past year or so and which include:

- Participation in an international program to arrest the destruction of tropical forests. An international task force convened by the Bank, the United Nations Development Programme, and the World Resources Institute has developed an extensive program to manage the world's remaining tropical forests
- A review of Bank policy to provide safeguards for tribal peoples affected by development projects. The policy, formulated in 1983, has been implemented in some projects, and an

Bank Assistance for Wildland Management

The maintenance of specific natural land and water areas in a state virtually unmodified by human activity—wildland management—is an important subset of the World Bank's broad environmental concerns. The conversion of wildlands to more intensive land and water uses (through land clearing, inundation, plantations, or other means) continues to meet important developmental objectives and is an element of certain Bank-supported projects.

At the same time, wildlands are rapidly diminishing in many Bank member countries. The remaining wildlands can often contribute significantly to economic development, particularly in the longer term, when maintained in their natural state. The Bank's policy is to seek to achieve a balance between preserving the environmental values of the world's more important remaining wildlands and converting some to more intensive human uses.

During the past fifteen years, the World Bank has assisted with the financing or execution of as many as forty projects with significant wildland-management components.

Most of these wildland components have involved the establishment or strengthening of wildland-management areas (WMAs), which protect about 60,000 square kilometers in national parks, wildlife sanctuaries, and forest reserves managed primarily for their watershed or biological values, rather than for wood harvest. Other wildland-management components of Bank projects have involved management of wildlife and the humans that utilize it, including antipoaching measures, management of water flows from reservoirs to maintain wildlife habitat, and relocation of certain species. In still other cases, the location of projects has been changed to avoid important wildland areas. Other Bank projects have supported wildland management by more indirect means and have complemented direct wildland management in important ways.

Direct wildland-management components have been incorporated within Bank projects to achieve either or both of two major objectives: to prevent, minimize, or partially compensate for wildland elimination, thereby preserving biological diversity, and to preserve and improve the environmental services provided by wildlands, thus enhancing the project's social or economic benefits.

Wildland-management components in Bank projects have been characterized by low costs, and hence, a high degree of replicability. They have normally accounted for less than 3 percent of total project costs, and, in half the cases, for less than 1 percent. Despite their generally low and, sometimes, absence of costs, Bank-supported wildland-management components have achieved significant benefits. In all cases, these components have contributed to the preservation of biological diversity, an important Bank objective.

A number of important lessons have emerged from the Bank's experience with wildland management. The most important is that wildland-management components should be routinely and systematically incorporated into certain types of Bank projects. In this manner, the short-term and long-term benefits accruing from wildland management can be more fully realized.

Another lesson is that wildland components should be incorporated as early as possible within the project cycle to minimize costs and facilitate implementation.

The Bank has also found that meeting wildland-management goals requires effective management "on the ground," not simply on paper. The mere declaration of intent to protect wildlands or wildlife, or even the designation of WMAs on a map, does not ensure effective management unless specific supporting measures are implemented. These measures include hiring and training of personnel, provision of necessary infrastructure and equipment, development of a scientifically sound management plan for each particular wildland, and a policy environment—legal, economic, and institutional—that supports the wildland-preservation objective.

Another lesson has been that the multiple objectives of wildland management are most successfully attained if the WMA is carefully designed. For example, a WMA cannot serve its intended functions properly if it is too small. Besides size, the specific location and shape of a WMA can also be important factors in determining its success.

The Bank has learned, also, that the success of a WMA is contingent on government commitment, which, in turn, often depends on the degree of support provided by the Bank. Most of the components in Bank projects that have either established or strengthened WMAs have received direct financial support from the Bank. However, in some cases, the costs of WMA establishment have been borne entirely by the government. By taking measures to ensure counterpart financing, or by providing the financing itself, the Bank can help guarantee the availability of the modest sums necessary for successful WMA establishment and continuation. Financial support, however, must be combined with regular discussions with governments on the importance of conservation and on the benefits of WMAs and with project supervision to ensure that implementation is proceeding as agreed upon.

Finally, residents in the vicinity of WMAs should be consulted as a WMA component is being planned, and steps should be taken to ensure that benefits from the component accrue to them. Similarly, complementary and parallel rural-development investments that provide nearby farmers and villagers an alternative to WMA encroachment should be encouraged.

evaluation of the results of project experience is expected to be completed in fiscal 1987

- The establishment of pesticide evaluation and testing centers in locations in East and West Africa, in addition to the center previously set up in the Caribbean. The centers provide training in the analysis of pesticide residues on agricultural commodities and the correct handling of pesticides
- Development of new guidelines for handling archaeological sites. To be issued early in fiscal 1987, the guidelines will draw on the results of Bank assistance to developing countries in protecting and managing valuable archaeological sites and artifacts in thirty projects
- Publication of a book[7] that reviews the problems that arise in various sectors and shows how advance planning can prevent expensive and perhaps irrreparable damage to the environment and to people.

Increasing Operational Efficiency

It is hard to measure just how efficient the Bank's operating procedures are. The diversity and complexity of Bank activities, the effect on those activities of factors beyond the Bank's control, and the circumstances that are unique to each borrowing country all play a part in making measurement difficult. As a result, emphasis is placed less on the use of traditional measurements of efficiency than on the management processes and tools that have been developed to enhance efficiency.

Three processes and tools, now being developed or implemented, are reported on here. They share common objectives: clearer accountability, a clearer definition of priorities and the adoption of the most cost-effective choices, and the creation of an environment that encourages speedy responses to changing circumstances.

The three are the country-assistance management (CAM) process, the management-information system (MIS), and changes in the Bank's loan-processing procedures.

Under the CAM process, one person is now assigned overall responsibility for the design and implementation of the Bank's country-assistance strategy, the coordination of whatever resources are needed to execute the strategy, and the monitoring of progress and costs. This process links country objectives and costs more explicity than ever before. It also helps clarify priorities and trade-offs and increases cost consciousness, thereby providing for more effective and efficient services to borrowers.

Under the MIS, information is generated that enhances the efficient execution of the CAM process. This information, pinpointing each discrete task that forms a part of an operation, the person responsible for the execution of each task, estimated and actual costs, and schedules for completion, when combined with the CAM process, enables managers to delegate responsibility more effectively and increases the speed and flexibility with which work programs can be adjusted.

Loan-processing procedures are being revised to permit the resolution of policy and technical issues early in the lending cycle, to clarify responsibility for the analysis and recommendations on each loan proposal, to eliminate duplication in the review process, and to delegate responsibility to the lowest feasible level.

The CAM process and the MIS, now under way, are expected to become fully operational in fiscal 1987. The changes in loan-processing procedures are to become fully effective by the end of calendar year 1986.

By providing a management framework that places responsibility clearly on specific persons and that permits progress on a diverse set of tasks under rapidly changing conditions to be monitored and evaluated, substantial benefits to borrowers and to Bank staff and managers—in the form of faster decision making, increased delegation, greater clarity in objectives and accountability, and simplification of documentation and procedures—are expected.

Cofinancing

Almost one half of the World Bank projects approved in fiscal 1986 attracted cofinancing. The financing plans for the 113 cofinanced projects provide for total cofinancing of $3.5 billion. Recent trends in two-year averages show that the volume of cofinancing continues to be maintained in the range of $4.0 billion to $4.6 billion (from $4.0 billion in fiscal 1981-82, to $4.6 billion in fiscal 1983-84, and to $4.3 billion in fiscal 1985-86), despite difficult market conditions that affect private and export-credit flows. Conditions that contribute to annual fluctuations in cofinancing totals were especially pronounced this past year in planned export-credit flows, which are directly linked to capital-goods imports by borrowers, and in private cofinancing envisaged, which remains affected by difficult market conditions. Both factors affected the outcome of fiscal 1986 cofinancing. (See Table 1-10.)

The largest source of cofinancing continues to be the official bilateral aid agencies and multilateral development institutions, which contributed $2.5 billion in fiscal 1986. These funds were

[7] James A. Lee. *The Environment, Public Health, and Human Ecology: Considerations for Economic Development*. Baltimore: The Johns Hopkins University Press, 1986.

***Table 1-10.* World Bank Cofinancing Operations, Fiscal Years 1985–86**
(amounts in US$ millions)

Region and year	Project cofinancing No.	Project cofinancing Amount	Source of cofinancing: Official No.	Official Amount	Export credit No.	Export credit Amount	Private No.	Private Amount[a]	Bank contribution IBRD	Bank contribution IDA	Total project costs
Eastern and Southern Africa											
1985	23	410.4	23	393.7	1	16.7	—	—	47.4	384.0	1,073.4
1986	29	801.2	29	801.2	—	—	—	—	117.8	545.3	2,155.7
Western Africa											
1985	22	438.9	20	331.4	—	—	3	107.5	282.6	293.6	1,258.1
1986	28	771.2	27	759.6	1	11.6	—	—	319.1	361.2	2,087.9
East Asia and Pacific											
1985	12	450.7	10	306.5	3	131.2	1	13.0	881.8	84.0	2,209.3
1986	19	400.5	16	176.5	2	171.0	1	53.0	882.2	13.4	3,954.4
South Asia											
1985	22	1,901.7	19	1,221.8	7	539.9	1	140.0	1,590.0	842.2	10,458.5
1986	15	645.2	14	463.2	2	22.0	1	160.0	1,092.2	448.7	9,806.7
Europe, Middle East, and North Africa											
1985	17	786.7	11	178.3	4	238.4	3	370.0	916.1	10.0	3,009.0
1986	13	726.2	11	302.0	2	110.2	1	314.0	656.0	46.4	4,065.3
Latin America and the Caribbean											
1985	11	1,035.8	6	203.3	5	395.0	4	437.5	1,129.4	45.9	5,924.8
1986	9	181.5	5	39.0	4	90.0	1	52.5	562.1	15.0	1,377.4
Total											
1985	107	5,024.2	89	2,635.0	20	1,321.2	12	1,068.0	4,847.3	1,659.7	23,933.1
1986	113	3,525.8	102	2,541.5	11	404.8	4	579.5	3,629.4	1,430.0	23,447.4

NOTE: These figures are based on data available at the time of Board presentation, as subsequently modified by year-end revisions. The number of cofinancings by source is greater than the number of projects cofinanced because many projects are cofinanced from more than one source.

a. These amounts represent private cofinancings as reflected in the financing plans at the time of Board approval of the A-loans. They do not represent private cofinancing loans actually signed in the fiscal year.

made available for 102 projects, a substantial increase from the average of eighty-three projects cofinanced by official sources in the previous four-year period. As in previous years, the Bank continued its efforts to conclude framework agreements with these official co-donors. These agreements establish a framework for annual consultations between the Bank and its co-donors and for a more systematic coordination of individual cofinancing transactions. During fiscal 1986, agreements were renewed with Australia and Italy, and new agreements were signed with Austria and Denmark.

Cofinancing opportunities were expanded in fiscal year 1986 with the implementation of the Special Facility for sub-Saharan Africa. In addition to the $424 million provided through fourteen Special Facility credits, Belgium, the Federal Republic of Germany, Japan, Switzerland, and the United Kingdom contributed special joint financing totaling $168 million for eight projects approved in fiscal 1986. Additional funds, totaling $190 million, were provided for eight projects approved in fiscal 1985 ($112 million from Special Facility credits and $78 million from special joint financing).

In several highly indebted countries, it is important that adequate export-credit cover be maintained to support adjustment programs aimed at restoring creditworthiness. The success of such adjustment will depend not only on the actions of the debtors themselves but also on the availability of external capital and an adequate flow of trade. The role of export credits in the adjustment process was reviewed in a conference convened by the Bank in May 1986. The meeting, attended by export-credit agencies from seventeen member countries of the Organisation for Economic Co-operation and Development and, in most cases, their guardian authorities, elicited a consensus on the need for export-credit agencies, where appropriate, to support adjustment programs undertaken with the assistance of the Bank and the IMF. There was substantial support among the participants for wider exchanges of views among export-credit agencies, the Bank, and the IMF, using existing fora.

Since January 1983, the Bank has attempted to increase the flows of commercial capital to developing countries by linking part of these flows to IBRD operations. The new instruments, approved by the Bank's Executive Directors on a trial basis, include three options: direct Bank participation in the late maturities of a syndicated loan, Bank guarantee of the late maturities, and Bank acceptance of a contingent participation in the final maturity of a commercial loan designed with fixed repayment installments that combine floating-interest and variable-principal components. Since September 1983, the Bank has used all three options in arranging commercial cofinancing of almost $2.2 billion, including an IBRD share of $242 million. In February 1986, the Bank's Executive Board approved the new instuments as one of the regular means by which the Bank can assist its borrowers in mobilizing commercial finance.

Commercial cofinancing involving the new instruments reached $706 million in fiscal 1986. This included an IBRD share of $60 million. These cofinancing funds went to Côte d'Ivoire, Chile, and Turkey. The cofinancing for Côte d'Ivoire in fiscal 1986, which will help finance a three-and-a-half year national-expenditure program for the public interurban road network, had several "firsts." It was the first such operation in Africa, the first syndicated voluntary new commercial bank lending to Côte d'Ivoire since 1983, and the first such loan denominated in European Currency Units and French francs. The Bank's participation in this loan helped realize the several objectives that characterize the program: to facilitate the country's re-entry in the private financial markets; to improve the loan terms with regard to interest rates, maturity, and fees; and to promote wide interest among the international banking community.

The ways in which the Bank has assisted its highly indebted borrowers in their recovery efforts are described elsewhere in this report. In one exceptional case, in Chile, the Bank guaranteed $150 million of a commercial cofinancing of $300 million for a highways project in order to help the borrower bring together a much larger overall package of almost $6 billion in reschedulings and over $1 billion in new money.

***Table 1-11.* IBRD and IDA Disbursements for Foreign and Local Procurement**
(amounts in US$ millions equivalent)

	Cumulative June 30, 1982		Fiscal 1983		Fiscal 1984		Fiscal 1985		Fiscal 1986		Cumulative June 30, 1986	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
IBRD foreign procurement disbursements												
Part I supplying countries	29,951.1	50.7	2,960.8	31.4	4,034.6	36.5	3,929.8	35.7	3,819.4	33.3	44,695.7	43.8
Part II supplying countries	2,735.0	4.6	571.3	6.1	748.0	6.8	779.7	7.1	715.7	6.2	5,549.7	5.4
Total	32,686.1	55.4	3,532.1	37.5	4,782.6	43.3	4,709.5	42.8	4,535.1	39.6	50,245.4	49.3
IDA foreign procurement disbursements												
Part I supplying countries	8,454.9	14.3	1,135.0	12.1	1,031.5	9.3	1,029.3	9.3	1,717.1	15.0	13,367.8	13.1
Part II supplying countries	1,332.8	2.3	289.8	3.1	293.3	2.7	306.7	2.8	388.7	3.4	2,611.3	2.6
Total	9,787.7	16.6	1,424.8	15.1	1,324.8	12.0	1,336.0	12.1	2,105.8	18.4	15,979.1	15.7
IBRD and IDA foreign procurement disbursements	42,473.8	71.9	4,956.9	52.7	6,107.4	55.3	6,045.5	54.9	6,640.9	58.0	66,224.5	64.9
IBRD and IDA local procurement disbursements	16,574.8	28.1	4,457.5	47.3	4,942.8	44.7	4,968.8	45.1	4,817.1	42.0	35,761.0	35.1
Grand total	59,048.6	100.0	9,414.4	100.0	11,050.2	100.0	11,014.3	100.0	11,458.0	100.0	101,985.5	100.0

NOTE: IBRD figures exclude disbursements on loans to the IFC and "B" loans. IDA figures include Special Fund and Special Facility for sub-Saharan Africa credits and exclude exchange adjustments in fiscal years 1972–73.

Table 1-12. IBRD and IDA Disbursements for Goods, Works, and Services Procured from Borrowing Countries, Fiscal Year 1986

(amounts in US$ millions equivalent)

Borrowing countries	Local procurement	Foreign procurement	Total amount	Percentage of total disbursements[a]
India	804.5	42.4	846.9	7.4
Brazil	618.7	85.4	704.1	6.1
Indonesia	480.6	3.8	484.4	4.2
Mexico	470.9	11.2	482.1	4.2
Korea, Republic of	190.0	98.9	288.9	2.5
Colombia	245.7	21.8	267.5	2.3
Thailand	169.8	25.6	195.4	1.7
Yugoslavia	96.2	88.4	184.6	1.6
Philippines	163.7	20.0	183.7	1.6
Morocco	149.8	1.7	151.5	1.3
China	53.1	83.4	136.5	1.2
Argentina	87.2	44.1	131.3	1.1
Turkey	115.0	10.6	125.6	1.1
Peru	83.2	13.9	97.1	0.8
Bangladesh	81.3	5.4	86.7	0.8
Côte d'Ivoire	63.4	23.1	86.5	0.8
Portugal	61.2	18.3	79.5	0.7
Pakistan	67.7	5.8	73.5	0.6
Tunisia	68.9	3.2	72.1	0.6
Chile	67.6	2.0	69.6	0.6
Kenya	43.6	20.1	63.7	0.6
Nigeria	27.9	25.4	53.3	0.5
Malaysia	45.9	5.9	51.8	0.5
Ecuador	37.8	11.7	49.5	0.4
Sri Lanka	38.8	1.9	40.7	0.4
Jordan	38.6	2.0	40.6	0.4
Romania	9.8	26.9	36.7	0.3
Senegal	26.1	7.6	33.7	0.3
Cameroon	27.0	0.2	27.2	0.2
Panama	10.9	12.8	23.7	0.2
Egypt, Arab Republic of	13.4	9.3	22.7	0.2
Ethiopia	21.5	0.1	21.6	0.2
Honduras	20.3	0.2	20.5	0.2
Malawi	16.7	0.2	16.9	0.1
Zimbabwe	11.8	5.0	16.8	0.1
Nepal	15.7	0.2	15.9	0.1
Hungary	8.1	7.4	15.5	0.1
Papua New Guinea	15.0	0.0	15.0	0.1
Mali	13.7	0.6	14.3	0.1
Greece	8.8	2.8	11.6	0.1
Burundi	10.1	1.3	11.4	0.1
Benin	9.4	1.9	11.3	0.1
Rwanda	10.1	0.4	10.5	0.1
Liberia	8.8	1.5	10.3	0.1
Costa Rica	9.0	0.8	9.8	0.1
Central African Republic	9.1	0.4	9.5	0.1
Yemen Arab Republic	8.4	0.4	8.8	0.1
Burma	8.6	0.0	8.6	0.1
Madagascar	8.0	0.6	8.6	0.1
Burkina Faso	8.0	0.2	8.2	0.1
Total	4,679.6	756.8	5,436.2	47.3

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

***Table 1-13.* IBRD and IDA Foreign Procurement Disbursements, by Source of Supply**
(amounts in US$ millions equivalent)

Source	IBRD cumulative to June 30, 1985 Amount	%	IBRD fiscal 1986 Amount	%	IDA cumulative to June 30, 1985 Amount	%	IDA fiscal 1986 Amount	%
Part I supplying countries								
Australia	395.1	0.9	15.3	0.3	201.7	1.5	7.8	0.4
Austria	455.4	1.0	50.3	1.1	92.0	0.7	7.6	0.4
Belgium	737.7	1.6	59.0	1.3	333.9	2.4	53.4	2.5
Canada	951.8	2.1	114.9	2.5	257.6	1.9	54.1	2.6
Denmark	243.1	0.5	33.0	0.7	105.4	0.8	14.2	0.7
Finland	118.6	0.3	12.6	0.3	37.8	0.3	5.0	0.2
France	3,289.5	7.2	369.5	8.1	1,257.0	9.1	227.2	10.8
Germany, Federal Republic of	5,728.3	12.5	587.8	13.0	1,572.1	11.3	174.5	8.3
Iceland	1.5	*	0.2	—	—	—	—	—
Ireland	37.6	0.1	3.4	0.1	11.8	0.1	2.2	0.1
Italy	3,092.3	6.8	263.4	5.8	738.8	5.3	85.3	4.1
Japan	7,249.1	15.9	792.4	17.5	2,064.2	14.9	356.0	16.9
Kuwait	100.5	0.2	7.0	0.2	22.7	0.2	—	—
Luxembourg	30.5	0.1	0.9	*	12.4	0.1	5.5	0.3
Netherlands	850.2	1.9	65.2	1.4	305.3	2.2	60.5	2.9
New Zealand	77.6	0.2	7.1	0.2	14.4	0.1	0.3	*
Norway	127.4	0.3	13.8	0.3	23.4	0.2	12.6	0.6
South Africa	186.8	0.4	18.6	0.4	71.0	0.5	26.1	1.2
Sweden	911.7	2.0	66.1	1.5	240.4	1.7	18.8	0.9
Switzerland	1,853.3	4.1	182.0	4.0	386.4	2.8	68.4	3.2
United Arab Emirates	218.4	0.5	7.0	0.2	9.7	0.1	59.9	2.8
United Kingdom	3,909.5	8.6	297.0	6.5	1,943.9	14.0	307.7	14.6
United States	10,310.3	22.6	852.8	18.8	1,948.8	14.0	170.0	8.1
Total	40,876.2	89.4	3,819.4	84.2	11,650.6	84.0	1,717.1	81.5
Part II supplying countries								
Argentina	179.7	0.4	42.5	0.9	9.8	0.1	1.6	0.1
Brazil	252.7	0.6	57.6	1.3	59.4	0.4	27.8	1.3
Chile	80.6	0.2	1.9	*	4.4	*	0.1	*
Colombia	130.8	0.3	21.7	0.5	2.7	*	0.1	*
Greece	96.8	0.2	2.1	*	38.6	0.3	0.7	*
India	163.3	0.4	12.9	0.3	251.3	1.8	29.5	1.4
Israel	152.5	0.3	10.9	0.2	34.8	0.3	5.8	0.3
Jordan	31.8	0.1	0.2	*	60.0	0.4	1.8	0.1
Kenya	29.2	0.1	1.6	*	53.5	0.4	18.5	0.9
Korea, Republic of	273.6	0.6	36.3	0.8	314.1	2.3	62.6	3.0
Malaysia	90.0	0.2	4.3	0.1	91.1	0.7	1.6	0.1
Mexico	182.9	0.4	10.5	0.2	54.3	0.4	0.7	*
Pakistan	48.1	0.1	1.2	*	43.5	0.3	4.6	0.2
Panama	181.8	0.4	12.1	0.3	8.6	0.1	0.7	*
Philippines	47.2	0.1	4.5	0.1	31.2	0.2	15.5	0.7
Romania	92.8	0.2	24.1	0.5	37.4	0.3	2.8	0.1
Saudi Arabia	164.3	0.4	16.8	0.4	65.5	0.5	—	—
Singapore	207.0	0.5	30.2	0.7	152.3	1.1	46.0	2.2
Spain	445.8	1.0	68.2	1.5	95.2	0.7	6.5	0.3
Venezuela	139.9	0.3	50.4	1.1	5.6	*	—	—
Yugoslavia	384.8	0.8	86.8	1.9	123.3	0.9	1.6	0.1
Zambia	14.2	*	5.2	0.1	70.2	0.5	0.4	*
Others	1,443.2	3.2	213.6	4.7	616.3	4.4	159.8	7.6
Total	4,833.2	10.6	715.7	15.8	2,223.0	16.0	388.7	18.5
Total foreign procurement	45,709.5	100.0	4,535.1	100.0	13,873.6	100.0	2,105.8	100.0

NOTE: * = negligible; — = nil.

Disbursements for Procurement

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

Through the end of fiscal year 1986, more than 64 percent of IBRD and IDA disbursements covered goods and services provided directly by suppliers located outside the borrowing country. While most foreign procurement comes from suppliers in developed-member countries and Switzerland, developing-country suppliers have become increasingly effective in winning contract awards. Through the end of fiscal 1982, disbursements for procurement from these countries amounted to about 10 percent. During fiscal 1986, the amount was about 17.

Table 1-11 shows consolidated foreign and local procurement to the end of fiscal year 1982, for each of the next four fiscal years, and to the end of fiscal 1986.

Locally produced goods and services usually include a significant foreign-exchange component. Cumulative local procurement disbursements increased from 28 percent at the end of fiscal 1982 to more than 35 percent at the end of fiscal 1986. Table 1-12 shows disbursements made in fiscal 1986 by the IBRD and IDA for local procurement from the top fifty borrowing countries and disbursements made in respect of goods, works, and services procured from them by other borrowers.

Table 1-13 shows IBRD and IDA foreign procurement disbursements by supplying country. Details for all developed countries and those developing countries with at least a 0.1 percent share of total foreign procurement are shown.

Bank Management and Staff

At the end of fiscal 1986, total staff on regular and fixed-term appointment numbered 6,002, compared with 5,867 the year before. Of this number, 3,806 were higher-level staff, representing 113 nationalities. The Young Professionals Program continued to be successful in recruiting both under-represented nationalities and women: Of the twenty-seven who reported for duty during the year, fifteen, or 56 percent, were nationals of developing countries; six, or 23 percent, were women.

During fiscal 1986, the Bank concentrated on realizing the full benefits of past initiatives in the field of human-resource management. A number of activities begun in previous years were implemented, and some new ones introduced. Among the most important were:

- A third attitude survey was conducted and had a high participation rate. The latest survey underscored a trend in the Bank and IFC toward more effective management in five areas, including managers' overall leadership, performance feedback, and recognition. The survey revealed, also, that managers need to take greater care in addressing staff concerns that come to light as a result of the survey.
- The job-grading program, which reviewed grades of all Bank positions, was completed and implemented.
- Staff rules, codifying the Bank's personnel and compensation policies, neared completion.
- A medium-term human-resource strategy was developed to enable the institution to meet its business objectives and, at the same time, to adapt to a changing and increasingly complex lending environment. This more active and systematic approach to human-resource management is intended to ensure the cost-effective use of human resources, continued effectiveness in traditional lending, and flexibility in entering new business areas or withdrawing where appropriate.
- A career-information center was established to assist staff in assessing their professional capabilities and to provide the information they need to plan their careers realistically.

Other significant activities undertaken during the year included:

- As part of its long-term information resource-management strategy, the initiation of three pilot installations of the standard technology selected in 1985. The long-term goal is to create an information network functionally analogous to a telephone system, enabling staff to share information and thus carry out the Bank's work more efficiently and cost effectively. At the same time, the effect of the technology on managers and staff is being analyzed and taken into account to aid in future planning.
- Construction of a new Bank building on property adjacent to the main complex progressed on schedule, with occupancy scheduled to begin in the fourth quarter of 1986.

Membership

Tonga joined the IBRD on September 13, 1985, and Poland joined on June 27, 1986, bringing the total membership of the IBRD to 150. At the end of the fiscal year, action was pending on membership in the IBRD for Kiribati.

Tonga became a member of IDA on October 23, 1985, bringing the total membership of IDA to 134. At the end of the fiscal year, action was pending on membership in IDA for Kiribati, Portugal, and St. Christopher and Nevis.

ICSID

The International Centre for Settlement of Investment Disputes (ICSID) is an autonomous international institution created in 1965 by the Convention of the Settlement of Investment Disputes between States and Nationals of Other States (the Convention). ICSID's purpose is to provide facilities for conciliation and arbitration of investment disputes between contracting states and nationals of other contracting states in accordance with the provisions of the Convention, and to promote a climate of mutual confidence between investors and states favorable to increasing the flow of resources to developing countries on reasonable conditions.

Contracting states are state members of the Bank and any other state that is a party to the Statute of the International Court of Justice that have signed and ratified the Convention.

The Convention was signed by Thailand on December 6, 1985, by Ecuador on January 15, 1986, and by Honduras on May 28, 1986, bringing the total number of signatory states to ninety-four. The number of contracting states reached eighty-eight with the deposit by Ecuador of its instrument of ratification on January 15, 1986.

Also during the period, ICSID expanded its program of publications and promotional activities with the launching of a new semiannual publication, "ICSID Review—Foreign Investment Law Journal."

ICSID's *Annual Report* provides further details of its activities.

IFC

The IFC is a multilateral development institution established to promote the growth of productive private investment and to assist enterprises that will contribute to economic development in their countries.

The Corporation was established in 1956 as an affiliate of the World Bank. Its capital resources are provided by its 128 member countries, 107 of which are developing, and which collectively determine its policies and activities.

The ultimate objective of the Corporation is to improve the well-being of the people in its developing-member countries. Its principal tasks are to provide and bring together financing, technical assistance, and management needed to develop productive investment opportunities.

The IFC makes both equity investments and loans without government guarantees.

The Year in Review

Fiscal 1986 was the second year in the IFC's current five-year program, which sets ambitious targets for an increased volume of loans and equity investments and gives new emphasis to those activities that are most needed to help support the efforts of the private sector in its developing-member countries. The year also marked the thirtieth anniversary of the founding of the Corporation.

A total of eighty-five projects were approved by the Board of Directors, compared with seventy-five in fiscal year 1985; the $710 million of net investments approved by the Board was up 17 percent from the previous year, while total investments, including participations, were $1,156 million, compared with $937 million in fiscal year 1985.

The IFC, for some considerable time, has provided investment counsel to member governments, and, as an expansion and formalization of this counsel, fiscal 1986 saw the Corporation organize the Foreign Investment Advisory Service, which will help developing-country governments create the framework of policies and institutions necessary to attract and regulate direct foreign investment.

Responding to the particular needs of sub-Saharan Africa, the IFC, in cooperation with the United Nations Development Programme (UNDP) and the African Development Bank (AfDB), launched the Africa Project Development Facility (APDF) in May 1986. The APDF has the specific mandate to help African businessmen and companies develop sound investment projects and find financing for these projects. The IFC-managed facility will operate out of offices in Nairobi and Abidjan. Funding for the APDF has been provided by the three sponsors and twelve donor countries. In addition, discussions are under way with Brazil and India, which have indicated a willingness to provide support to the Facility in the form of technical assistance.

The Year's Operations

Investment approvals. During fiscal 1986, the Board of Directors approved eighty-five investments in thirty-nine developing countries. In these investments, it is expected that $710 million will be invested for the IFC's own account, and $446 million will be syndicated or sold to other investors.

Of the total, $1,070 million was for loans and $121 million for equity or equity-like investments. Of the equity, $4 million was approved for the exercise of rights issued by firms in which the IFC already had equity investments. Of the loans, thirteen, totaling $139 million, involved restructuring of existing obligations.

The Corporation estimates that the total capital costs of approved projects it will help finance will be more than $3,588 million. Thus, for every dollar invested by the IFC for its own account, others will invest more than four dollars.

Syndications. Some $434 million in loans by the IFC were syndicated with commercial banks and other financial institutions.

Disbursements. During the year, an equivalent of $325 million was disbursed against committed loans and equity investments. Of this amount, $293 million was for loans and $32 million for equity. In addition, $140 million was disbursed for participants in IFC financings that the Corporation manages.

Regional distribution. The eighty-five projects approved by the Board of Directors were located in thirty-nine countries. One project was international in scope. In the previous year, seventy-five investments were made in ventures in thirty-eight countries and in one region.

The IFC invested for the first time in three countries: Grenada, Mozambique, and the Seychelles. The Corporation also approved projects in two countries where it had not made investments for the past three years. Of the total approved investments of $1,156 million, thirty-three projects, with a total value of $295 million, were located in countries with a per capita income of less than $800. These projects accounted for 39 percent of the projects that the IFC approved and 25 percent of the amount approved.

The continued diversification of investment activity is, in part, the result of the IFC's more intensive promotional efforts in both developed and developing worlds. In the latter, project promotion has been concentrated on some of the smaller and poorer member countries. About 16 percent of the IFC's administrative expenses were dedicated to promotional efforts during fiscal year 1986.

Sectoral distribution. The Corporation continued to seek out and invest in a wide variety of business and financial institutions.

Food and agribusiness, which has been the largest sector of the IFC's investments, continued to expand, with approvals amounting to $65 million for fourteen ventures. This compares with thirteen food and agribusiness investments, amounting to $54 million, approved in fiscal year 1985.

Capital-markets projects also accounted for a significant part of the IFC's activities—eleven investments totaling $90 million. These encompassed a variety of operations, including, for the first time, a mutual fund to invest in shares and other securities of companies in a number of developing countries. Previously, the IFC had assisted a mutual fund investing in enterprises in a single country.

Financial Results

Net income amounted to $25 million, compared with $28.3 million reported in fiscal year 1985. All of the net income was added to accumulated earnings.

Income and expenses. The IFC enjoyed a significant increase in income from deposits and securities. This increase was the result of profitable investment of the proceeds of its borrowings from private capital markets, as well as drawdowns of its variable-rate loan from the World Bank. The short-term investments of the IFC's funds were managed by the World Bank.

Consistent with its policy of revolving the equity portfolio, the IFC sold twelve equity investments made at a cost of $34 million, realizing a capital gain of $14 million. Gains realized result from the sale of some mature equity investments at attractive prices.

Operating expenses rose $40 million over the previous year to $185 million. About $20 million of the increase was the result of higher financial charges on borrowings, which, in fiscal 1986, amounted to $84 million.

Charges against operating income for reserves against losses increased. About $39 million was added to the reserve against losses, as compared with $30 million in fiscal 1985.

Borrowings. While the IFC continues to rely on the World Bank as the principal source of borrowed funds, the Corporation borrowed $350 million from the international capital markets during the year, meeting a portion of its needs by raising funds through seven private placements. This was possible because of sharp interest-rate declines, particularly during the second half of the fiscal year, and the favorable reception and pricing accorded to the IFC's borrowing transactions.

During the year, the Corporation also borrowed $150 million in various currencies from the World Bank. Repayments during the year amounted to $49 million, and drawings on World Bank loans totaled $94 million. Total borrowings from all sources, including undrawn balances, increased from $1,300 million at the end of fiscal 1985 to $1,918 million.

Capital and accumulated earnings. The Board of Directors' resolution to increase the capital stock of the Corporation to $1.3 billion with the authorization of $650 million in new shares was approved by the Board of Governors on December 26, 1985. Subscriptions to the additional shares and payments of one fifth of the total ($130 million) are to be received by the Corporation by August 1, 1986. As of the end of the fiscal year, subscriptions totaling $350 million of the capital increase and payments of $60 million had been received.

The capital increase will provide the IFC with the capital foundation to implement its second five-year program, which began in fiscal 1985. The program includes a yearly 7 percent real growth in operations and net investment over the five-year period, with special emphasis on sub-Saharan Africa, financial markets and institutions, corporate restructuring, and energy exploration. During fiscal 1987, the five-year program will be reviewed with the Board of Directors to determine whether any shifts in direction or emphasis may be warranted by recent or foreseeable changes in the economic environment and the needs of the private sector in the IFC's member countries.

The entire $25 million of net income was added to accumulated earnings, bringing the total to $284 million. With paid-in capital of $602 million, the Corporation's net worth equaled $886 million, up from $804 million at the end of the previous fiscal year.

Portfolio. At the end of the year, the IFC's portfolio contained loans and equity investments in 378 companies, located in seventy-four developing countries. The total value of the portfolio was $2,387 million.

During fiscal 1986, $123 million in new investments was added to the portfolio, about $271 million for the IFC's own account and a reduction of $148 million for participants. Of the new investments for the IFC's account, $253 million was for loans and $18 million for equity. Loan repayments amounted to $174 million, and $172 million of investments were sold. Taking these and other adjustments into account, the net increase in the portfolio was $271 million. Forty new companies were added to the portfolio; in twenty-nine cases, loans were repaid, equities sold, or investments written off.

Arrears and write-offs. The Corporation has paid particularly close attention to the performance of its portfolio.

The IFC supervises its portfolio regularly. All companies in which the IFC invests are required to submit quarterly financial statements to the Corporation. Almost one quarter of the Corporation's administrative expenses goes to portfolio supervision. This includes providing workout assistance to companies facing unusual difficulties, as well as efforts of a special unit established within the Corporation to resolve particularly difficult jeopardy cases.

Reserve against losses. The Corporation follows a conservative policy of building an adequate reserve against losses by charging income with a provision for losses following an extensive semiannual review of the portfolio. Reflecting both the recent growth in the portfolio and the difficult business climate in many developing countries, $39 million was added to the reserve, compared with $29.4 million added during the previous year.

Chapter Two
The Economic Scene: A Global Perspective

The worldwide economic recovery lost some of its momentum in calendar year 1985, and the growth rate of world output declined to 2.9 percent, down from 4.3 percent in 1984. The slowdown stemmed largely from a deceleration of growth in the United States, which had led the recovery in 1983 and 1984, and from the fact that this deceleration was not compensated for elsewhere in the industrial world, which continued to grow at unchanged, and, except for Japan, mostly low rates. The rate of increase in world trade dropped to just above 3 percent.

At the same time, the year also saw a number of important changes in the international economy that affected the performance and prospects of the developing countries. On the one hand, the decline in interest rates and low rates of inflation were positive developments to all. On the other hand, the fall in oil prices had both benign and adverse effects, depending on the composition of country imports and exports. The effect of these forces were, however, only partially realized by the developing countries, and, overall, the developing countries experienced a marked slowdown in export growth and declines in their terms of trade. Thus, their efforts to reestablish creditworthiness were set back, and the increase of their imports slowed down relative to 1984. Growth of output in developing countries also slowed with respect to 1984 and remained highly uneven among both regions and countries. Per capita incomes in sub-Saharan Africa deteriorated further, and the highly indebted countries faced increasing difficulties in adjusting their economies to the available finance.

Developing economies continued their policy reforms to reduce macroeconomic—in particular, budget—disequilibria and to increase economic efficiency and the role of incentives in economic management. Meanwhile, industrial countries moved closer to reaching a consensus that continued adjustments in the developing world had to be accompanied by measures that could permit economic growth to resume. Still, the situation of many indebted countries remained difficult at the year's end, as debtors and creditors struggled with the problems of debt service and limited new financing and their implications for consumption, investment, and for trade.

Despite these difficulties, there are, nonetheless, a number of hopeful signs: the trend of lower interest rates and low inflation, which continued through the first half of 1986; for importers of oil, dramatic declines in oil prices; and adequate rainfall in Africa, which has significantly improved the agricultural outlook in some African countries.

The Industrial Countries: Recovery Less Vigorous

Although economic recovery continued for the third consecutive year in the industrial countries,[1] it was characterized by less vigor than in the previous year. The gross domestic product (GDP) of industrial countries increased by 2.8 percent, down from 4.6 percent (a ten-year high) in 1984 (see Table 2-1). The United States, the main agent of the recovery, was also the main contributor to this slowdown, as its growth rate fell to 2.5 percent from 1984's twenty-year high of 7.2 percent. Slower growth resulted both from a reduction in fiscal stimulus (as the increase in the budget deficit slowed down markedly) and a sharp deterioration in the external balance, caused, in part, by the high level of the dollar. The current-account balance of the United States, which had gone from a surplus of $1.9 billion in 1980 to a deficit of $102 billion in 1984, went to a deficit of $128 billion in 1985. Towards the end of the year, however, fears that growing budget and external-payments imbalances of the United States would lead to a crisis were somewhat allayed. Significant steps were taken to reduce the budget imbalance of the United States in the years to come. Helped by a reduction in the demand for credit and eased monetary conditions, interest rates declined relative to most other industrial countries. The value of the dollar peaked in March 1985

[1] Australia, Austria, Belgium, Canada, Denmark, Finland, France, the Federal Republic of Germany, Iceland, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Spain, Sweden, Switzerland, the United Kingdom, and the United States.

***Table 2-1.* Growth and Inflation in the Industrial Countries, 1965–85**
(average annual percentage change)

Indicator	1965–73	1973–80	1981	1982	1983	1984	1985[a]
Real GDP							
Canada	5.2	3.1	4.0	−4.4	2.8	5.4	4.0
France	5.5	3.1	0.5	1.9	0.7	1.3	1.0
Germany, Federal Republic of	4.7	2.7	0.1	−0.9	1.0	2.6	2.3
Italy	5.2	2.7	0.2	−0.5	−0.4	2.6	2.3
Japan	9.9	4.2	4.2	3.1	3.3	5.8	5.0
United Kingdom	2.8	1.2	−1.4	1.5	3.4	1.8	3.3
United States	3.2	3.0	3.4	−3.0	2.9	7.2	2.5
Industrial countries[b]	4.7	2.8	1.9	−0.6	2.3	4.6	2.8
GDP Deflator							
Canada	4.4	9.5	10.6	10.4	5.1	2.9	3.5
France	5.3	10.5	11.8	12.7	9.8	7.0	6.0
Germany, Federal Republic of	4.7	4.4	3.7	4.6	3.3	1.9	2.3
Italy	5.1	17.3	18.3	17.8	15.0	10.7	9.0
Japan	6.0	6.6	2.8	1.6	0.6	0.6	1.0
United Kingdom	6.2	16.2	11.9	7.4	5.0	4.4	5.0
United States	4.7	7.5	8.9	6.9	4.5	3.6	3.8
Industrial countries[b]	5.1	8.3	8.6	7.5	5.5	3.9	3.9

a. Preliminary.
b. The weights are the US-dollar GDP for each country, divided by the total US-dollar GDP for the industrial countries. For country coverages, see text footnote 1.
SOURCES: The World Bank and the OECD.

and declined significantly in the last quarter after the major industrial countries announced a policy of coordinated market interventions (the "Plaza agreement").

The GDP of Japan increased by 5 percent, down from 5.8 percent in the previous year. Fiscal policy continued to aim at a reduction in budget deficits, and monetary ease was limited by exchange-rate objectives. Japan's external sector provided a strong stimulus—exports increased by 8 percent, while imports rose by only 1.5 percent in volume. Private nonresidential investment increased by more than 10 percent, contributing to the strong performance of the Japanese economy.

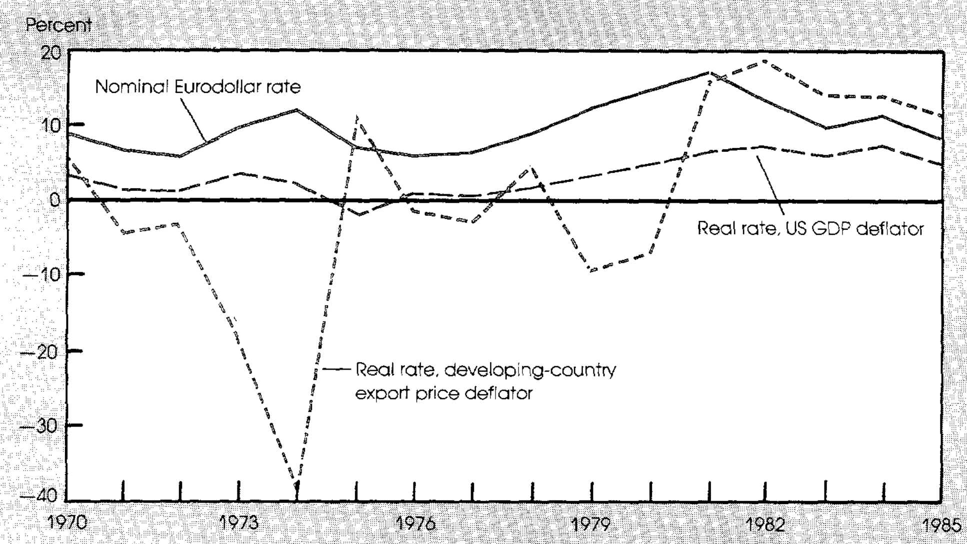
Growth remained generally slow in Europe. At the upper end, the United Kingdom achieved a GDP growth rate of 3.3 percent, which was accompanied by a rapid growth in exports and increased private investment, while, by contrast, France grew by only 1 percent. With GDP growth of 2.3 percent each, Germany's and Italy's performance represented the European norm. For both France and Germany, fiscal restraint was a prominent policy objective.

Industrial countries continued to be burdened by high unemployment rates; for the major industrial countries—Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States—the average rate of unemployment remained at 7.5 percent, although in Japan it continued below 3 percent. There was little movement in the United States in reducing the unemployment rate after its sharp fall in 1984, and in the larger European countries, unemployment averaged over 10 percent of the work force. Disturbingly, the proportion of people unemployed for more than a year increased in Europe from levels already higher than in the United States. Such long-term unemployment, which falls particularly heavily on the relatively young and the relatively old, signals serious structural economic problems and constitutes a growing social problem.

The continued slowdown in inflation was one of the more encouraging developments in the industrial countries. Their average GDP deflator increased by only 3.9 percent, the same level as in 1984. Inflation remained below 4 percent (as measured by the GDP) in the United States and was at about 2 percent and 1 percent, respectively, in Germany and Japan. Most encouraging, inflation rates continued to drop in such recently high-inflation countries as France and Italy (see Figure 2–1).

The depreciation of the dollar has been orderly. At the same time, the widespread gains against inflation permitted a general reduction of nominal interest rates. The enhanced credibility of the United States' commitment to reduce future budget deficits (imparted by the Balanced Budget Act of 1985) helped create a climate in

Figure 2-1. Interest Rates and Inflation, 1970–85



Source: The World Bank

which the dollar and dollar interest rates could both decline without reducing foreign willingness to finance the deficits of the United States. The will of the major countries to cooperate, announced in the so-called Plaza agreement, greatly contributed to an orderly transition.

Imbalances still remain large, however. The record current-account deficit of the United States was counterbalanced by a record Japanese surplus of $50 billion and a European surplus of $21 billion. Because of differences in accounting procedures, errors, and omissions, one cannot exactly "balance" global current accounts, but it seems quite certain that the collective payments surplus of the industrial countries has greatly diminished in recent years and that there is now a collective trade deficit. This largely corresponds to the trade surpluses in many developing countries, confronted with dried-up voluntary new capital inflows and rising debt-service obligations.

The contradiction between the capital markets' demand that debtor countries generate trade surpluses and the frictions the surpluses have created with trade partners remains a potentially explosive issue. The large trade deficit of the United States has fueled calls for protectionist measures in that country and it has exacerbated trade tensions among industrial countries. However, one may hope that these will ease, thanks, in part, to the recent decline of the dollar.

The effect of a declining dollar, as expected, was delayed, as the dollar price of imports rose and that of exports dropped before the corresponding volumes had time to respond (the "J-curve" effect). However, the United States' trade deficit is now expected to decrease. Although, with present exchange rates and expected growth relationships, the deficit will not disappear, industrial-countries' prospects nevertheless appear more stable than they did last year. Part of the adjustment viewed as necessary a year ago has been completed, and financial authorities have achieved an impressive degree of coordination in managing it.

In 1986, the industrial countries should continue to experience moderate growth. There is a growing consensus that such prospects have been significantly improved by the decline in the dollar price of oil by 30 percent to 40 percent since December 1985. Assuming that the current price is sustained and taxes on oil are not increased, the fall in the price of oil should substantially increase real incomes and reduce inflation in the industrial countries—in the short run.

The direct positive effect of this price reduction on the real incomes of oil users is roughly equal to its negative effect on oil producers, although the world economy would still benefit from allocating fewer resources to produce expensive energy. However, the main global benefit of cheaper oil is expected to come through the sudden easing of inflationary pressures, which allows monetary policies to become less restrictive in real terms. Growth is expected to be somewhat faster than last year in both the United States and in Europe. It may well slow down, however, in Japan, since, with the appreciation of the yen, increased domestic demand may not compensate fully for reduced export growth.

The Performance of Developing Countries

Developing countries had hoped that their recovery from the recession years of the early 1980s would continue to gain in momentum. Those hopes foundered, however, in the wake of the slowdown in the industrial countries: GDP growth in the developing countries slowed from 5.4 percent in 1984 to 4.3 percent in 1985, growth in export volume fell by more than 8 percentage points to 2.3 percent, and developing-country terms of trade were reduced by 1.1 percent, as commodity prices generally remained depressed. Only late in 1985—and early in 1986—was some relief felt by different groups of developing countries: first, by a number of the heavily indebted countries, which benefited from the decline in interest rates (and, in some cases, perhaps also from the fall in the value of the U.S. dollar), and second, by the oil-importing countries, which benefited from the break in the price of oil in the first quarter of 1986.

The 4.3 percent growth in GDP was well below the average rate of growth that had occurred before 1980. More significantly, if data for China, India, and Brazil, which loom large in the statistical average for all developing countries, were excluded, GDP growth in 1984 slowed to 2.4 percent. With deteriorating terms of trade, per capita incomes fell in most of the developing world.

All groups of countries were affected by the events of 1985: Countries that traditionally have achieved a strong export performance saw their economies constrained by stagnation or declines in export revenues; Asian countries, which rely heavily on manufactured exports, experienced reductions in the rate of export growth; despite continued policy efforts to encourage exports, many heavily indebted countries were unable to continue the export boom of 1984 in the face of weak demand growth, and, as a result, the rate of growth of their imports had to be constrained; African economies suffered through a fifth consecutive year of declines in per capita income; some of the more advanced Mediterranean countries experienced declines in their rates of GDP growth, as they applied restrictive policies to reduce inflation and contain current-account deficits; and developing countries, generally, had cause to be concerned by the threat posed by increased protectionist pressures in industrial countries.

The six-month, U.S.-dollar London Interbank Offered Rate (LIBOR), which is used as a base rate for much of the floating-rate private-source debt owed by developing countries, fell from an average of 11.2 percent in 1984 to 8.7 percent in 1985. However, if real interest rates are deflated by developing-country export prices (which dropped by 2.2 percent), the rate averaged above 10 percent. Total interest payments on long-term debt rose because of the increased amount of outstanding debt, largely the result of concerted lending through the mechanism of rescheduling agreements. Stagnant export revenues, low levels of borrowing, and higher interest payments resulted in import-volume growth slowing to 3.4 percent from about 6 percent in 1984.

GDP growth. Growth performance varied substantially among regions (see Table 2-2). Asia's GDP rose by 6.1 percent, down from 8.7 percent in 1984. China reported continued growth at a rate above 10 percent in response to the continued success of internal reforms. In middle-income Asian countries, by contrast, growth slowed as the increase in manufactured exports moderated. The Republic of Korea, which achieved an average GDP growth rate of 9 percent between 1960 and 1970, grew by 5 percent, while Singapore's GDP actually fell by 1.8 percent, the first such decline registered by that country in twenty years. Indonesia and Malaysia also experienced slow growth, the result of stagnant oil and weak commodity prices. The continuing political and economic crisis in the Philippines produced another year of decline in GDP.

Sub-Saharan Africa's GDP increased by only 1.2 percent, and its terms of trade also deteriorated. Thus, the erosion of per capita incomes in that region continued. Since 1980, this region's per capita GDP has fallen by 16.6 percent.

The sources of Africa's economic problems are many and varied. Past natural disasters have devastated livestock and agricultural crops and, in some areas, have led to widespread starvation. Economic growth in several countries has also been constrained by political turmoil. In many countries, difficulties in servicing debt, although much of it is on concessional terms, have preoccupied policymakers and reduced the availability of necessary imports. Commodity prices have fallen precipitously from their high

Table 2-2. Growth of Gross Domestic Product, by Region, 1965–85

Group	1980 GDP (US$ billions)	1980 population (millions)	1980 GDP per capita (US$)	Average annual percentage change in GDP 1965–73	1973–80	1982	1983	1984	1985[a]
Analytic group									
Developing countries	2,094	3,124	670	6.6	5.4	2.0	2.0	5.4	4.3
Low-income countries	549	2,102	260	5.6	4.7	5.3	7.8	9.4	7.8
Asia	495	1,900	260	5.9	5.0	5.7	8.6	10.2	8.3
Africa	53	202	260	3.9	2.7	0.8	0.3	0.7	2.1
Middle-income oil importers	979	580	1,690	7.0	5.5	0.8	0.8	4.1	3.0
Middle-income oil exporters	566	441	1,280	7.1	5.8	1.0	−1.9	3.1	2.5
High-income oil exporters	225	17	13,240	9.2	7.7	−1.7	−7.1	1.3	−5.0
Industrial market economies	7,440	716	10,390	4.7	2.8	−0.6	2.3	4.6	2.8
Regional group									
Asia and Pacific	806	2,222	360	6.7	6.0	4.9	7.5	8.7	6.1
Middle East and North Africa	110	106	1,040	5.8	7.8	5.2	4.8	3.6	4.6
Sub-Saharan Africa[b]	184	331	560	6.4	3.4	−0.7	−2.6	0.5	1.2
Southern Europe[c]	212	91	2,330	7.0	4.8	2.1	0.9	2.7	2.5
Latin America and the Caribbean	705	344	2,050	6.9	5.4	−0.9	−3.4	3.1	3.5

NOTE: Developing countries aggregate is based on a sample of ninety countries.

a. Preliminary.

b. Does not include South Africa.

c. Does not include Hungary and Romania.

SOURCE: The World Bank.

levels of 1978–80, and a number of countries remain dependent on a few cash crops for most of their foreign-exchange receipts. Despite a rise in coffee prices, the price of nonoil primary commodities as a group fell by 11 percent in 1985. Finally, a further decline in oil prices reduced national income in Nigeria, whose weight figures large in the region. Since 1980, Nigeria's GDP has fallen by almost 18 percent, and its real national income by much more.

Nevertheless, there is now widespread agreement within Africa that distorted exchange rates and other prices, often wasteful public-sector investments, and counterproductive government interventions have also greatly contributed to the continent's plight. Indeed, the growing consensus and the increasing number of countries translating that consensus into new adjustment policies constitute the year's most promising development. However, it is also agreed that, to be fully effective, these adjustment policies need to be supported by greatly increased aid, which is not yet forthcoming.

Gross domestic product increased by only 2.5 percent in Southern Europe and by 4.6 percent in the countries of North Africa and the Middle East (many of which, particularly the oil exporters, had to contend with a sharp deterioration in their terms of trade). Many countries faced the necessity of continuing long-standing austerity programs that had been adopted to reduce inflation and contain current-account deficits in the face of excessive debt. In Turkey, liberalization measures continued, and although GDP growth slowed down somewhat, it remained close to 5 percent. Middle Eastern and North African oil exporters suffered from a decline in oil prices and, towards the end of the year, from the depreciation of the dollar, which further reduced the purchasing power of their exports in markets outside the United States.

Exports. The volume of developing countries' exports increased by only 2.3 percent in 1985, down from an increase of 10.7 percent in 1984 and less than half the 1965–80 average rate of growth (see Table 2-3), mostly the result of the slowdown in the aggregate growth of industrial countries, which also contributed to a deterioration in developing countries' terms of trade. Exports of manufactures from developing countries rose by only 3.3 percent, compared with 16.6 percent in 1984. The slowdown affected most major exporters of manufactures, including Korea, Hong Kong, Singapore, Brazil, and Portugal. Countries that rely heavily on the United States' market, particularly in Latin America and East Asia, were most affected. This was partly the result of a sharp slowdown in growth in the United States and, for the majority whose currencies more or less follow the U.S. dollar (until the dollar started to decline in earnest late in the year), to a loss of competitiveness *vis-à-vis* Europe and Japan.

Efforts to improve incentives for exports, reduce overvaluation of currencies, and lower effective protection rates continued in many countries. Countries that had followed generally nondistortional pricing policies and avoided an anti-export bias continued to be generally more successful than those that discriminated against exports through overvalued exchange rates and high rates of protection; even appropriate policies, however, were unable to maintain high rates of export growth in the face of stagnant demand.

Most adversely affected by stagnant demand were primary-commodity exporting countries. The decline in the prices of primary commodities other than oil led to a 5.6 percent deterioration in 1985 in the terms of trade of the poorer African countries, the purchasing power of whose exports actually fell despite a 2 percent increase in volume. Continued weakness in the oil market, with increased production by higher-income countries, reduced the export revenues of oil-exporting developing nations by almost 5 percent.

Nonoil commodity prices. The dollar price of nonoil commodity exports from the developing countries declined by about 10 percent in 1985 (see Figure 2-2). This drop was caused both by slow demand growth since early 1985 in industrial countries and, in the case of grains, cotton, and oilseeds, by excess supply resulting from exceptionally bountiful crops or shifts in the price-support and export policies of major suppliers. Producing countries, in need of export earnings to finance imports and debt service, have given few signs of restraining production in the face of falling prices. The average dollar price of metals and minerals fell by 5 percent and has declined by about 30 percent since 1980. Tin prices fell dramatically, and trading in tin was suspended at the London Metal Exchange in late October when the International Tin Council ran into financial difficulties and could no longer support the price of tin.

Food prices in dollar terms declined by an average of 12 percent, after a 6 percent increase in 1984. The price of beverages, however, picked up substantially during the fourth quarter of 1985, influenced strongly by the coffee boom, the result of a severe drought that is expected to reduce Brazil's 1986/87 coffee crop by between 30 percent and 50 percent. The price of tea, however, declined to about half its 1984 level by the end of 1985, following large increases in production in tea-producing countries. The prices of cereals and fats and oils dropped by 6 percent and 24 percent, respectively.

World cotton acreage increased by 11 percent in 1984/85 in response to favorable prices the year before; world prices for cotton then fell 21 percent in the 1984/85 season. Since then, however, the United States and China, both major cotton producers, have taken measures to reduce cotton production.

Petroleum prices. Slow growth in industrial countries, combined with continued oil-conservation measures, caused demand for oil to remain weak in 1985, and the average dollar price of crude oil dropped 4 percent to $27.80 a barrel, the official price quotation of the Organization of Petroleum-Exporting Countries (OPEC). Oil prices have been declining ever since their peak in 1981; the $27.80 level was almost 20 percent below the peak price of $34.30.

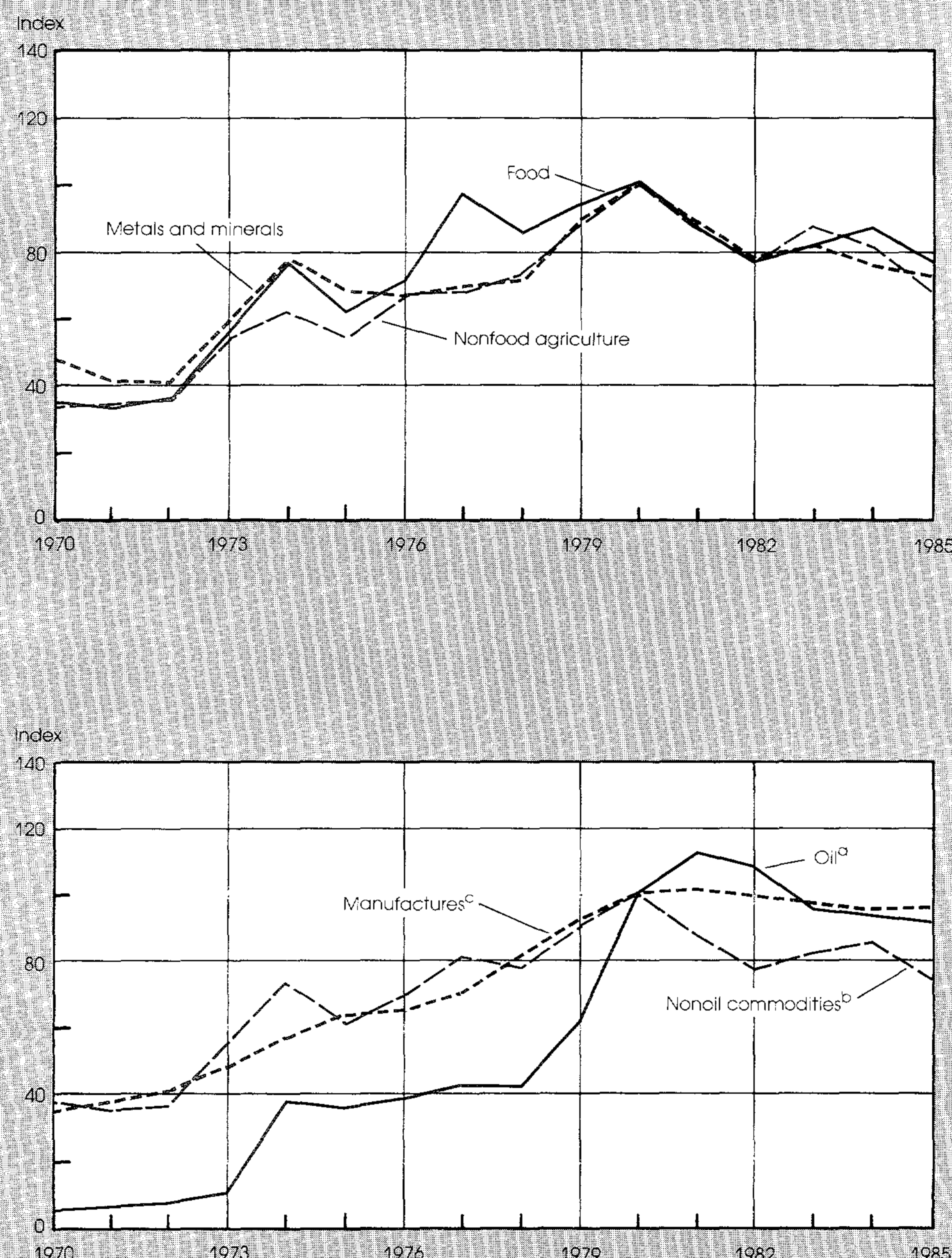
During the early part of the year, as the majority of OPEC members met their previously agreed production and export quotas, supply and demand remained in rough balance. Low levels of inventories and unusually cold weather in Europe and the United States helped to maintain demand. However, spring weather again reduced the demand for oil, and in mid 1985, the Soviet Union and Egypt lowered their official selling prices, as did Mexico. OPEC members

***Table 2-3.* Export Growth in Developing Countries, 1965–85**
(average annual percentage change)

Country group	1965–73	1973–80	1981	1982	1983	1984	1985[a]
All developing countries	5.0	4.6	2.1	−0.5	4.7	10.7	2.3
Low-income countries	1.9	5.4	5.9	3.1	5.8	6.3	3.5
Asia	0.6	6.8	9.1	6.3	7.2	6.6	3.8
Africa	4.6	1.3	−4.5	−9.3	−0.2	4.9	2.0
Middle-income oil importers	7.1	9.0	7.4	−0.4	5.0	12.8	3.7
Major manufacturing exporters	9.2	10.6	8.1	−1.2	6.6	13.1	3.2
Other middle-income oil importers	2.4	3.5	4.3	3.7	−2.1	11.5	6.0
Middle-income oil exporters	4.3	0.0	−7.2	−1.9	3.6	8.6	−0.8
High-income oil exporters	12.7	0.0	−10.6	−25.0	−16.6	−0.5	−4.3

NOTE: Growth rates are at constant 1980 prices of merchandise exports.
a. Preliminary.
SOURCE: The World Bank.

Figure 2-2. Commodity Price Indices, 1970—85



[a] Average price of internationally traded oil.
[b] Average price of thirty-three primary commodities, weighted by each commodity's share in developing countries' exports.
[c] Average price of industrial countries' exports of manufactures to developing countries.
Source: The World Bank

began to grant discounts to retain or increase their market shares.

By the end of 1985, several OPEC members declared that they would alter their policy of limiting supplies to uphold prices in favor of one that sought a "fair share of the market." At that point, the spot price of crude oil started to fall, averaging about $18 a barrel during the first quarter of 1986 and falling below $11 in June.

Balance of payments, debt, and financing. The current-account deficit of developing countries (excluding official transfers) amounted to $41 billion in 1985 (Table 2-4), up slightly over the year before, but more than $60 billion less than the peak deficit of $105 billion in 1981. This deficit amount is also considerably smaller than interest payments by developing countries on their long-term debt alone. Overall, developing countries' exports of goods and non-factor services (GNFs) almost equalled (and, excluding China, exceeded) their imports of GNFs. Collectively, for all developing countries other than China, and particularly for the highly indebted countries, national savings exceeded gross domestic investment and went, in part, to pay for the net cash flow owed to debtors.

The reduction in the current-account deficit has been the result of actions taken in the wake of a substantial fall, since 1981, in external financing. Developing countries received $35.5 billion in net long-term loans in 1985, as against $74.6 billion in 1981. Of this amount, capital flows from private sources fell from $52 billion in 1981 to $15 billion in 1985. Much of the latter figure consists of concerted lending within the framework of rescheduling agreements, not "spontaneous" lending. Net private direct foreign investment has also fallen by about 28 percent since 1981, no doubt a reflection of depressed domestic demand in developing countries and unfavorable commodity markets.

Net financial flows to developing countries (including errors and omissions) declined from about $55 billion in 1984 to $42 billion. This change largely reflected a fall in loans by private sources to oil-exporting developing countries and a decline in net short-term liabilities of oil-importing countries. Even so, the current-account deficit of developing countries rose by $5 billion in 1985, and reserves rose by less than $2 billion.

One should note that estimates of the current-account deficit may contain considerable error, partly because of the overall error in the global current-account balance, but also, because complete reports on actual (rather than contractual) debt-service payments in 1985 are not yet available for all countries. The current-account deficit of developing countries may well turn out to have been larger than now estimated, reflecting accumulation of arrears.

Declines in lending, small increases in export revenues, and declines in terms of trade resulted in an increase in developing countries' merchandise imports of only 3.6 percent in volume, down from 5.8 percent in 1984. This modest in-

Table 2-4. **Current-account Financing of Developing Countries, 1970–85**
(billions of US dollars)

Item	Oil-importing countries[a]					Oil-exporting countries[b]				
	1970	1982	1983	1984	1985[c]	1970	1982	1983	1984	1985[c]
Current-account balance (excluding official transfers)	−9.7	−64.6	−41.4	−32.2	−35.0	−2.9	−35.8	−11.0	−1.9	−5.5
Net official transfers	1.8	9.2	9.8	10.5	13.0	0.6	1.9	1.9	2.0	2.0
Private direct foreign investment, net	1.4	8.1	6.3	7.2	7.8	0.9	5.6	4.3	3.2	3.0
Medium- and long-term loans, net	6.5	45.1	36.2	33.0	33.8	1.6	21.2	17.1	7.7	1.8
Official source	2.9	17.1	16.9	16.9	16.5	0.8	5.3	3.4	4.9	4.4
Private source	3.6	28.0	19.3	16.0	17.3	0.9	15.9	13.7	2.8	−2.6
Other capital, net[d]	1.2	−5.3	−8.9	−8.0	−17.5	0.1	−11.4	−10.2	−5.8	−1.8
Change in reserves[e]	−1.2	7.5	−2.0	−10.5	−2.1	−0.3	18.5	−2.1	−5.2	0.5

NOTE: Details may not add to totals because of rounding. Data are based on a sample of ninety developing countries.
a. Includes all low-income countries.
b. Does not include high-income oil exporters.
c. Preliminary.
d. Net short-term flows and errors and omissions.
e. Minus sign indicates reserve accumulation.
SOURCE: The World Bank.

crease was accounted for by only a few countries: China's import volumes, for example, rose by 27 percent, to the point where controls were imposed to contain the overheating economy in the second half of the year. By contrast, imports of middle-income countries increased by less than 0.5 percent. Adjustment in middle-income developing countries continued to reflect restrictive policies and constraints on imports rather than successful export promotion.

Private lenders remained extremely cautious in their lending to developing countries. Some countries enjoyed continued access to bank loans at low spreads, and a few East Asian countries—China, Korea, and Malaysia—were able to tap the bond markets. Most developing countries, however, were unable to obtain new net lending from private sources, except under rescheduling agreements. Negotiations for the rescheduling of existing debt were active in 1985 and covered nineteen World Bank members, including ten from sub-Saharan Africa and seven from Latin America. Altogether, twelve agreements were signed during 1985, representing $87 billion worth of negotiated debt relief, among them a $49 billion agreement, initially agreed to in 1984, signed with Mexico. Reschedulings were also concluded with Argentina, Chile, Ecuador, and the Philippines.

Funds obtained under these agreements fell short of the amounts necessary to cover interest payments. Long-term net disbursements to all developing countries totaled about $36 billion in 1985, while interest payments on long-term debt reached almost $58 billion (see Table 2-5).

There was no visible progress in 1985 toward strengthening the creditworthiness of the developing countries. Overall, the ratio of their service payments on long-term debt to exports increased from 20 percent in 1984 to 22 percent, while the ratio of the value of long-term debt to exports rose from 130 percent to 136 percent. The estimate of debt-service payments may be high, since, for some countries, it reflects payments due in 1985, rather than payments made. However, this is the relevant figure for evaluating creditworthiness, all the more so as any shortfall in 1985 debt-service payments due to arrears would be reflected in an increase in debt and in future payment obligations.

Major obstacles continue to confront the successful management of debt problems. Many

***Table 2-5.* Medium-term and Long-term Debt of Developing Countries, 1970–85**
(billions of US dollars)

	Oil-importing countries[a]					Oil-exporting countries[b]				
Item	1970	1982	1983	1984	1985[c]	1970	1982	1983	1984	1985[c]
Net disbursements	6.5	45.1	36.2	33.0	33.8	1.6	21.2	17.1	7.7	1.8
Concessional loans	2.0	8.1	6.7	6.6	6.4	0.6	1.7	1.2	1.7	0.7
Nonconcessional loans	4.5	37.0	29.5	26.3	27.4	1.1	19.4	15.9	6.0	1.0
Official	0.9	9.0	10.2	10.3	10.1	0.2	3.5	2.2	3.2	3.6
Private	3.6	28.0	19.3	16.0	17.3	0.9	15.9	13.7	2.8	−2.6
Debt outstanding and disbursed (DOD)	50.9	378.2	421.7	450.9	484.7	17.7	173.8	209.9	224.7	226.5
Official	26.0	145.2	162.4	176.2	192.7	7.5	48.6	51.6	55.2	59.5
Private	24.9	233.0	259.3	274.7	292.0	10.2	125.2	158.3	169.5	166.9
Total service payments	6.5	63.1	57.2	62.1	70.4	2.8	35.0	34.1	40.3	44.5
Interest	1.9	31.9	30.0	33.7	36.5	0.7	16.9	17.2	20.5	21.1
Official	0.7	5.6	6.4	7.5	9.7	0.2	2.1	2.3	2.6	3.2
Private	1.2	26.3	23.7	26.2	27.1	0.5	14.8	14.8	17.9	17.5
Amortization	4.6	31.2	27.2	28.4	33.7	2.1	18.1	16.9	19.8	23.7
Official	1.1	6.2	6.6	7.5	11.4	0.4	2.8	3.7	3.5	5.2
Private	3.4	25.0	20.6	20.9	22.4	1.7	15.4	13.2	16.3	18.4
Service payments as a percentage of exports of goods and services	13.7	19.0	17.1	16.7	18.4	8.1	25.5	25.5	27.8	31.8
DOD as a percentage of GDP	12.9	24.2	27.9	29.7	29.9	18.1	30.2	39.3	39.3	37.9

NOTE: Details may not add to totals because of rounding. Data are based on a sample of ninety developing countries.

a. Includes all low-income countries.

b. Does not include high-income oil exporters.

c. Preliminary.

SOURCE: The World Bank.

countries have suffered continuous declines in per capita output and even steeper declines in per capita domestic expenditures as a result of the need to maintain trade surpluses to meet interest payments. In some countries, political institutions have been strained by the restrictive policies that parts of the public view as being needed only to generate repayments for foreign banks.

The banks have made efforts to increase their capital position, thus cushioning the impact on their solvency of problem loans in developing countries. This improved ability to withstand potential losses may well have stiffened the opposition of some banks (notably the smaller ones) to participation in concerted lending, thus increasing the burden on larger banks, which have a greater proportion of their assets tied up in developing countries. The duration of the crisis has also increased the dilemma facing regulatory agencies. Increased bank exposure to problem countries is clearly necessary to prevent a major disruption to the financial system and to safeguard banks' assets. Yet, traditional rules (and equal treatment with domestic loans) require increased provisioning against banks' assets in developing countries. That, in turn, discourages increased exposure.

Thus, despite continuing recovery in industrial countries and falls in interest rates, the developing countries continue to face difficult challenges in restoring growth and creditworthiness. The need to address the problems of the poorest countries, especially those in sub-Saharan Africa, and the major debtors has been widely recognized by governments in industrial countries. Initiatives put forth at the World Bank-International Monetary Fund (IMF) Annual Meetings in Seoul, Korea, in October 1985, clearly focused on the need to achieve renewed growth in major debtor countries, as governments increasingly came to recognize that the debt problem requires long-term solutions and increased assistance. The "Baker initiative" (in recognition of its proposer, James A. Baker, III, the United States Secretary of the Treasury) called for concerted action by multilateral and private lenders to increase capital flows to those indebted countries that are implementing far-reaching programs of economic reform.

There has been widespread support for this initiative as reflected, for example, in the April 1986 Development Committee communique, which urged all major parties to redouble their efforts so that medium-term, growth-oriented adjustment programs could be designed and implemented as soon as possible.

Similarly, for the low-income countries, particularly those in sub-Saharan Africa, the World Bank and the IMF are working together to assist in efforts to reverse the economic decline that has gripped much of the region over the last decade through the development and implementation of critical policy reforms. During 1985, the Bank continued this effort, not only through its normal lending program, but also through the Special Facility for sub-Saharan Africa, which was specifically set up to support adjustment efforts in the region.

At its October 1985 meeting, the Interim Committee of the IMF agreed in principle to a proposal that the IMF use the reflows it will receive from its Trust Fund loans to make highly concessional loans to low-income countries implementing economic programs designed to promote structural adjustment in a medium-term framework. A new IMF facility, called the structural-adjustment facility (SAF), was formally established by the Executive Board of the IMF in March of 1986. One feature of this program is the close coordination envisioned between the Bank (through its policy-based IDA lending) and the IMF (through its SAF lending) in promoting structural adjustment in the low-income countries. The size and nature of an eighth replenishment of IDA resources will have important implications for the Bank's ability to support these adjustment efforts.

The support by the international donor community has occurred alongside heightened recognition on the part of the developing countries of the role of their own past policies in their present plight and the nature of the policies needed for a better future—a recognition that is a key component in the successful implementation over the medium term of these often very difficult policy actions.

In the area of international trade policy, 1985 and early 1986 saw the initiation of a preparatory process within the General Agreement on Tariffs and Trade (GATT) aimed at the early commencement of a new multilateral trade-negotiations round. Such a round is seen as a crucial mechanism to avoid a further increase in protectionist measures and as a means to reduce significantly barriers to trade in both developed and developing countries—a reduction that is important to the promotion of long-term growth and efficiency in all countries. A ministerial meeting of the GATT is currently scheduled for mid September 1986. It is expected that this meeting will mark the official start of these important trade negotiations.

While progress in 1985 was limited and disappointing, the consensus noted earlier, coupled with the initiation of action over a broad range of developing countries, point to the potential for improved performance in the future.

The essential elements of a successful strategy are now generally recognized: continued growth in industrial countries and continued pursuit of reforms supported by increased financial flows in developing countries, in an open international trade environment. The actors, too, have been identified: governments in developing countries, which must pursue and accentuate their policy reforms; commercial creditors, for whose funds there is simply no substitute in sight, at least for the major indebted countries; and industrial-country governments, which not only must implement policies collectively conducive to more vigorous, noninflationary growth, but also take action, directly through the provision of concessional assistance and indirectly through support for international financial institutions, to help ensure that capital flows in adequate volume and on appropriate terms help bolster the debtors' adjustment efforts. Success is important, not just for the developing countries, but for the whole international economy. The task for 1986 and beyond is to get on with the effort.

Official Development Assistance

In 1985, the eighteen-member Task Force on Concessional Flows, established by the Development Committee in May 1982, published its report. It covered three broad subjects: the effectiveness of aid, public support for aid, and aid volumes.

In the most searching review yet made of the effectiveness issue by a joint recipient-donor body, the Task Force concluded that aid had contributed effectively to development. Yet, the report continued, there had been some aid failures as well as successes. Because the number of failures can be reduced, donors and recipients alike were urged to emphasize the need to increase the effectiveness of offical development assistance (ODA).

In the area of public support, the Task Force noted that although public support for aid is relatively diffuse and quiescent, there is—as response to the recent emergency in Africa suggests—a potential for more enthusiastic support. That potential could be exploited, the report went on, by political leadership and more effective communication through development-education programs and by nongovernmental organizations.

Finally, the Task Force turned to the question of aid volume. It found a probable mismatch between the needs for ODA, especially of the low-income countries, during the remainder of the 1980s and the supplies that now seem likely from donors. In this period of budgetary constraints and ODA scarcity, most members of the Task Force were concerned to find other ways to meet the needs for ODA without pushing appropriated ODA over the growth path now predicted for it. Thus, in the report, a variety of "coping options" were carefully examined: The conclusion reached, however, was that although some had considerable potential, the potential was insufficient. The Task Force, therefore, asked for increased, as well as more imaginative, efforts to raise traditional appropriated ODA (including that channeled through some multilateral institutions) during the years ahead.

The Task Force report was reviewed by the Development Committee at its October 1985 meeting. The Committee urged that the report and its suggestions be taken into account by all governments concerned and called on the World Bank to take a leadership role in following up on the Task Force's conclusions.

* * *

Net disbursements of official development assistance from member countries of the Development Assistance Committee (DAC)[2] of the Organisation for Economic Co-operation and Development to the developing countries in 1985 amounted to an estimated $29.6 billion, up $900 million over the level in 1984. The allocation of disbursements to individual countries varied, depending on the source of assistance. Net disbursements of ODA from DAC countries represented 0.35 percent of these countries' GNP. Only five countries (Denmark, France, the Netherlands, Norway, and Sweden) provided more than 0.7 percent of their GNP in development assistance, which is the target set by the United Nations for the Second and Third Development Decades. Several other DAC members increased their contributions substantially during the past year.

Provisional data for 1985 indicate that OPEC countries provided $3 billion in net disbursements of ODA to developing countries, a decrease—related to the decline in income from petroleum—of $1.5 billion from the year before. Still, these countries provided 0.6 percent of their GNP in net disbursements of ODA, most of which is in the form of "untied" assistance. In particular, Saudi Arabia and Kuwait continued to provide a substantial share of GNP as ODA—2.3 percent and 2.7 percent, respectively.

[2] Australia, Austria, Belgium, Canada, Denmark, Finland, France, Federal Republic of Germany, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Sweden, Switzerland, the United Kingdom, the United States, and the Commission of the European Communities.

Chapter Three
Bank Policies, Activities, and Finances

Bank Policies

Sector-adjustment Lending

In the past four fiscal years, sector-adjustment lending has become an increasingly important instrument in the array of Bank lending initiatives. Put in place at the beginning of the decade in response to the hostile economic environment that slowed and, in many cases, reversed, growth in the developing countries, sector-adjustment lending amounted to 14 percent of total IBRD and IDA commitments during fiscal 1986, up from 1.1 percent only five years ago.

Like the more comprehensive structural-adjustment operations,[1] sector-adjustment lending was designed to support, within an acceptable macroeconomic framework, sectoral programs of policy and institutional change, including restructuring of capacity, and to increase resource mobilization and the efficiency in the ways in which resources are allocated.

The objective of sector-adjustment lending is to promote the introduction and effective implementation of sector policies necessary for sustained, rapid growth. Depending on the objectives of the operation and country circumstances, this type of lending covers a continuum that ranges from major changes in macroeconomic policies to the establishment of an appropriate framework for sector investments. Generally disbursed in between two and six years, sector-adjustment operations are normally tranched, with release of the second tranche being linked to the progress of the sector-adjustment program.

(For details of trends in sector-adjustment lending and operations by region for the period, fiscal years 1979-86, see Tables 3-1 and 3-2).

In fiscal 1986, the Executive Directors, continuing their review of Bank adjustment lending, assessed this particular instrument in their discussion of a management-prepared paper, "Sector-Adjustment Lending: Progress Report."

The study noted that, because the vast majority of sector-adjustment operations had been approved only since the beginning of fiscal 1983, any judgment as to their success in meeting program objectives (increases in agricultural production and nontraditional exports, for instance) could only be tentative; so many other forces were at work that it was virtually impossible to isolate, and therefore gauge in quantifiable terms, the effectiveness of any particular Bank-supported operation.

Table 3-1. Sector-adjustment Lending, Fiscal Years 1979-86

Year	Number of loans	Amount (US$ millions)	Percentage of total Bank lending
1979	1	31.5	0.3
1980	1	65.0	0.6
1981	3	137.0	1.1
1982	—	—	—
1983	8	640.9	4.4
1984	8	1,317.9	8.5
1985	13	1,475.1	10.3
1986	18	2,283.5	14.0
1979–86	52	5,950.9	5.5

Nonetheless, the report concluded, the record of implementation of agreed adjustment programs had been good for the most part, and countries in which a first sector-adjustment loan had been followed by subsequent operations in the same or associated sectors—Ghana, Jamaica, Morocco, Sudan, Uganda, and Zambia—had particularly successful records of implementing their agreed-upon adjustment goals.

The report also noted the effects of sector-adjustment operations on the poor and cautioned that they, too, were not easily traced: There may be short-term costs for some, mostly urban, low-income groups, but those very policies that required adjustment had continuous costs for as long as they remained in place—high rates of inflation, low agricultural producer prices, slow industrial growth (and thus fewer employment opportunities), and inadequate services in the social sectors resulting from funds spent on subsidies to higher-income groups.

[1] A report on the progress of structural-adjustment lending appeared in the World Bank *Annual Report* for 1985, pages 52–54. In fiscal 1986, IDA credits, African Facility credits, and IBRD loans in support of structural adjustment totaled $777.2 million and were in support of programs in Burundi, Chile, Côte d'Ivoire, Guinea, Malawi, Niger, Senegal, and Togo.

Table 3-2. Sector-adjustment Lending, by Region, Fiscal Years 1979-86

Region	Number of recipients	Number of loans	Commitments (US$ millions)	Commitments (%)
Eastern and Southern Africa	10	15	610.6	8.6
Western Africa	6	10	536.1	7.5
East Asia and Pacific	2	2	372.0	1.6
South Asia	1	3	298.0	1.2
Europe, Middle East, and North Africa	4	8	1,390.4	7.0
Latin America and the Caribbean	9	14	2,743.8	10.5
Total	32	52	5,950.9	5.5

Assisting Reform in Morocco

The World Bank has provided support to Morocco in the form of three sector-adjustment loans that are assisting that country's bold and wide-ranging strategy of economic adjustment and restructuring.

The need for action by Morocco arose from ambitious investment policies pursued by the government during the 1970s. These expansive policies were initially encouraged and financed by the sharp increase in phosphate revenues that resulted from the tripling of phosphate prices in 1973. They were maintained by foreign borrowing later in the decade when phosphate prices and revenues declined and as expenditures for petroleum imports steadily increased. The economy used the foreign resources to continue policies of the past rather than to support domestic adjustment to a changed external environment.

To control the rising fiscal and balance-of-payments disequilibria, the government, in 1978, adopted a three-year stabilization program that focused on reducing public-sector outlays and imposing stricter import controls. Despite initial improvements, the program was not sustained, and the early 1980s witnessed a further deterioration of the fiscal and balance-of-payments situation. In 1983, the government acknowledged the seriousness of the situation: With foreign-exchange reserves virtually exhausted and with a worsening fiscal deficit, the need for adjustment and restructuring was evident. Under a 1983 Stand-by Arrangement with the International Monetary Fund, the government sharply curtailed public expenditures. At the same time, the government began discussions with the Bank on a strategy for structural adjustment in key sectors of the economy to increase the productive capacity and reduce distortions that slowed growth.

Bank assistance for that strategy has included support for trade-policy reform and industrial restructuring to promote export production and encourage greater reliance on private-sector industries; agricultural reform, to overcome prevailing constraints to rational land use, to improve farming techniques, and to provide the modern inputs and support services necessary to bring about these changes; and education reform, to reorient the education and training system to respond better to the country's medium-term development needs and improve the efficiency of resources use in the sector that consumes the largest share of public resources. In addition, a public-enterprise rehabilitation loan is currently being prepared to improve the efficiency of public enterprises in a number of sectors.

Several of the Executive Directors gave their particular approval to the importance that the report placed on assisting member-country governments to identify ways and means to mitigate adjustment costs and, if necessary, to modify the design of the policy and institutional measures under consideration.

In sum, sectoral-adjustment lending was held to be a flexible instrument for supporting adjustment policies in developing countries, and the report added that its importance would not diminish in the foreseeable future. Its effectiveness could be improved, the study continued, by:

- strengthening the Bank's country economic and sector work to ensure that it generates actionable proposals for adjustment[2]
- ensuring that the adjustment program is seen in its entirety so that individual operations

[2] The formulation of sector-adjustment loans relies heavily on country economic and sector work (CESW): This work can help establish whether the macroeconomic environment is conducive to successful sectoral adjustment and whether a government can sustain a medium-term adjustment program. CESW analysis of sector policy and institutional capacity is the basis for the formulation of sector-restructuring programs; CESW is an important vehicle in the Bank's dialogue with government officials, and especially for convincing them of the rationale and need for reform; CESW allows the progress made in the implementation of a sector-adjustment loan to be monitored and identifies additional issues that need to be examined; and finally, CESW is, itself, improved by the experience gained in the design and implementation of the adjustment program.

are part of a comprehensive and in-depth reform program
- focusing increasingly on detailed and specific measures that raise the supply responsiveness of individual producers and enterprises to policy-reform and sectoral-reform measures.

The sector-adjustment and structural-adjustment lending instruments were designed to achieve a specific purpose: to help countries through the process of economic reform and restructuring made necessary as a result of the hostile economic environment of the late 1970s and early 1980s. As reported in last year's *Annual Report,* consensus has been reached that the Bank, in the future, should preserve and build on its traditional strengths, particularly in project design. Thus, although the share of sector-adjustment loans in total Bank lending during the next three years is likely to be between 10 percent and 15 percent, it is expected that, eventually, the role of such lending will diminish as sustained reforms bring about progress in a country's domestic economic environment. Recovery to that point is not anticipated to be rapid, however—especially in sub-Saharan Africa and in the heavily indebted countries of Latin America.

But as recovery moves forward, the Bank anticipates that more loans in sectors such as public enterprises and energy, and for financial reform, will be prepared; that there will be an increased focus on loans supporting in-depth structuring of sectoral incentive and investment programs, policies, and institutions; and that disbursement periods will lengthen as sector-adjustment loans increasingly finance investment components.

Food Security in the Developing World

Food security—defined as access by all people at all times to enough food for an active, healthy life—is a central policy issue in many developing countries.[3] This is not surprising, as food security is nonexistent for as many as one third of the population in the developing world, excluding the People's Republic of China. And, of these 730 million people, almost half—340 million—are acutely undernourished.

Many countries have strategies for helping their people achieve food security. Those strategies, however, often are neither cost effective nor do they reach their intended targets. Some countries have no strategy, despite the fact that a supply of ample food for all is man's most fundamental need.

In an effort to contribute to the effectiveness of food-security policies in a resource-constrained environment, the World Bank published a policy study, *Poverty and Hunger: Issues and Options for Food Security in Developing Countries,* that became the subject of far-reaching discussion by the Executive Board.

The study's central message was that among the forces that conspire to leave underfed almost one person in five in today's world, one stands out above all others: poverty. Not the spectre of insufficient food, for indeed, the world, and even most nations, have an ample supply of food. Since poverty is the main cause of malnourishment, food security can therefore be achieved only by raising the real incomes of households so that they can afford to buy enough food or by improving the ability of farmers to produce enough food to meet their own needs.

Income growth can best be achieved through economic growth. There are two difficulties, however: Economic growth takes time; in addition, given the current distribution of individual assets and opportunities, even with economic growth, many poor people will be able to increase their purchasing power only slowly, and some inevitably will remain locked in poverty. How to overcome this latter problem at the national level, and how the international community can help nations plan and implement food-security strategies formed the core of the Bank study.

The policy paper suggested that the problem of chronic food insecurity can be tackled in three different ways in national intervention programs: by increasing the food supply, by subsidizing consumer foods, and through transfers of income in cash and in kind.

Transfer payments in cash or kind, the third option, tend to be the most efficient way of increasing the real incomes of the poor and giving them the means to increase their consumption of food. Although ways can be found to target both urban and rural households, care should be taken to avoid "leakages" of transfer payments to unintended beneficiaries. Unfortunately, efforts at avoiding leakages, though they can be effective, increase, often steeply, the administrative costs of, and the administrative skills necessary to run, a transfer-payment program.

The choice among these three policy interventions must be based on a balanced concern for budgetary and economic costs, the administrative and political feasibility of different interventions, and the expected benefits. Since most countries have a variety of target groups, a mix of interventions to improve food security will likely be necessary. The appropriateness of the package of measures chosen will depend, therefore, on who is facing food insecurity within a country.

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[3] There are two types of food insecurity: chronic and transitory. Chronic food insecurity is a continuously inadequate diet caused by the inability to acquire food. It affects households that persistently lack the ability either to buy enough food or to produce their own. Transitory food insecurity is a temporary decline in a household's access to enough food. It results through instability in food prices, food production, or household income. Its worst form is famine.

The Bank's Experience with Food-subsidy Programs in Brazil, Colombia, and India

Food-subsidy programs assisted by the Bank in Brazil, Colombia, and India have all promoted the idea of selective participation. A coupon program in Recife, Brazil, which distributed food through government-run supermarkets, used income to decide who could participate. The program showed several things:

- how difficult it is to target income when income reporting is arbitrary
- that food coupons are more effective at reducing child malnutrition if the subsidies are high enough to sustain participation
- that a coupon program requires heavy bookkeeping and administrative costs
- that down payments for coupons pose a barrier to the lowest-income group
- that the system must adapt to the frequent small purchases that low-income families have to make.

Building on lessons from the evaluation, the Brazilian program was modified, with apparent success, to reach very low-income neighborhoods without coupons or down payments. Common basic foods are now subsidized for all customers of many registered small neighborhood stores in selected poverty areas. Any leakage of benefits to people not in need is much less expensive than administering the cumbersome coupon program. The revised system also makes it possible for low-income families to make frequent purchases in small quantities.

In Colombia, areas of poverty were identified as part of the national development plan. Targets of food subsidies were then narrowed to households that had children under five years of age or a pregnant or lactating woman. This reduced the number of possible beneficiaries and thus lowered administrative and fiscal costs. Little leakage or fraudulent use of coupons was apparent.

In a feeding program in India's Tamil Nadu state, the criterion for targeting was the growth of children. Children were admitted to the program when their growth faltered and were removed when their weight increased satisfactorily. Such selectivity lowered the food cost well below that of most feeding programs for preschool children. Mothers did not use the supplements as an excuse to reduce their children's intake at home because of a sense of shame that would have been induced had the child not gained weight. (The same sort of shame, along with inconvenience, keeps the affluent from buying at subsidized shops in poor neighborhoods.) The project, covering 9,600 villages—about a third of the state—has averted an estimated 107,000 cases of severe malnutrition and 12,000 deaths. And children who have been through the program are 1.75 kilograms heavier at age five than children from control villages.

International assistance for food security, to date, has achieved little success. Due to the widely held misperception that food shortages are at the root of the problem, assistance has largely been limited to attempts to increase food production.

The study called on the international community to take into account its four major conclusions when strategies to achieve food security are being devised: that (a) the lack of food security is the lack of purchasing power of people and nations; (b) food security neither necessarily nor only comes from achieving food self-sufficiency in a country, or from a rapid increase in food production; (c) long-term food security can be achieved through economic growth and the alleviation of poverty, but, in the short term, it results from a redistribution of purchasing power and resources; and (d) that transitory food insecurity can be reduced through measures that facilitate trade and provide income relief to target groups.

International donors, the study concluded, can help nations apply these conclusions to their food-security strategies in three ways: through policy advice, financial assistance, and improvements to the external trading environment.

Several implications for the Bank's operational work and research programs were posed by the study's conclusions. Among the major ones:

- The Bank will seek to strengthen its country economic and sector work to help countries formulate cost-effective food-security policies.
- The Bank will work to ensure that economic-adjustment programs that promote long-run growth are complemented by policies and strategies to address detrimental short-run effects of those programs on the food security of the poor.
- The Bank's lending program will continue to give high priority to projects that raise the income levels of the poor. This emphasis might include, where appropriate, financing of investments that increase the supply and reduce the price of basic staple foods.
- The Bank will increase its use of consultative groups and consortia as fora to improve food-aid coordination.
- The Bank will continue its vigorous support of international agricultural research, especially through the Consultative Group for International Agricultural Research (CGIAR), and for the strengthening of national research capabilities, particularly in sub-Saharan Africa.

Financial Intermediation

If well-developed and efficient, a country's financial system can be an important contributor to economic growth. It can facilitate capital accumulation; by acting as an intermediary between borrowers and lenders, it can transform the size, maturity, and risk characteristics of assets, thus enhancing the willingness of savers with short-term perspectives to buy long-term assets; and it can effect the allocation of resources by channeling funds to projects with high yields. Finance thus enhances growth, both in increasing the savings ratio and by reducing the capital-to-output ratio.

Since fiscal 1974, the World Bank has lent more than $21 billion to financial intermediaries. Of that amount, slightly more than half has been in the form of industrial credit, designed to support small and medium-scale beneficiaries, primarily in the private sector.[4] These loans have had two purposes: the obvious one of providing funds for investments in the productive sectors, and one not so obvious, that of enhancing the effectiveness of a country's financial system in mobilizing resources and allocating funds efficiently to investments and activities providing high returns.

Until the mid 1970s, investments in the financial sector had been almost exclusively to individual, specialized development financial institutions (DFIs). Through its assistance to individual DFIs, the Bank sought (a) to develop institutions that could efficiently take on the responsibility for appraisal, selection, and supervision of investments that were too small to be funded directly by the Bank and (b) to become, over time, promoters of industrial development through the identification of investment opportunities, generation of project ideas, and the selection of potential investors.

In practice, however, it turned out to be difficult to create financial intermediaries that could finance risky projects with debt instruments; lend to projects with high economic, but often marginal financial, rates of return; finance public enterprises and other projects at the request of governments, and yet be financially healthy and able to mobilize funds on commercial terms.

The Bank, therefore, began to increase its analysis of the economic environment and to sponsor detailed country studies of investment-incentive systems, effective protection, tariffs, and financial structure and policy. Recommendations for action were increasingly incorporated as components in policy-based lending operations. Thus, by the 1980s, the Bank began to utilize a variety of lending instruments for industrial finance.

From its recent experience, the Bank has drawn several major lessons, and, from those lessons, a new direction in Bank lending in support of DFIs has evolved.

1. *It has been demonstrated clearly that the role and performance of a country's financial system are intertwined both with the state of its macroeconomy and with corporate financial health.* Inappropriate policy, adopted in the wake of exogenous shocks, saddled many countries with onerous debt burdens and, eventually, recession. At the corporate level, the effects of inappropriate country policies were devastating, producing illiquidity and, in some countries, extensive corporate insolvency.

2. *Many of the recent problems relating to the financial sector reflect a neglect of domestic-resource mobilization and an over-reliance on foreign borrowings,* which are likely to be both less available and more costly, at least in the medium term.

3. *Excessive reliance by governments on directing commercial banks and DFIs to lend to priority sectors has often led to inefficient allocation of resources.*

4. *The task of building a sound and robust institutional base for finance is made up of far more than the creation and nurturing of individual DFIs;* it involves a broad range of institutional issues.

These issues, and a proposed path for future Bank involvement in the financial sector, were elaborated in a report, "Financial Intermediation Policy," that formed the basis of discussion in the Executive Board early in the fiscal year.

The suggested Bank policy involved no sharp departure from current practice; rather, it sought to increase the *relative* emphasis on the development and performance of the whole financial system. Thus, with this emphasis, Bank support to the financial sector has been designed to assist in the development of strategies, policies, and institutions that would:

- increase domestic-resource mobilization by providing a variety of depository and nondepository instruments that pay competitive returns
- encourage the development of more resilient and robust financial structures, both at the level of the enterprise and of the financial system through measures that, for instance, would increase the availability of long-term capital and improve the balance between debt and equity
- improve resource allocation by reducing fragmentation of financial intermediation through increasing competition and enhancing market discipline
- improve the auditing framework and the institutional infrastructure for financial information so as to make financial transactions more transparent and increase trust in the system
- strengthen the legal, supervisory, and regulatory environment of the financial system to

[4] This report discusses the development of the Bank's activities in the financial system in the context of its support of industrial finance. Many of the general conclusions hold, as well, for lending in support of agricultural credit and housing finance.

foster financial prudence and discipline and competitive arms-length relations among financial institutions, borrowers, and savers.

The report noted, however, that in developing a country-assistance strategy to promote financial development, while also considering the complexity and political sensitivity of financial-sector reforms, the issues to be addressed in any particular country at any given time would have to be selective and depend on differences in country size, stage of development, and economic system, just as solutions, also, must be tailor-made to each country's situation.

The report envisaged four types of lending instruments to be necessary for the implementation of Bank objectives on a country basis: financial-sector adjustment loans; multiple-institution loans; support (in conjunction with the IFC) for the development of financial markets; and, as in the past, loans to individual DFIs, particularly to those in countries with less-developed financial systems, or in cases in which the DFI could efficiently deliver finance in support of subsector objectives.

In their discussion, most of the Executive Directors supported the overall thrust of the policy paper and the outlined strategy to adopt a broader approach in the financial sector.

A number of Directors supported, in particular, measures that (a) would encourage the mobilization of equity financing, whether domestic or foreign, rather than debt; (b) would pay greater attention to the issues of institutional reforms and corporate restructuring; and (c) would encourage the decentralization of decision making and economic power.

The Executive Board supported the Bank's decision to implement its strategy carefully, and with sensitivity to each country's particular political and economic environment. Board members also noted, and the management agreed, that there was a need for close coordination between the Bank and staff of the International Monetary Fund (IMF) in this area to ensure complementarity between technical recommendations of the two staffs on issues covered by both institutions.

It was also agreed that selective support for individual DFIs would continue, with the key objective of that support being the improvement of their financial health so that they might become sustainable institutions capable of mobilizing resources in both foreign and domestic markets and allocating them efficiently.

The Multilateral Guarantee Investment Agency (MIGA)

At the World Bank-IMF Annual Meetings in Seoul, Korea, the Bank's Board of Governors, on the recommendation of the Bank's Executive Directors, decided to open the draft Convention establishing the Multilateral Guarantee Investment Agency (MIGA) for signature by member governments of the Bank and by Switzerland.

The recommendation of the Executive Directors came four years after Bank President A.W. Clausen revived the idea of forming such an agency while addressing the Bank's Board of Governors at the 1981 Annual Meetings.

MIGA, designed to promote the flow of international investments to developing countries, will begin operations once five capital-exporting and fifteen capital-importing countries have ratified the Convention and provided that the ratifying countries account for a total subscription of at least one third—\$360 million—of its proposed initial authorized capital of \$1.082 billion. A Preparatory Committee will be convened by the President of the Bank in September 1986, as the same minimum number of countries subscribing at least one third the initial authorized capital had signed the Convention by June 30, 1986. The Committee will prepare draft by-laws, rules, and regulations for approval by MIGA's governing bodies.

As of June 30, 1986, thirty-one countries (five capital-exporting and twenty-six capital-importing) had signed the Convention, providing for subscriptions totaling over \$457 million. Two countries had ratified the Convention.

The MIGA initiative is seen as particularly timely for two major reasons: On the one hand, governments of developing countries increasingly realize the advantage to them of direct investments over commercial borrowing. On the other, the flow of private foreign investment into developing countries has declined in recent years. Investors have been increasingly concerned about noncommercial risks surrounding investments in these countries, including, in particular, the risks regarding the convertibility and transfer of earnings abroad.

The reduction of obstacles to the flow of international investments, at a time when the readiness of developing-country governments to accept them has risen, is therefore essential. MIGA will have as its objective the encouragement of those flows to developing countries by issuing guarantees, including coinsurance with, and reinsurance of, existing political-risk insurers, against noncommercial risks. In addition, MIGA will carry out promotional and technical-assistance operations, including technical assistance and policy advice to interested members. MIGA is thus expected to provide an important forum for policy cooperation between capital-importing and capital-exporting countries.

Some of MIGA's main characteristics include the following:

• It will be an autonomous organization with full juridical personality. In its operations, MIGA will cooperate with, and complement, national investment-guarantee schemes, regional entities, and the private insurance market. Arrangements for coinsurance and reinsurance are expected to be among the cooperative endeavors with these entities.

- Four categories of noncommercial risk will be covered in particular: the transfer risk resulting from host-government restrictions on conversion and transfer; the risk of loss resulting from legislative or administrative action or omission of the host government, which has the effect of depriving the investor of ownership, control, or substantial benefit from his investment; the risk resulting from the repudiation of a contract by the host government when the investor has no access to a competent forum, faces unreasonable delays in such a forum, or is unable to enforce a final judgment; and the risk of war and civil disturbance.
- The scope of MIGA's activities will be broad. It is expected initially to focus on equity interests, including equity-types of loans, and various forms of direct investment, such as certain types of management and service contracts, licensing and franchise agreements, turnkey contracts, and arrangements involving the transfer of technology and know-how. It may also cover medium-term and long-term loans that are related to a specific investment.
- In addition to its guarantee operations, MIGA will carry out a variety of technical-assistance and consultative functions, such as performing research, providing information and policy advice to governments, and other activities that can encourage and increase the flow of direct investment to and among developing countries.
- MIGA will be legally and financially separate from the World Bank. It will have an organizational link with the Bank in that the Bank's President will be *ex officio* chairman of the MIGA Board of Directors, and, in that capacity, will nominate MIGA's president. MIGA will have a Council of Governors, representing each of its member states, and a Board of Directors. Membership in the Agency will be open to all nations that are members of the Bank and to Switzerland.
- In order to qualify for coverage under the MIGA scheme, investors must be nationals of a MIGA-member country, be incorporated and have their principal place of business in a member country, or have the majority of their capital owned by nationals of a member country or countries. Upon the joint application of the investor and the country in which the investment is to be located, nationals of a host country can be covered if they bring assets from abroad for their domestic investments. This provision will assist developing countries in their efforts to reverse the trend of capital flight.
- MIGA will not conclude any contract or guarantee before approval by the host government. MIGA will thus be a multilateral agency clearly reflecting the needs, requirements, and conditions of its member nations in ways that most directly support their perceived interests.
- MIGA will operate on a sound financial and business basis, meeting its liabilities primarily from premium income and other revenues, such as the return on its investments.
- MIGA's solvency is also ensured by its share capital, which its member countries provide in line with their relative allocation of shares in the World Bank's capital. Ten percent of the authorized capital will be paid in cash and a further 10 percent will be paid in non-negotiable, non-interest bearing promissory notes to be cashed in only if necessary to meet MIGA's financial obligations. The remaining 80 percent of capital subscriptions will be subject to call.
- The guaranteed amount MIGA will initially issue will not exceed 1 1/2 times the amount of the subscribed capital plus reserves plus a portion of MIGA's reinsurance coverage. In other words, there will be a conservative 1.5:1 risk-to-asset ratio. As MIGA builds a balanced risk portfolio and gains experience, this ratio could rise to a maximum of five to one.
- MIGA will also be able to underwrite investments sponsored by members acting as administrator on behalf of sponsoring countries. Revenues built up from sponsorship ventures will be accumulated in a "Sponsorship Trust Fund" kept separate from MIGA's own assets and used to cover claims and expenses directly resulting from sponsorship operations that have no predetermined ceilings.
- MIGA, consistent with the basic principles of multilateral institutions, will be prohibited from interfering in the political affairs of its members.
- MIGA's voting structure will be based on the principle of equal voting power of capital-exporting and capital-importing countries once all members of the Bank have joined the Agency. In the Agency's formative years, special arrangements provided for in the Convention will ensure that neither group of countries can dominate the voting process.

The joint financial responsibility for, and political oversight of, the Agency by both developed and developing countries and the recognition that MIGA will be in business to serve its membership and stimulate investment for developmental purposes should enable the organization to reduce the potential for investment disputes.

Bank Activities

Economic Development Institute

In fiscal year 1986, the second year of the Economic Development Institute's (EDI) five-year plan, the institute gave special emphasis to organizing policy-oriented training to upper working-level staff from developing member countries, producing policy-oriented training materials, broadening support to training institutions in developing countries, and increasing collaboration with sources of financial assistance for training.

EDI sponsored or cosponsored 105 courses and seminars during the year, of which fifteen were senior policy seminars for decision makers and twenty-one were seminars for senior staff of training institutions in developing countries. The number of training activities substantially exceeded the eighty-three that were projected in the five-year plan and the eighty-two that were given in fiscal 1985. The growth reflected expanded cooperation with overseas partner institutions and with other sources of financing for training. (See Table 3-3.)

Nearly half the sixty-nine direct training activities undertaken during the year dealt with management of the overall economy or of particular sectors and subsectors. The remainder were concerned mostly with project analysis and management. Under the EDI's five-year plan, the poorest or smallest countries (many of which are in sub-Saharan Africa) were selected for special attention. In line with this objective, the EDI has concentrated its efforts on sub-Saharan Africa and other institutionally weak countries. Of the 3,300 participants attending EDI courses and seminars during the year, about 1,600 came from these countries.

More than 85 percent of the EDI's training activities in fiscal 1986 were held outside Washington, reflecting the institute's contacts with a wide range of training institutions throughout the world. (The EDI is actively associated with some eighty training institutions in developing countries.) Special efforts during the past year have yielded appropriate partners for urban-management training in francophone Africa and for transport-management and education-management training in Latin America. In addition to the courses and seminars that were carried out as joint ventures with regional and national training institutions, the EDI provided support to some forty-two institutions in the planning and delivery of their own courses or advice on the development of their training programs, curriculum design, financial planning and management, and the preparation of training materials based on local experience.

The program of senior policy seminars is being implemented along the lines envisaged in the EDI's five-year plan. Of the fifteen seminars given in fiscal 1986, ten were addressed to sub-Saharan Africa, three to Latin America, one to Asia, and one primarily to countries of the Middle East and North Africa. Most of the seminars have focused on sectoral issues, such as agricultural pricing, financing of education, population policy, and the efficient utilization of transport facilities. National economic ministries have usually been represented in these seminars and have been heavily represented in seminars dealing with macroeconomic issues. The participants are mostly at the ministerial, permanent secretary, or deputy permanent secretary levels. These seminars, which have been well received by the participants and involved Bank staff, are considered an effective technique for exchanging views and experience on important issues of development policy among senior government officials, representatives of the private sector, and senior Bank staff.

During fiscal 1986, the geographic coverage of EDI's program of seminars for trainers was broadened considerably. Although it is still oriented mainly to Asia and Latin America, several seminars were organized for trainers in Africa and in the Middle East. New seminars were given on the preparation and use of case studies and on the assessment of training needs.

Another important thrust of EDI's five-year plan is a considerable expansion in the production of training materials. EDI's project-related materials have been well known and widely used throughout the world for some time. But in line with the greatly increased emphasis on policy-oriented training, about half of current expenditure on materials is devoted to the development of policy-related materials. Work on training-

Table 3-3. **EDI Indirect and Direct Training Activities in Fiscal Year 1986**

Activity	Location	Cooperating agency
Trainers' Seminars		
Seminar for trainers in development banking (W)	World Bank	Associations of Development Finance Institutions in Africa, Asia and the Pacific, and in Latin America
Training needs workshop (R)	Ethiopia	Institute of International Education of the University of Stockholm
Round table for directors of regional training institutions (R)	Kenya	—
AMTA 2: Seminar for trainers—I and II (R)	Senegal	African Development Bank (AfDB)/International Fund for Agricultural Development (IFAD)
Case study workshop—Phase I and II (R)	Côte d'Ivoire	AfBD/Centre Africain et Mauricien de Perfectionnement des Cadres/Agence de Coopération Culturelle et Technique
Applied technology for West Africa (R)	World Bank	African Regional Centre for Technology
Workshop on public expenditure programming for Nigeria (N)	World Bank	Nigerian Institute for Social and Economic Research
Public administration training in Africa (R)	Federal Republic of Germany	German Foundation for International Development/United Nations Institute for Training and Research (UNITAR)
Project planning and appraisal for trainers (R)	Kuwait	Arab Planning Institute
Agricultural investment analysis and finance (N)	China	Shanghai Institute for International Economic Management (SIIEM)
Trainers' seminar (energy/power sector) II (R)	Thailand	Asian Institute of Technology
Urban training workshop for Indonesia (N)	World Bank	—
Training materials workshop I (N)	China	SIIEM/Central Institute of Finance and Banking (CIFAB)
Rural finance for trainers (R)	India	College of Agricultural Banking
Case methods—phase II (N)	Pakistan	Pakistan Administrative Staff College
Case methods—phase II (N)	Bangladesh	Public Administration Training Center/Society for Training and Development
Seminar for trainers (N)	Pakistan	Water and Power Development Authority
Training of trainers (R)	Brazil	Association of Development Finance Institutions in Latin America
Agricultural development projects for trainers (R)	Costa Rica	Instituto Interamericano de Cooperación para la Agricultura (IICA)
Training materials workshop (R)	Pakistan	Centre on Integrated Rural Development for Asia and the Pacific
Direct Training		
Microcomputers for agricultural projects preparation and analysis (W)	World Bank	University of Guelph
Agriculture policy analysis (W)	World Bank	—
International development issues (W)	United States/ World Bank	UNITAR

(*continued*)

Table 3-3 (*continued*)

Activity	Location	Cooperating agency
Direct Training (*continued*)		
Preinvestment projects for UNDP resident representatives—IX (W)	World Bank	United Nations Development Programme (UNDP)
Economics of textbook production (W)	World Bank	—
Management of the project cycle for Africa (R)	World Bank	—
Structural adjustment for Africa (R)	World Bank	—
Management of technical assistance for Africa (R)	World Bank	—
Provincial education sector management for China (N)	World Bank	CIFAB
Adjustment policies and external finance for EMENA and LAC (R)	World Bank	—
Agricultural marketing (R)	Tanzania	Eastern and Southern African Management Institute
Workshop on project analysis for ECA staff (R)	Ethiopia	Economic Commission for Africa (ECA)
Education sector management (R)	Botswana	Institute of Development Management
Telecommunications seminar (R)	Zimbabwe	Commonwealth Telecommunications Organization/Zimbabwe Posts and Telecommunications Corporation
AMTA 1: seminar for project managers (R)	Botswana	AfDB/IFAD
AMTA 1: seminar for senior staff—IIa (R)	Botswana	AfDB/IFAD
AMTA 1: seminar for senior staff—IIb (R)	Malawi	AfDB/IFAD
AMTA 1: concluding seminars (six) (R)	Anglophone Africa	AfDB/IFAD
AMTA 1: management policy seminar (R)	Italy	AfDB/IFAD
Retreat for ECA program managers (R)	Ethiopia	ECA
External debt management (R)	Kenya	—
Transport planning and management I and II (N)	Nigeria	Nigerian Institute of Transport Technology
Urban and finance management for Africa (R)	Canada	Institut d'Urbanisme de l'Université de Montréal
National economic management (R)	Senegal	Centre Ouest-Africain de Formation et d'Etudes Bancaires
Energy/power projects (R)	Côte d'Ivoire	Ecole Fédérale Polytechnique de Lausanne/Ecole Supérieure Interafricaine de l'Electricité (EFPL/ESIE)
Energy/power projects (R)	Côte d'Ivoire	EFPL/ESIE
AMTA 2: seminar for project managers (R)	Côte d'Ivoire	AfDB/IFAD
AMTA 2: seminar for senior staff (R)	Senegal	AfDB/IFAD
AMTA 2: seminar on procurement (R)	Côte d'Ivoire	AfDB/IFAD
Education policy analysis—phase II (R)	Togo	University of Lomé
Financial management and tariffs (R)	Côte d'Ivoire	ESIE/Electricity Supply Board of Ireland (ESB)
Power system planning and project management (R)	Côte d'Ivoire	ESIE/ESB
Health care management (R)	Cameroon	Pan African Institute for Development
Entrepreneurship development workshop (R)	Côte d'Ivoire	AfDB
Seminar on export promotion (N)	Hungary	National Bank of Hungary/National Institute of Management

Activity	Location	Cooperating agency
Public enterprise management (W)	Yugoslavia	International Center for Public Enterprises in Developing Countries
Education sector finance and management (R)	Portugal	Instituto Nacional de Administracao of Portugal
National economic management (R)	Egypt	Institute of National Planning
Water supply/sanitation (N)	Egypt	National Organization for Potable Water Supply
Water supply/sanitation (N)	Jordan	Jordan National Water Authority
Industrial project evaluation (R)	Jordan	Royal Scientific Society
Food and marketing policy I (R)	Tunisia	Arab Organization for Agricultural Development/Centre National d'Etudes Agricoles
Entrepreneurship development for Africa and Asia (R)	India	Entrepreneurial Development Institute of India/Industrial Development Bank of India (IDBI)
Public enterprise management for Africa and Asia (IR)	India	Indian Institute of Management/IDBI
National seminar on power (N)	India	National Thermal Power Corporation
National economic management (R)	Malaysia	South-East Asian Central Banks Research and Training Center
Project planning and implementation (N)	China	SIIEM
Government finance and budget management (N)	China	CIFAB
National economic management (N)	China	CIFAB
Economic management of technology transformation (N)	China	State Economic Commission/CIFAB
Industrial project financing (N)	China	Industrial and Commercial Bank of China/CIFAB
Transport—V: highways (N)	China	Xian Institute
Transport—VI: railways (N)	China	Shanghai Institute of Railway Technology
Housing and urban development (N)	China	Tong Ji University
Water supply/sanitation projects planning and implementation (N)	China	Tong Ji University
Monitoring and *ex-post* evaluation (N)	China	State Planning Commission/Operations Evaluation Department, World Bank
Planning and management of irrigation projects (R)	Sri Lanka	International Irrigation Management Institute
National economic management (R)	India	Administrative Staff College of India/IDBI
Urban finance management (R)	Sri Lanka	United Nations Centre for Housing and Human Settlements
Economic policy analysis (R)	Barbados	Caribbean Development Bank (CDB)/Instituto Latinoamericano de Planificación Economica y Social
Seminar for financial managers (R)	Peru	Association of Development Finance Institutions in Latin America
Technology policy and industrial restructuring (R)	Argentina	Banco de la Provincia—Argentina
Water supply/sanitation (R)	Uruguay	Obras Sanitarias del Estado/Pan American Health Organization (PAHO)

(continued)

Table 3-3 (*continued*)

Activity	Location	Cooperating agency
Direct Training *(continued)*		
Water supply/sanitation (R)	Barbados	CDB/PAHO
Senior seminar on water supply/sanitation (N)	Mexico	Secretaria de Desarrollo Urbano y Ecologia/PAHO
Agribusiness development projects (R)	Jamaica	IICA/University of the West Indies
Public expenditures programming (R)	Costa Rica	Instituto Centroamericano de Administracion Publica
Resources for education and their cost-effective use (R)	Trinidad	Commonwealth Secretariat

Note: Activities listed exclude assistance given by EDI staff to activities organized by other institutions. There were seventeen such activities in fiscal year 1986.
N = national activities; R = regional activities; IR = interregional activities; W = worldwide activities.

materials production has accounted for 14 percent of total EDI expenditures during the past two years. The output of completed materials was above the five-year plan target in fiscal 1985, and about the same level of production was maintained in fiscal 1986. The materials completed during the past year place greater emphasis on macroeconomic and sectoral-management issues, including such broader topics as the private provision of public services, entrepreneurial development, and public-enterprise management. A large proportion of these materials has been produced under contract with universities and other institutions, as well as with individual consultants, throughout the world.

Cofinancing of EDI activities amounted to $4 million in fiscal 1986, about 25 percent of EDI's total expenditures and an amount far larger than in fiscal 1985 ($2.3 million). The bulk of the increase was accounted for by the United Nations Development Programme (UNDP), the Canadian International Development Agency (CIDA), and the International Fund for Agricultural Development (IFAD).

In mid 1985, the EDI created an Evaluation Committee that sets evaluation policies and procedures for the EDI's work and monitors their implementation. The Committee has reviewed the EDI's evaluation techniques and has broadened and strengthened their application. It is initiating an experimental evaluation of the effect of EDI training in one sector in three countries. It also is preparing a plan for the mid-term evaluation of the EDI's five-year plan that will be carried out in fiscal 1987 in collaboration with the Bank's Operations Evaluation Department. This work will include a special evaluation of EDI's program in China.

Operations Evaluation

A notable feature of the Bank's work is its system of independently evaluating the results of projects after a loan has been fully disbursed. Comparing actual experience with what had been expected before the project was launched has become an essential part of the Bank's process of learning how to make development assistance more effective. The evaluation function in the Bank is the responsibility of the Operations Evaluation Department (OED), which, although administratively linked to the President of the Bank, is directly responsible to the Executive Directors.

Since July 1981, a selective system of project-performance auditing has been in operation. Under this system, member governments and Executive Directors receive staff reports on the outcome of all completed projects. These reports are read by staff of the OED, who subsequently prepare audits for approximately half the completed projects. The criteria for selecting projects for audit as applied by OED have been approved by the Joint Audit Committee of the Executive Directors, which also carries out an in-depth review of a sample of the reports and audits issued during the year.

The system of selective auditing does not jeopardize the integrity of the Bank's post-evaluation function. Under the two-tiered evaluation system, the self-evaluation function by operational staff is now firmly established in the Bank, and, in addition to undertaking separate evaluations of about half the projects, OED's evaluation officers scrutinize all reports before they are issued.

Borrowers' comments are sought on all evaluation reports, and, in a growing number of cases, borrowers participate directly in the preparation of reports on completed projects. In addition, OED and Bank operational staff often visit project sites and hold extensive discussions with borrower representatives and beneficiaries when evaluating completed projects. The combined borrower input by written comment, preparation of reports, or through country visits, exceeded 90 percent of all reports and audits issued in fiscal 1986. One hundred twenty-four projects were subjected to performance audits in fiscal 1986; in addition, reports covering ninety-four completed projects were passed on to the Executive Directors after scrutiny by OED, but without OED audit. The cumulative total of projects covered by reports or audits reached 1,545 by the end of fiscal 1986. Reflecting the expansion of Bank operations in the mid and late 1970s, the number of completed projects coming up for review and evaluation is likely to rise to 250 in fiscal 1987.

The ultimate objective of Bank evaluation continues to be to identify and disseminate lessons that can contribute to improvements in the design and implementation of future Bank-supported projects. By bringing together experience with similar projects, lessons can be more readily drawn and more efficiently confirmed and disseminated. The *Annual Review of Project Performance Results* continues, as in the past, to be a valuable mechanism for summarizing experience by sector, and, through a process of review with operating staff, bringing that experience to bear on the design of future projects.

OED's *Annual Review of Project Performance Results,* covering calendar year 1984, was published in February 1986. The review looked at the performance of 174 projects evaluated in 1984 against the background of the previous five years. The review presented the preliminary findings of two ongoing studies on conditionality and gave further attention to the subject of sustainability that had been addressed in the previous annual review.

In terms of overall results, all but fifteen of the 804 projects reviewed over the past six years were taken to completion. On the basis of information available at the time of evaluation, some 81 percent of completed projects, representing about 87 percent ($16.5 billion) of IBRD/IDA lending, appeared likely to achieve their major objectives or prove worthwhile. Given the variety of negative factors surrounding the implementation of these projects in recent years, the overall outcome is satisfactory. However, the review found the continuing downward trend in the major indicators of performance to be a clear cause for concern and examined the main reasons for the trend. To some degree, the decline in performance reflects the shifts in World Bank lending during the decade of the 1970s—particularly into new and more difficult areas of operations, which were known to carry a higher risk of failure. To some degree, also, it reflected the difficult economic, financial, and policy environment facing these projects during their implementation.

In addition to its project evaluation, OED completed three impact evaluations and ten special studies during the year, most of which were reviewed by the Joint Audit Committee; some were also discussed by the Executive Board.

The Joint Audit Committee maintains continuing oversight of the OED work program and of its effectiveness. The conclusions of the Joint Audit Committee, the Annual Report of the Director-General, Operations Evaluation, on the status of the Bank's evaluation system, and OED's 1985 *Annual Review of Project Performance Results* were all reviewed by the Executive Directors.

Internal Auditing

Internal auditing is an independent appraisal function within the World Bank that reviews and evaluates Bank operations and activities as a service to the Bank. This appraisal function is accomplished through operational audits of the financial and operating systems and procedures used in the conduct and management of the Bank's operations. The overall objective of the Internal Auditing Department (IAD) is to assist vice presidents, department directors, and other managers in the effective discharge of their responsibilities by providing them with periodic reports and appraisals carried out on activities within their respective areas of responsibility. IAD places particular emphasis on examining, reporting on, and, where necessary, recommending improvements in the adequacy and effectiveness of the Bank's system of internal control and the identification of possible means of improving the efficiency and economy of operations and the use of resources.

IAD's examination and evaluation of the adequacy and effectiveness of policies, systems, and internal controls used in the management and conduct of activities include, as appropriate, an assessment of the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information. The department also reviews systems established to ensure adherence with those governing agreements, instruments, and related decisions, regulations, policies, plans, and procedures that could have a material effect on operations and reports and determines the extent of such compliance. In addition, where appropriate, each audit includes an evaluation of the means utilized to safeguard the Bank's assets from various types of losses, an appraisal of the efficiency and economy with which resources are used, and the accomplishment of established goals and objectives of specific programs or operations.

The department has established work programs designed to achieve its objectives. These cover a broad range of activities, including financial, accounting, administrative, personnel, project and program lending, and supervision operations of IBRD loans and IDA credits under disbursement, as well as computerized information-resource management (IRM) functions. Certain of these activities are reviewed annually, others biennially or less frequently, depending on the materiality or risk aspect of the activity.

The audits of project and program lending, supervision operations, and computerized IRM systems form an important part of the department's work program. Lending and supervision operations are selected for audit on a sectoral or regional basis and are reviewed in the light of policies and guidelines established by the Bank. The IRM-systems audits include the review of controls, security, and the efficiency of computer facilities and information-processing systems in operation and those under development. The department's involvement in the development of new systems before they become operational provides a timely and cost-effective opportunity for an independent assessment of the operational and control aspects of such systems. Effectiveness reviews of major electronic data-processing systems to determine whether they are functioning as intended are also carried out by IAD.

Progress in implementing recommendations arising from its review work is monitored by the department to ensure that recommendations are acted upon and that Bank management is kept informed of their status. IAD's review work also includes various special assignments from management, including requests to visit selected countries to review the auditing standards applied by borrowers' external auditors, to review financial reporting and internal auditing standards of selected borrowers, as well as the extent to which national auditing and accounting education and practices in countries might be upgraded where needed.

The director and staff of the department have unrestricted access to all Bank records, documents, and personnel relevant to the activity under review in carrying out each assignment. Where relevant, IAD coordinates its work with the Bank's external auditors to assist them in planning and coordinating their examinations of the annual financial statements of the Bank.

The IAD reports administratively to the senior vice president, finance, but, in order to enhance its independence, the director also has direct access to the president and to the Joint Audit Committee (JAC) of the Executive Directors. The results of each audit undertaken are reported to the vice presidents, department directors, and others concerned, as considered appropriate. Liaison is maintained with the JAC, which has, among other things, the responsibility of satisfying itself that the Bank's internal-auditing function is adequate and efficient. The JAC reviews the IAD's work programs, receives periodic briefings on its activities, and, through a subcommittee, reviews selected reports of the IAD.

Economic Research and Studies

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

For its economic and social research in fiscal 1986, the World Bank expended approximately $24 million, of which $4.4 million was used to fund consultants, travel, data processing, and research assistance. The remainder represented the cost of staff time. The Bank's research program consists of (a) special comparative studies, which are under the aegis of the Research Policy Council (RPC); (b) research projects that have been centrally approved by the Research Projects Approval Committee (REPAC); and (c) studies undertaken at the initiative of Bank departments using their own resources. Research accounts for about one fifth of the analytical work the Bank does to support its lending activities. The two other major types of analytical work are policy analysis and country economic and sector work.

The Bank's research program continues to be guided by four basic objectives: to support all aspects of the Bank's operations, to broaden understanding of the development process, to improve the Bank's capacity to provide advice to member countries, and to assist in developing indigenous research capacity in member countries. It also continues to evolve along the new directions recommended by the Research Policy Council in 1984, which has placed great emphasis on policy-oriented research.

In line with these recommendations, the research program has been shifted toward five broad priority areas: the costs and benefits of government interventions, the interplay of incentives and institutions, the international economic environment, the relationship of short-term policies to long-term development, and the role of economic planning and institutional development. These research areas have emerged as the most important ones for supporting the Bank's operations and for keeping the Bank at the forefront of the economics of developing countries.

Comparative studies have been undertaken for a few key policy issues in these priority areas.

Each study will attempt to develop a common analytical framework for the study of a particular policy question in a large number of countries. The comparative-studies program coincides with the Bank's comparative advantage in research and will reinforce, and be reinforced by, the Bank's policy dialogue with its member countries. Launched in February 1984 with the study on "The Timing and Sequencing of a Trade Liberalization Policy," the program now includes studies on "Agricultural Pricing Policies" and "Poverty, Equity, and Growth." A fourth comparative study, "Macroeconomic Adjustment and Long-run Growth," is being prepared to deal with the central issues of the effects of macroeconomic management during periods of crises on long-term growth.

The shift to the new priorities is also evident in research starts in fiscal 1986. In the area of the effects of government intervention, one new project will study the costs and benefits of rent control in a number of developing countries, with a view to formulating alternate ways of decontrol, taking into consideration their economic and political implications. Another project will examine public-enterprise deficits in sub-Saharan Africa, calculating the effects of price distortions, technical and managerial inefficiencies, and the role of noneconomic objectives in generating these deficits. The effect of government interventions in Senegalese labor markets is the subject of the research project on "Employment and Earnings in Senegalese Industry." And another will explore the effects of government policies on the nutritional and health status of children, with a case study of Côte d'Ivoire. At the macroeconomic level, public policy regarding value-added taxation will also be studied, as will the pattern of public-sector expenditure and fiscal behavior in the most highly indebted countries in Latin America.

A second group of research starts is concerned with the issues of adjustment and related policies in response to external shocks. The objective is to develop an analytical framework useful to the Bank in designing structural-adjustment programs. One study will focus on second-best adjustment policies, including exchange-rate and fiscal policies, when nominal wages cannot adjust as a response to shocks. A second study focuses on the questions of how labor markets have adjusted to shocks and how the effectiveness of policy measures such as trade liberalization, devaluation, and fiscal-deficit reduction is influenced by the structure and performance of the labor markets. A third is concerned with the financial and macroeconomic aspects of the debt problem, the analysis of which could be useful for devising foreign-borrowing strategies. A fourth study will attempt to draw the lessons of experience from Korea, a country that has adjusted successfully to the shocks of the 1970s.

In the area of international economic environment, two topics highly relevant to developing countries will be studied: the magnitude of nontariff barriers to international trade and their effects on the level and composition of imports in the industrial countries and the question of how developing countries can use international trade in services to enhance their development.

A last group of research projects is concerned with sectoral developments in agriculture, industry, and energy. One project deals with crop-livestock systems in sub-Saharan Africa. The objective of another is to understand how Chinese collectives and private enterprises are organized and how they function in China's economic system. A third will address the issues of efficient pricing of natural gas and of the optimal development of sources of natural gas.

The maximum duration for research projects funded by the REPAC is three years; most, however, are completed in one or two years.

The REPAC regularly evaluates completed research projects, as such evaluation provides the basis for drawing lessons to improve the design and conduct of future research projects. Nineteen projects were evaluated in fiscal 1986.

During the past year, the RPC recommended publication of two new professional journals, *The World Bank Research Observer* and *The World Bank Economic Review,* to strengthen the dissemination of research results both within and outside the Bank. The first issue of *The World Bank Research Observer* was published in January 1986 and the first issue of *The World Bank Economic Review* is to appear early in fiscal 1987. A restyled *Research News,* more journalistic in style and format, provides highlights of research results and information on new research starts. The Bank's wide-ranging research portfolio is updated annually in *Abstracts of Current Studies.*

Interagency Cooperation

In the 1985 annual report on the work of the United Nations, Secretary General Javier Perez de Cuellar emphasized that "the promotion of better understanding of world economic and social problems is an essential task of the United Nations and other international agencies." He pointed out further that "current international efforts to come to grips with the problems of Africa also show a willingness to apply the skill and resources of the international community to a particular series of problems."

At its Fortieth Session, the UN General Assembly called for a "Special Session on the Critical Economic Crisis in Africa." The Bank contributed actively to the preparatory work for the session—convened in New York on May 27—through high-level consultations and the preparation of conference documents. Used as an input in the course of the preparatory work and quoted widely by delegates was the Bank's report, *Financing Adjustment with Growth in Sub-Saharan Africa, 1986-90.*

In response to the deepening crisis in sub-Saharan Africa, the Bank had put forward in 1985 a joint program of action to help arrest the region's declining economic situation. By bringing together, in a broad program, a number of important objectives upon which African governments and the international community could agree, the Bank was able to strengthen international cooperation in sub-Saharan Africa. The Bank's Special Facility for sub-Saharan Africa, an integral part of this program, became effective on July 1, 1985. With resources of over $1.5 billion, the Facility is now providing additional funding to countries undertaking major policy reforms. (For more on the Special Facility, see page 22.)

In fiscal year 1986, the Bank published several studies dealing with the African crisis. In the foreword of the study, *Financing Adjustment with Growth in Sub-Saharan Africa, 1986-90,* Bank President A.W. Clausen reaffirmed his institution's readiness to assist countries further in financing and designing programs of growth-oriented adjustment and in establishing mechanisms to enhance aid effectiveness through improved coordination and monitoring. The Bank's policy study, *Poverty and Hunger: Issues and Options for Food Security in Developing Countries,* published in March 1986, concludes that food security cannot be achieved unless progress is made in alleviating the poverty of countries and people. The study goes on to suggest that an effective policy package in sub-Saharan Africa should focus on raising producer prices to stimulate production and increase income. (Details of the policy study can be found beginning on page 49.)

Again, focusing on specific measures to reverse the current crisis, the Bank launched an action program to help combat deforestation in sub-Saharan Africa by intensifying the production of fuelwood and protecting forest resources. The program is a follow-up to the report, *Tropical Forests: A Call for Action,* which was published in October 1985 by an international task force set up by the World Bank, the World Resources Institute, and the United Nations Development Programme (UNDP).

Within the framework of the joint program of action for sub-Saharan Africa, the UNDP and the Bank recently reached an agreement on "Guiding Principles for Aid Coordination between the World Bank and UNDP in sub-Saharan Africa." The two agencies will expand their collaboration and joint efforts to implement and make both consultative groups and round tables more effective. A significant element of the agreement is that, at consultative group meetings, the UNDP will normally make a presentation on behalf of all UN agencies, whether or not they are in attendance.

Discussions between UNDP and Bank staff are continuing on several important issues, including the UNDP's preinvestment support to World Bank activities, the future of their joint sectoral programs in such fields as energy, water, and agriculture; the role of natural-resource analysis and management in country-development strategies; and in joint planning of comprehensive technical-cooperation programs.

The Bank continued its active role in the International Drinking Water Supply and Sanitation Decade (IDWSSD). Through its Water Decade Program, a joint effort of the UNDP, the United Nations Children's Fund (UNICEF), and bilateral donors, the Bank is seeking to reduce costs of water-supply and sanitation services through the use of lower-cost technologies. Now in its seventh year, the program has had a substantial impact in making low-cost solutions acceptable to the international donor community and recipient countries. Two new initiatives, both with multilateral and bilateral funding, continue the emphasis on institutionalizing the lessons learned through the program. First, the Bank is sponsoring a joint effort to develop an international training network for water and wastes management. The network is establishing centers in existing developing-country institutions; management and technical support is provided by a coordination unit in the Bank's Water Supply and Urban Development Department. Second, to strengthen operations in the field, the Bank is establishing sector-development teams in Côte d'Ivoire and Kenya to assist governments in improving sector management and in accelerating the implementation of services throughout the IDWSSD.

On urban-development issues, the Bank is collaborating with the United Nations Centre for Human Settlements (Habitat) and other multilateral and bilateral agencies to develop long-range strategies and programs. The Bank is continuing its involvement in planning for the International Year of Shelter for the Homeless, which will take place in 1987. With funding from the UNDP, the Bank, Habitat, and several bilateral agencies and host institutions, a program of research and technical cooperation has been launched to assist countries to develop improved strategies to strengthen urban policies. The program will focus on several aspects of urban management, including land issues, local finance, and infrastructure investment and maintenance.

Fiscal year 1986 also showed a sharp increase in the UNDP's cofinancing activities with the Bank's Economic Development Institute (EDI) for regional training programs. Assistance by the UNDP is expected to be especially important for broadening relations with many of the overseas training institutes with which the EDI is associated.

The past year has also been an active one for the joint UNDP/World Bank energy-sector programs. The Energy Assessment Program, which targeted assessments for seventy countries, beginning in 1980, is now entering its final phase, with fifty-three reports completed and twelve under way. The year also saw a further growth of the Energy Sector Management Assistance Program (ESMAP), which, by June 30, 1986, completed fifty-six assignments in thirty-one countries on a range of activities that included project-preparation work in power-system efficiency, energy conservation, fuel energy, institutional support for energy planning, petroleum procurement, and distribution.

The Bank's relations with the World Health Organization (WHO) were further strengthened through its participation in a number of WHO activities. The Bank, WHO, and the UNDP are cosponsors of the Special Programme for Research and Training in Tropical Diseases (TDR). Apart from its active involvement in TDR activities, the Bank is also a cosponsor and trust-fund manager for the Onchocerciasis—riverblindness—Control Programme (OCP), which now covers eleven West African countries. A third phase of the OCP was officially launched in February 1986 at a signing ceremony hosted by President Clausen and attended by representatives of some thirty nations and international organizations. The Bank continues to play an active role in the Special Programme of Research, Training, and Development in Human Reproduction (HRP) and in the Program for the Control of Diarrheal Diseases (CDD).

With the objective of strengthening collaboration with WHO's Africa Regional Office (WHO/AFRO), Bank and WHO/AFRO staff met in Brazzaville, the Congo, to discuss collaboration on a country-specific basis in population, health, and nutrition activities in sub-Saharan Africa. Recently, the Bank cosponsored with the United Nations Fund for Population Activities (UNFPA) a donors' meeting in Geneva to support population projects in Africa.

Over the years, the Bank has continued to explore opportunities for coordination within the UN interagency system. Bank staff continue to participate actively in the work of the coordinating mechanisms of the UN Administrative Committee on Coordination (ACC). Through the Subcommittee on Nutrition (SCN), which serves as the focal point for international nutrition, the Bank has promoted a joint nutrition-research program; in particular, it has encouraged efforts to bring nutrition to the forefront of planning in agricultural research. Bank staff participated actively in meetings of the "Task Force on Long-Term Development Objectives," which promotes a wide exchange of information and views on long-term development issues. As a member of the "Task Force on Rural Development," the Bank continued to emphasize lending for agriculture and for poverty-oriented rural-development programs. The Bank also continued its internal research on methodology for assessing the effect of projects on the poor. In this context, an enhanced program is currently being devised within the Bank to identify and measure more fully the role of women in development, particularly those living in rural areas.

In view of the importance that the Bank attaches to environmental issues, the Bank and the UNDP initiated a joint effort to establish several pesticide chemical-analysis training centers. Patterned after a similar World Bank/United States Agency for International Development program serving the Caribbean region, the current effort will locate regional centers in Asia and Africa to train participating-country scientists. Training will include techniques for determining trace amounts of pesticides on crops, in the environment, and the agricultural workforce and the quality of pesticide materials imported and prepared locally. The African center will also include technical-support capabilities for integrated pest-management research. In February 1986, the Bank also organized a meeting in Washington with the UN Sudano-Sahelian Office (UNSO) to consider priority areas and the scope for expanding collaboration between the two organizations. The Bank continued to maintain close working relations with the United Nations Environment Programme (UNEP).

Relations with the World Food Programme (WFP) are becoming increasingly active. Over twenty Bank projects have significant components of WFP cofinancing. Currently, in Ghana and Madagascar, the Bank and the WFP are refining ways to work together on adjustment-types of financing.

The Office of the United Nations High Commissioner for Refugees (UNHCR) and the Bank have agreed, in principle, to work closely with Pakistan in preparing a second income-generating project for refugees from Afghanistan. As with the first project, which is scheduled to be completed in 1986, the second project will be funded through the UNHCR and implemented by the Bank.

Through high-level consultations, interagency seminars, and exchanges of visits, the Bank continued to strengthen its traditional relationships within the UN system. As in previous years, Bank staff participated in a number of UN meetings. These included the General Assembly, the Economic and Social Council (ECOSOC), the United Nations Conference on Trade and Development's (UNCTAD) "Mid-Term Review of the Substantial New Program of Action for the Least Developed Countries," the World Conference to Review the Achievements of the UN Decade for Women, the General Assembly Special Session on the Critical Economic Situation in Africa, and the Conference of the Food and Agriculture Organization of the UN (FAO). Bank staff also attended ministerial and other meetings of the UN Regional Commission for Africa (ECA), the Economic and Social Commission for Asia and the Pacific (ESCAP), and the Economic Commission for Latin America and the Caribbean (ECLAC).

Cooperative programs (CPs) are an extension of Bank operational relationships with UN agencies. The primary objective of CPs is to collaborate with other agencies whose expertise complements that of the Bank. The CPs continue to be reviewed and modified in light of experience and the changing requirements of developing countries. The Bank has ongoing CPs with the FAO, the United Nations Educational, Scientific, and Cultural Organization (UNESCO), and the United Nations Industrial Development Organization (UNIDO).

The Bank maintained and, in some cases, expanded its collaboration with a variety of organizations within the interagency system. Effective working relations were maintained with the regional development banks at the policy, sectoral, and operational levels. In collaboration with the International Labour Organisation (ILO), a two-day workshop was held in the Bank on cooperation in employment-creating technology. A UNDP-financed and ILO-coordinated expert is resident at Bank headquarters to assist staff on this subject.

In an effort to reduce costs to borrowers in the design of technical-assistance programs, the Bank arranged briefings for senior Bank staff by the executive coordinator of the UN Volunteers (UNV) program. That program aims at enabling borrowers to consider as an alternative to "traditional" suppliers of technical assistance, other cost-effective, unconventional sources of expertise such as those available through the UNV. By June 30, 1986, eighteen UNVs were assigned to Bank-executed projects, while three were assigned to Bank-financed projects.

Another alternative source of technical assistance for some projects is work done by UN specialized agencies under contract to borrowers. In calendar year 1985, disbursements by the Bank to UN agencies for this purpose reached a record $28.6 million.

The Bank continued to work closely with the United Nations Information Center (UNIC) in Washington and hosted the celebration in honor of the fortieth anniversary of the United Nations.

Relations with governmental and nongovernmental groups. The Bank maintained close cooperation with the European Communities (EC) through senior-level consultations on development issues: Africa, aid coordination, and implementation of the Third Lomé Convention (Lomé III). Bank and EC staff engaged in useful policy and operational discussions on joint operations and sector work for a number of countries. Exchanges were particularly substantive and intense this year, as the EC worked to implement agreements reached under Lomé III for the sixty-six developing countries in Africa, the Caribbean, and the Pacific (ACP states). EC staff continue to take full advantage of Bank economic work regularly completed for all ACP states.

Relations with the Organisation for Economic Co-operation and Development (OECD) and its Development Assistance Committee (DAC) remain strong. Senior Bank staff participated regularly in OECD and DAC meetings at both the ministerial and working-party levels. Issues considered included the effectiveness of aid-coordination mechanisms, development cooperation with middle-income countries, and aid to agriculture in low-income countries. The Bank welcomed the comprehensive review of development-cooperation experience undertaken by the DAC on the occasion of its twenty-fifth anniversary. During fiscal 1986, Bank staff prepared working papers for a number of DAC seminars, including one on the role of nongovernmental organizations in agricultural and rural development in sub-Saharan Africa and another on technical assistance for public-sector management. Regular consultations were also held between staff of the Bank and the OECD on such ongoing issues as concessional flows, trade, debt reporting and analyses, and global economic prospects.

There are many nongovernmental organizations (NGOs), which include a variety of self-help, philanthropic, and religious groups that are involved in grassroots development in health, education, rural and urban development, population, and social forestry. NGOs also help to shape public opinion on economic issues in both industrial and developing countries. Some have distinctive, useful perspectives on broad issues of development policy.

Bank-NGO relations continued to develop through operational collaboration, particularly in sub-Saharan Africa. New contacts were made in Latin America, notably in Brazil. The exchange of views with NGOs expanded and concerned global economic issues, poverty alleviation, and the environment.

The Bank-NGO Committee, the forum for Bank relations with some major NGOs worldwide, held its fifth annual meeting in Manila, the Philippines, in July 1985. Discussion focused on the development situation, with emphasis on Africa; food security; the environment; development education; a Committee membership-rotation system among NGOs; and progress in Bank-NGO operational cooperation, including two new tools to stimulate cooperation between borrowing governments and NGOs: the Bank-financed government-NGO project committee currently in place in Togo and the trilateral (government-NGO-agency) workshops sponsored by the Bank.

The Togo committee, operational since March 1986, reviews financing proposals for NGO projects and seeks to foster collaboration between the government and NGOs in practical ways to bring development down to the village level. If successful, the model could be replicated in other countries. The Bank cosponsored two trilateral meetings—one on population and health in Eastern and Central African countries (Mombasa, Kenya) and the other on financing education in Eastern and Southern Africa (Nairobi, Kenya). Single-country follow-ups are envisaged to bring about action at the national level.

These meetings exemplify the objectives of Bank-NGO operational cooperation. Self-help organizations and philanthropic organizations can contribute their experience in people-oriented development to the realistic design of investments in the social sector. NGO members and their friends can be most helpful—in fact, necessary—in mobilizing the proposed beneficiary population of projects in both the planning and execution phases of projects. NGOs themselves can act as project contractors and cofinancers and can develop symbiotic programs of their own choosing, parallel to the large-scale projects financed by the Bank.

A number of NGOs are strongly concerned about environmental aspects of development. In the United States, for instance, NGO testimony before the United States Congress contributed to the passage of legislation requiring the United States to encourage attention to the environmental quality of projects financed by multilateral development agencies. NGOs have given timely grassroots warnings about potential environmental problems of certain large-scale projects financed by the Bank, as well as by others. They also collaborate with the Bank directly on the environmental dimension of development.

During the past year, the Bank kept its relations with NGOs in the industrial countries under review, surveyed Bank-NGO cooperation in Africa in agriculture, and cosponsored NGO seminars in the United States and Europe. One such seminar in Washington, D.C., brought NGO leaders from the United States and Bank staff together to discuss the effect of adjustment policies on poverty in Africa, while the other, held in Geneva, Switzerland, focused on possible concerted efforts by the international community to assist Africa.

Cooperation in agricultural research. The Consultative Group on International Agricultural Research (CGIAR) is an association of public and private-sector donors that funds a worldwide network of thirteen international agricultural research centers. Its cosponsors—the UNDP, the FAO, and the World Bank—established the Group with the aim of coordinating and strengthening research that developing countries could use to help increase food production. Since its establishment fifteen years ago, the CGIAR has grown to include donors representing twenty-five countries and more than a dozen foundations and international organizations. In 1985, the CGIAR system provided $171 million to the centers, including $28 million contributed by the World Bank.

To assess the effect of center research, an independent team of experts recently completed a study of how the CGIAR has influenced food-crop production and national research capabilities in developing countries. The study showed that the first generation of CGIAR crops—namely semidwarf wheat and rice varieties—is now being grown on an estimated 115 million hectares, or approximately half of the wheat-producing and rice-producing land in developing countries. Between 1965 and 1980, combined wheat and rice output in the developing world increased 74 percent, or 220 million tons a year. The use of semidwarf materials during this period resulted in mean yield increases of almost 50 percent. Furthermore, the use of new varieties is still expanding. Data from the Philippines, a CGIAR donor country, show that 85 percent of the land that farmers devote to rainfed rice is planted with improved varieties—an increase of almost 20 percent in less than a decade.

For the average farmer, the adoption of modern cultivars, coupled with the application of other inputs such as extra fertilizer, machinery, and labor, translates into production increases of almost half a ton a hectare. Globally, this adds up to about 50 million tons of incremental

Table 3-4. Number of CGIAR-related Crop Varieties Released in Developing-country Regions through Mid 1984

Crop	Region: Sub-Saharan Africa	Asia	Latin America	North Africa/ Middle East	Total
Barley	—	2	—	8	10
Bean, field (Phaseolus)	4	2	90	—	96
Cassava	26	5	32	—	63
Chickpea	—	1	—	2	3
Cowpea	14	2	12	1	29
Maize	61	49	126	2	238
Pasture species	—	—	12	—	12
Pearl millet	5	3	—	—	8
Pigeonpea	5	2	—	—	7
Potato	31	16	12	2	61
Rice	31	140	129	2	302
Sorghum	8	18	5	—	31
Sweet potato	6	—	—	—	6
Triticale	2	2	7	—	11
Wheat, bread	40	44	114	66	264
Wheat, durum	5	3	13	20	41
Total	238	289	552	103	1,182

NOTE: Data do not include semidwarf varieties developed by national programs from sources similar to those used by the centers.

SOURCE: CGIAR impact study, 1985.

production annually, or enough food to feed 500 million people. Moreover, a recent study based on data from India indicates that improved agricultural technologies have substantially benefited the low-income developing countries, as well as the poorest people living in them. The study found that in times when food production is rising, the number of people in absolute poverty greatly decreases because of declining food prices and greater availability of food. It also established a direct link between improvement in agricultural technology in India—principally those associated with improved rice cultivars—and a general decline in poverty. This work confirms the general conclusion of the CGIAR impact study: that high-yielding varieties have generally benefited the poor.

Progress, however, has not been limited simply to the major cereal crops. CGIAR research currently covers more than a dozen food crops, as well as tropical pasture species and livestock-production systems. To date, more than 500 improved varieties (not including wheat and rice) have been released through national programs, either in their original form or as locally adapted varieties (see Table 3–4). In addition, the centers have developed a series of improved production practices to help farmers take advantage of the new varieties, maintain environmental stability, and cut costs.

For example, the CGIAR center that works with potatoes has identified an environmentally neutral fungus that parasitizes nematode eggs under field conditions and is as effective as the best chemical nematicide at a fraction of the cost. Tests in over fifty countries show that the fungus is active against a wide range of nematodes, including species that affect crops other than the potato.

The centers are also helping to increase agricultural productivity by serving as a bridge between national programs in developing nations and research organizations in more industrialized countries. In Latin America, this includes using a form of biotechnology—anther culture—to increase the productivity of national plant-breeding programs. CGIAR researchers believe that anther culture can reduce the time required to develop improved breeding lines, cutting the process in some locations from twelve years to four. The objective is to develop a pool of stable, disease-resistant materials and move them through the research pipeline quickly for site-specific testing by national programs. Moreover, with training, local researchers should eventually be able to use the technique themselves, bypassing international centers altogether.

The centers also help national programs acquire advanced research capabilities so that they

More than 25,000 agricultural scientists and technicians have been trained at CGIAR centers. In this photo, discussion centers around wheat at the International Maize and Wheat Improvement Center (CIMMYT) in Mexico.

themselves provide the scientific base needed to sustain long-term agricultural development. To that end, the centers have trained more than 25,000 agricultural scientists and technicians in a variety of disciplines. A recent survey showed that CGIAR training leads to increased knowledge, skills, motivation, and a greater sense of purpose. Furthermore, continuing contact with a sponsoring center helps to offset the professional isolation that many trainees experience when they return home. This contact is likely to include collaborative research conducted under the auspices of one of the centers' outreach projects, contractual research supported through the centers' core budgets, participation in germplasm-testing programs, or simple access to the centers' publications and specialized crop data bases. Whatever the form, contact between center scientists and their colleagues in national programs is a crucial part of the CGIAR's strategy for strengthening national programs and ultimately providing a higher level of food security in developing countries.

Details of the CGIAR's activities in calendar year 1985 are contained in the CGIAR *Annual Report*.

Technical Assistance

Technical assistance, long an integral part of Bank operations, grew in both volume and scope in calendar year 1985. Bank lending for technical assistance rose by 30 percent between 1984 and 1985.

The largest elements of Bank-financed technical assistance continued to be that financed as components of loans or credits extended for other purposes. During the year, these components totaled $1,345.2 million in 229 operations, compared with $960.8 million in 179 operations during 1984. Sectors showing the greatest percentage increase in amounts financed in 1985 were agriculture/rural development and education, while energy and transportation declined. Technical-assistance lending increased in the regions of Western Africa; East Asia and Pacific; Europe, Middle East, and North Africa; and Latin America and the Caribbean. Lending volumes decreased in Eastern and Southern Africa and in South Asia.

A total of ten free-standing, technical-assistance loans and credits were approved in 1985 for $69.7 million. The comparable 1984 figures were thirteen loans and credits for a total of $123.4 million. The 1985 free-standing, technical-assistance operations were approved for the Central African Republic ($8 million), Chile ($11 million), Costa Rica ($3.5 million), Ecuador ($8 million), Guinea ($9.5 million), Jamaica ($9 million), Nigeria ($5 million), Rwanda ($4.8 million), Togo ($6.2 million), and Yemen Arab Republic ($4.7 million). Three were in support of structural-adjustment lending; the other seven were primarily to address other institutional and policy issues.

Since 1975, the Bank has had a Project Preparation Facility (PPF), created to help overcome weaknesses in borrowers' capacity to complete project preparation and to support the entities responsible for preparing or carrying out projects. Under the Facility, the Bank advances funds to meet gaps in project preparation and to help begin project implementation before the loan or credit becomes effective. During the year, forty-five advances from the PPF amounted to $26.8 million, compared with forty-eight advances for $28.6 million in 1984.

During 1985, the Special Project Preparation Facility (SPPF) was established to help IDA-eligible member countries in sub-Saharan Africa finance preparation activities (including preparation of project proposals for financing by other donors) that could not be financed from other resources. Advances under this facility are made on a grant basis. Reimbursement is required only when a Bank-financed project results within five years from the date the SPPF advance is approved. In 1985, thirteen advances were approved for a total of $3.1 million.

The Bank continued to serve as executing agency for projects financed by the UNDP. During 1985, forty new Bank-executed UNDP projects were approved, with a total allocation of $15.5 million. At the end of 1985, the number of projects in progress stood at 117, for a total allocation of $170.6 million.

Among the new UNDP-financed projects for which the Bank has been designated executing agency are preparatory assistance for establishing an African Project Development Facility; UNDP/EDI programs for strengthening regional training in Africa and in the Arab states; an organization and management study of the Lagos State Water Corporation; engineering, feasibility, and sector studies in Bangladesh; technical and institutional support to an agricultural credit in Burma; technical support for processing of the Kalabagh dam project in Pakistan; preparatory activities for a technical-cooperation loan to Argentina; and preparatory assistance for a global project to strengthen training and research for increased food production. Others include country projects related to the ongoing water decade and energy-sector management programs.

Bank Finances

In fiscal 1986, the International Bank for Reconstruction and Development (IBRD) initiated a series of financial measures in the management of its assets and liabilities. Net income of $1,243 million was achieved largely as a result of substantial capital gains realized on its liquid-assets portfolio and of low borrowing costs. Market support for its multicurrency borrowing program augured well for future growth of the IBRD's lending program.

The IBRD responded to a credit money-market rally, particularly in United States dollars, by adjusting its liquid-assets portfolio position to realize $367 million in capital gains. However, such large capital gains are unlikely to recur in future years since they would require further major declines in interest rates. On the liability side, the IBRD focused on diversifying its sources of borrowing and lengthening the maturity of its debt in response to heightened investor demand for long-term fixed-rate instruments, utilizing opportunities afforded by the continuing deregulation of world capital markets.

Innovations in the borrowing program further diversified the IBRD's sources of funding, lowered its borrowing costs, and lengthened the maturity structure of its liabilities. These are summarized below:

- The IBRD executed its first zero-coupon issues in Deutsche mark and Swiss francs, each for thirty-year maturities, at substantial cost savings as compared with conventional issues.
- The maturities of traditional IBRD fixed-rate issues were lengthened to twenty years in Dutch guilders and Japanese yen, to thirty years in Deutsche mark, and to forty years in the domestic United States-dollar market. The IBRD also developed further the long-end of the Swiss-franc market with its thirty-year bullet fixed-rate borrowing, followed by a Swiss-franc perpetual issue (no maturity date), and of the Eurodollar market, with the first-ever thirty-year Eurodollar bullet issue.
- The IBRD took advantage of anomalies in the yield curve to "synthesize" a conventional thirty-year bond issue by executing a fifteen-year Eurodollar issue, a series of zero-coupon bonds maturing in years sixteen to thirty, and smoothing the resulting debt-service cash flows by purchasing zero-coupon United States Treasury obligations maturing on the same date as the Eurodollar issue. The structure enabled the Bank to extend the maturity structure of its United States-dollar debt at a significant saving as compared with the available alternatives.
- A "tap issue" was used in the European Currency Units (ECU) market. A tap issue is characterized by an announcement at the time of the initial offering that one or more additional tranches may be offered on terms identical, except for the issue price, to those of the initial tranche.
- The IBRD initiated its first transferable yen loan in Japan and its first private placement in eight years with Japanese financial institutions in the yen domestic market.
- Banking relationships were expanded by using new lender groups in Japan and use of an international syndicate of cooperative banks in connection with broadening the IBRD's multicurrency borrowings.
- The IBRD further diversified its liability portfolio through its first Australian-dollar borrowing, a targeted issue in the Euro-Australian market. In addition, the IBRD tapped the French-franc domestic market for the first time and re-entered the Euro-French franc market after an absence of almost fourteen years.
- A swap-insurance program was developed and implemented. It substantially broadens the IBRD's range of eligible prospective swap counterparties while creating a credit structure superior to that of a typical AAA-rated credit. Previously, swap counterparties had to be AAA-rated or the equivalent thereof. The program permits the IBRD to swap with AA-rated or A-rated corporations if they are approved by the AAA-rated Aetna Casualty Insurance Company (Aetna). For a premium, Aetna insures the IBRD against the possibility of loss if the approved swap counterparty defaults on its obligation to the IBRD. For the IBRD to be at risk, both the AA-rated or A-rated counterparty and Aetna would have to default at the same time. The program is cost effective because the insurance cost relates to the magnitude of financial exposure in a swap at a given time; it also enables the IBRD to separate the evaluation and

pricing of the credit from other financial aspects of the swap transaction.

• A $500 million program of continuously offered longer-term securities (COLTS) was launched in the United States-dollar medium-term note market, sold through agents and tailored to fit buyers' maturity and cash-flow requirements, of from three to over thirty years.

• The IBRD instituted in September 1985 an eighteen to twenty-four month $300 million loan-sales pilot program to determine whether the IBRD should reactivate its sales of participations in IBRD loans made to, or guaranteed by, member countries. The pilot program's purpose is to evaluate the feasibility of a substantial program for introducing banks and other institutional investors to investments in loans to selected member countries, increasing the flow of funds to developing-member countries, and providing an alternative source of funding for the IBRD. Until the old program was halted in 1980 because of sharply rising interest rates, the IBRD had sold $3 billion of loan participations over a twenty-five year period. Under the pilot program, the IBRD retains a portion of each of the maturities of the loans in which participations are sold, thus keeping a direct financial interest in the loans until final maturity. All the transactions involve fixed-rate, currency-specific loans extended by the IBRD before June 1980. The IBRD remains as lender of record for the entire loan and remits to participants payments of principal and interest it receives on their behalf. The maturities on the participations range from six months to twelve years. By the end of June 1986, sales of loan participations had reached the pilot program's $300 million target. Fifty-eight sales were made to forty-three participants in sixteen countries in Europe, the Far East, and North America. They involved loans, denominated in United States dollars, Swiss francs, Japanese yen, Deutsche mark, and Dutch guilders, to twenty IBRD borrowers that have been included in the pilot program.

Income, Expenditures, and Reserves

The IBRD's gross revenues reached a total of $6,815 million in fiscal 1986, up $1,286 million, or 23 percent, from last year. Gross revenues have risen steadily during the last decade as loan and investment balances have continued to expand.

The outstanding loan portfolio, after exchange translation adjustments on nondollar assets, totaled $61,064 million equivalent in forty-five currencies at the end of fiscal 1986. The average interest rate on disbursed and outstanding loans during the year was 8.5 percent, producing interest income of $4,417 million. In addition, commitment charges of 0.75 percent on

Table 3-5. IBRD Average Costs, Profitability, and Returns

(percentages, based on average balances during fiscal year)

	Fiscal year	
	1986	1985
Fiscal year costs		
Average cost of:		
Fiscal year borrowings	6.91	7.98
Total borrowings outstanding	8.25	8.67
Total funds available (debt and equity[a]	7.15	7.44
Fiscal year returns		
Total returns on average disbursed and outstanding loans[b]	8.96	9.04
Realized return on average investments[c]	10.67	12.63
Return on average earning assets	9.44	10.10
Profitability measures		
Spreads (difference between)		
Loans:		
Total return on average disbursed and outstanding loans and average cost of total borrowings outstanding	0.71	0.37
Total return on average disbursed and outstanding loans and average cost of total funds available	1.81	1.60
Liquidity:		
Realized return on average investments and average cost of total borrowings outstanding	2.42	3.96
Realized return on average investments and average cost of total funds available	3.52	5.19
Earning assets:		
Return on average earning assets and average cost of total funds available	2.29	2.66
Net income		
Return on average equity[a]	13.47	14.90
Return on average liquid assets and loans	1.78	2.09
Leverage and returns on capital		
Ratio of outstanding loans to equity[d]	4.5:1	4.0:1
Ratio of outstanding debt to equity[d]	5.2:1	4.9:1

a. Equity defined as usable paid-in capital, reserves, and accumulated net income.
b. Interest on loans, commitment charges, and front-end fees as a percentage of average disbursed and outstanding loans.
c. Includes realized capital gains (losses).
d. Equity defined as total paid-in capital, reserves, and accumulated net income.

undisbursed loan balances and other fees produced $252 million. Altogether, the income on loans was $4,669 million, for a total return on average disbursed and outstanding loans of 9 percent. (See Table 3-5.)

Since July 1982, IBRD loans have been made at variable rates. The lending rate on all loans made under the variable-rate system is adjusted semiannually, on January 1 and July 1, by adding a spread of 0.50 percent to the IBRD's weighted average cost during the prior six months of a "pool" of borrowings representing outstanding borrowings drawn down after June 30, 1982. The variable lending rate has declined steadily from 11.43 percent when it was introduced in July 1982. On January 1, 1986, the lending rate was reduced from 8.82 percent to 8.50 percent. On July 1, 1986, the lending rate was reset at 8.23 percent. Before July 1982, loans were made at fixed rates, and, accordingly, the semiannual interest-rate adjustments do not apply to payments made on these older loans.

At June 30, 1986, liquid assets aggregated $20,061 million net of commitments for settlements and cash collateral received on loaned securities, an increase of $2,701 million over June 30, 1985. The IBRD seeks to maintain cash and liquid investments in a range of 40 percent to 45 percent of its projected net cash requirements for the next three years; if liquidity falls beyond this range, as on June 30, 1986, when it reached 56 percent, the IBRD adjusts its future borrowing program. The IBRD's liquidity is designed to assure flexibility in its borrowing decisions and to permit it to meet adequately its cash requirements in case borrowings are temporarily affected by adverse conditions in the capital markets.

The IBRD invests its liquid assets and actively manages these investments through the year. In fiscal 1986, these investments yielded a realized rate of return on average investments of 10.67 percent and generated $2,121 million of investment income. The "financial return," which measures the return on the United States-dollar portion of the portfolio, including unrealized gains and losses, was 10.05 percent for fiscal 1986.

The IBRD's investment portfolio continued to provide positive spreads on the IBRD's liquidity at rates higher than both the average cost of total outstanding borrowings and borrowing costs during the fiscal year. Thus, the spread between the IBRD's realized return on average investments and the average cost of its total outstanding borrowings during fiscal 1986 was 2.42 percent; the spread between the realized return on average investment and the average cost of total funds available (debt plus equity) was 3.52 percent; and the spread between the realized return on average investments and the average cost of total fiscal 1986 borrowings was 3.76 percent.

The IBRD's security-loan program continued to grow during the past fiscal year. This program produced $34 million in additional income in fiscal 1986 and a total of $101 million since its inception in January 1982. Legal agreements covering these transactions with a select group of primary dealers further assure the safety of these security loans.

An additional $23 million of revenues was derived from other income, including $11 million of net gains from the sale of loans.

The IBRD's expenditures, which include interest and issuance costs on borrowings, administrative expenses, a provision for loan losses, and contributions to special programs, totaled $5,571 million, up 26.9 percent from the previous year. Costs associated with the IBRD's borrowings—interest of $5,018 million and bond-issuance charges and other financial expenses of $89 million—were by far the IBRD's major expenditures. Administrative costs totaled $427 million, up $33 million, after deducting $281 million for the management fee charged to IDA and $3.1 million for the service-and-support fee charged to the International Finance Corporation.

Net income for fiscal 1986 was $1,243 million, up $106 million from the previous record high of $1,137 million the year before. This sustained high net income, as noted earlier, was largely a result of high returns on the IBRD's liquidity and low borrowing costs.

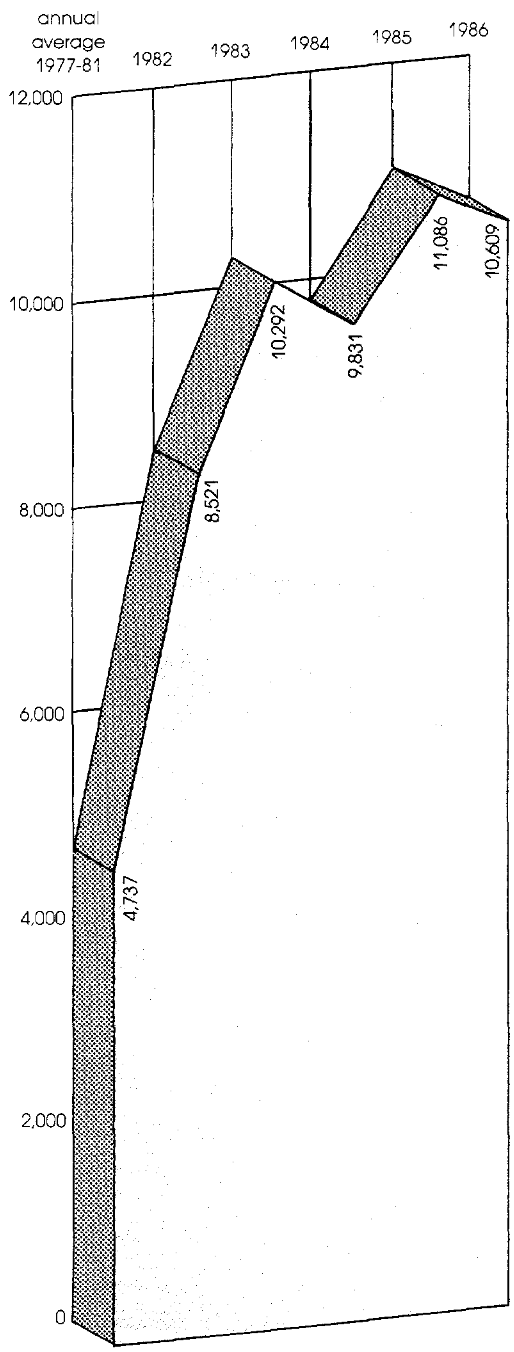
The IBRD's principal financial statements are expressed in United States dollars. In general, translation adjustments at market rates of exchange affect the IBRD's stated income and expenses, as well as its assets and liabilities, including charges or credits to the General Reserve. In periods when there has been substantial appreciation of nondollar currencies against the United States dollar (as in fiscal 1986) or a substantial depreciation, the translation adjustments should be taken into account in comparing one year's fiscal results with those of the previous year.

During fiscal 1986, the IBRD's General Reserve was increased by $1,190 million, after translation adjustments, bringing the total to $4,918 million. Of the $1,137 million in net income earned in fiscal 1985, the Board of Governors allocated $150 million as a grant to IDA and $150 million as a contribution to the Special Facility for sub-Saharan Africa; the remaining $837 million was allocated to the General Reserve.

The IBRD does not trade in any currencies for its own account. Adjustments arising from translation of currencies to United States-dollar equivalents do not result in realized gains or

Figure 3-1. IBRD Total Borrowings, Fiscal Years 1977—86

(US$ millions; fiscal years)



losses as would occur with actual conversions into United States dollars. Because of this, the General Reserve, rather than net income, increases or decreases annually by the amount of adjustment resulting from currency depreciations or appreciations. In fiscal 1986, the translation of currencies into United States-dollar equivalents resulted in a $474 million increase of the General Reserve, compared with a $250 million reduction in fiscal 1985.

When gold was formally abolished in 1978 as a common denominator of the monetary system, the IBRD began expressing its capital, for purposes of its financial statements, on the basis of the special drawing right (SDR). As a result, the portion paid in United States dollars and the national-currency portion of the capital subscription released by certain member countries for lending in United States dollars are revalued at the rate of exchange of the United States dollar to the SDR. The adjustment resulting from this revaluation is also deducted from, or added to, the General Reserve. In fiscal 1986, these adjustments resulted in a decrease to the General Reserve of $121 million, compared with an increase of $28 million in fiscal 1985.

Loans: IBRD

As of June 30, 1986, the IBRD held $104,942 million of loans. This amount included $11,357 million of loans that had been approved but had not yet become effective and loans to the International Finance Corporation of $1,422 million. Disbursed and outstanding loans, including $838 million to the IFC, totaled $61,064 million, an increase of $19,682 million since June 30, 1985. Of this increase, $4,226 million was due to net disbursements, while $15,456 million resulted from translation adjustments.

Disbursements on loans to countries totaled $8,263 million in fiscal 1986, compared with $8,645 million in fiscal 1985. Since the IBRD began operations, it has disbursed $76,693 million to its borrowing member countries.

Repayments of principal on the IBRD's loans, based on the exchange rates at the time of disbursement, amounted to $3,824 million in fiscal 1986. This included $14 million to purchasers of participations in IBRD loans. Cumulative loan repayments as of June 30, 1986, were $26,180 million: $23,202 million to the IBRD and $2,978 million to purchasers of loan participations.

Borrowings: IBRD

Borrowings in international capital markets provide the major portion of the funds for the IBRD's lending operations and are supplemented by the other principal financial resources of the IBRD, which are its usable paid-in capital, accumulated earnings, and loan repayments.

Table 3-6. IBRD Borrowings, Fiscal Year 1986
(millions)

Type	Issue	Currency of issue		US-dollar equivalents[a]
Medium- and long-term public offerings				
Belgium	10.25% ten-year bonds, due 1995	BF	5,000.0	86.9
Canada	11% twenty-four year bonds, due 2009	Can$	100.0	73.8
	10.75% twenty-four year bonds, due 2009	Can$	100.0	73.2
France	10.90% twelve-year bonds, due 1997	F	1,000.0	107.1
Germany, Federal Republic of	7% ten-year bonds, due 1995	DM	600.0	196.0
	6.50% ten-year bonds, due 1995	DM	600.0	204.2
	Zero-coupon bonds, due 2015	DM	130.0	51.0[b]
	Zero-coupon bonds, due 2015	DM	166.0	69.5[b]
	5.75% ten-year bonds, due 1996	DM	300.0	133.5
	6.25% thirty-year bonds, due 2016	DM	300.0	133.5
Japan	6.60% ten-year bonds, due 1995	¥	50,000.0	200.9
	6.40% ten-year bonds, due 1995	¥	100,000.0	422.2
	6% fifteen-year bonds, due 2001	¥	30,000.0	174.6
Luxembourg	8% ten-year bonds, due 1996	Lux F	1,000.0	21.6
Netherlands	7.50% bonds, due 1991/97	f.	400.0	123.8
	6.50% bonds, due 1993	f.	500.0	174.4
	6.75% bonds, due 2006	f.	200.0	76.2
Switzerland	5.625% ten-year bonds, due 1995 (Tranche I)	SwF	100.0	42.4
	6% twenty-year bonds, due 2005 (Tranche II)	SwF	200.0	84.7
	Zero-coupon bonds, due 2015	SwF	112.0	46.7[b]
	5.50% thirty-year bonds, due 2016	SwF	250.0	119.7
	Undated 5.50% bonds	SwF	250.0	128.9
United Kingdom	9.50% loan stock of 1985, due 2010	£	100.0	130.5
United States	Zero-coupon bonds, due 2002–2016	$	40.3	40.3[b]
	8.875% forty-year bonds, due 2026	$	200.0	200.0
Eurobond market	10.125% ten-year notes, due 1995	$	300.0	300.0
	10.625% fifteen-year notes, due 2000	$	200.0	200.0
	10% fifteen-year notes, due 2001	$	156.1	156.1
	9.75% thirty-year bonds, due 2016	$	300.0	300.0
	9.75% thirty-year bonds, due 2016	$	200.0	200.0
	9.25% thirty-year bonds, due 2016	$	300.0	300.0
	8.50% thirty-year bonds, due 2016	$	150.0	150.0
	6.50% ten-year bonds, due 1996	¥	25,000.0	127.6
	6.5% five-year notes, due 1990	f.	100.0	31.0
	9.50% ten-year notes, due 1995	NKr	250.0	29.5
	8.50% ten-year bonds, due 1995	ECU	250.0	191.4
Tokyo-dollar market	10.50% ten-year notes, due 1995	$	300.0	300.0
Total medium- and long-term public offerings				5,401.2
Medium- and long-term placements with central banks and governments				
Germany, Federal Republic of	6.35% note, due 1990	DM	151.8	51.8
	6.10% note, due 1991	DM	250.0	101.8
Japan	6.12% yen obligations, due 1992	¥	15,000.0	69.3
	5.29% yen obligations, due 1992	¥	15,000.0	85.4
Other	8.875% notes, due 1990	ECU	60.0	50.4
	4.75% notes, due 1988	SwF	50.0	24.6
	6.375% bonds, due 1991	f.	200.0	77.8
	5.875% bonds, due 1993	DM	300.0	131.9
International[c]	9.23% two-year bonds, due 1987	$	300.0	300.0
	8.31% two-year bonds, due 1988	$	271.1	271.1
	5.25% two-year notes, due 1987	SwF	82.0	35.0
	5.3125% two-year notes, due 1987	SwF	300.0	128.2
	4.375% two-year notes, due 1988	SwF	300.0	158.9
	4.75% two-year notes, due 1988	SwF	119.0	63.4
Total medium- and long-term placements with central banks and governments				1,549.6

Table 3-6 *(continued)*
(millions)

Type	Issue	Currency of issue		US-dollar equivalents[a]
Medium- and long-term other placements				
Austria	7.5% notes, due 1992	AS	500.0	25.6
	7.25% notes, due 1992	AS	500.0	26.5
Belgium	10.5% loan, due 1992	BF	1,500.0	26.6
Germany, Federal Republic of	7% notes, due 1990	DM	200.0	65.8
	7.05% loan, due 1992	DM	60.0	19.8
	6.50% loan, due 1990	DM	100.0	34.7
	6.375% notes, due 1992	DM	200.0	71.9
	6.875% loan, due 1995	DM	100.0	36.3
	6.75% notes, due 1992	DM	350.0	130.5
	6.375% notes, due 1992	DM	200.0	81.1
	6% notes, due 1991	DM	250.0	105.7
	5.75% notes, due 1993	DM	250.0	112.3
Italy	12.50% bonds, due 1990	Lit	50,000.0	27.7
Japan	7.30% loan, due 2000	¥	45,000.0	189.9
	7.30% loan, due 2000	¥	30,000.0	126.6
	7% loan, due 2005	¥	30,000.0	145.8
	7% loan, due 2005	¥	20,000.0	98.1
	6.50% bonds, due 2006	¥	30,000.0	165.7
Luxembourg	9% bonds, due 1990	Lux F	300.0	5.5
Netherlands	8.125% loan, due 1993/2000	f.	100.0	29.3
	7.75% loan, due 1990	f.	50.0	14.6
	7.25% notes, due 1991/2000	f.	200.0	64.1
	7.40% loan, due 1988/95	f.	75.0	24.8
	7.375% loan, due 1992/96	f.	100.0	34.0
Switzerland	5.50% notes, due 1990 (Tranche I)	SwF	200.0	77.1
	5.625% notes, due 1991 (Tranche II)	SwF	200.0	77.1
	5.75% notes, due 1992 (Tranche III)	SwF	250.0	96.4
	5.50% notes, due 1990	SwF	150.0	57.9
	6.16% loan, due 1995	SwF	100.0	42.7
	5.75% loan, due 1990	SwF	400.0	173.1
	5.875% loan, due 1991	SwF	50.0	22.0
	6.0625% loan, due 1995	SwF	100.0	44.1
	5.125% notes, due 1990	SwF	250.0	113.2
	5.25% notes, due 1991	SwF	250.0	113.2
	5.375% notes, due 1992	SwF	250.0	113.2
	5.25% loan, due 1993	SwF	200.0	108.9
United States	Continuously offered longer-term securities program (COLTS)	$	32.6	32.6
International	14% notes, due 1991	$A	75.0	51.1
	10% notes, due 1992	DKr	225.0	22.3
	9.75% bonds, due 1992	DKr	300.0	30.9
	9.75% bonds, due 1996	F	200.0	27.6
	6.75% bonds, due 1992	¥	5,000.0	21.1
	6.30% bonds, due 1993	¥	5,000.0	26.9
	6.50% notes, due 1990	f.	100.0	31.9
	6.25% notes, due 1991	f.	100.0	37.5
	8.625% bonds, due 1993	ECU	125.0	100.0
	6.875% bonds, due 2001	ECU	60.0	57.8
Total medium- and long-term other placements				3,141.5
Short-term borrowings[d]				
Discount-note program		$	291.9	291.9[e]
Central Bank Facility		$	224.3	224.3[e]
Total borrowings, fiscal year 1986				10,608.5

a. Based on official rates at the time of Board approval.
b. Net proceeds.
c. These issues were placed with central banks, government agencies, and international organizations.
d. Maturing within one year.
e. Increase in amounts outstanding at June 30, 1986, over amounts outstanding at June 30, 1985, at face amounts.

***Table 3-7.* IBRD Fiscal Year 1986 Borrowings, by Currency**
(amounts in US dollar millions equivalent)

	Before swaps	Percent	Swaps[a]	After swaps	Percent	Maturity (years)	Cost after swaps (percent)
Medium- and long-term fixed-rate borrowings							
US dollars	2,750.1	26	−1,380.2	1,369.9	13	27.9	8.39
Swiss francs	1,871.4	18	1,224.4	3,095.8	29	13.2	5.80
Deutsche mark	1,731.3	16	349.0	2,080.3	20	11.0	6.68
Japanese yen	1,854.1	17	92.1	1,946.2	18	12.9	6.75
Dutch guilders	719.4	7	260.6	980.0	9	8.9	7.50
European currency units	399.6	4	−162.4	237.2	2	7.4	7.82
Pounds sterling	130.5	1	0.0	130.5	1	25.2	11.05
Canadian dollars	147.0	1	−87.1	59.9	1	39.1	10.44
French francs	134.7	1	−141.1	−6.4	..	0.0	0.00
Italian lire	27.7	..	0.0	27.7	..	5.0	13.44
Danish kroner	53.2	1	−53.6	−0.4	..	0.0	0.00
Belgian francs	113.5	1	−104.5	9.0	..	7.0	10.44
Austrian schilling	52.1	..	−52.7	−0.6	..	0.0	0.00
Norwegian kroner	29.5	..	0.0	29.5	..	8.0	9.67
Luxembourg francs	27.1	..	0.0	27.1	..	9.0	8.36
Australian dollars	51.1	..	−53.0	−1.9	..	0.0	0.00
Subtotal	10,092.3	95		9,983.8	94	14.4	6.88
Medium- and long-term variable rate swaps[b]							
US dollars	—	—	108.5	108.5	1	5.0	7.45
Short-term borrowings							
US dollars Central Bank Facility	224.3	2	—	224.3	2	1.0	7.78
US dollars discount notes	291.9	3	—	291.9	3	0.1	7.50
Subtotal	516.2	5		516.2	5		7.62
Total	10,608.5	100		10,608.5	100	13.7	6.93

Note: Details may not add to totals because of rounding. Also, minus amounts after swaps may represent a swap out of the entire amount of a borrowing and/or a change in exchange rates between the date of the borrowing and the date of the swap transaction.
.. represents less than 1 percent.
a. Swaps transactions totaled $2,034.6 million.
b. Represents interest-rate swaps from fixed rate to variable rate.

Total borrowings by the IBRD in fiscal 1986, consisting of new medium-term and long-term borrowings plus incremental short-term discount note and Central Bank Facility borrowings outstanding on June 30, 1986, amounted to the equivalent of $10,609 million, $477 million, or 4.5 percent, below the $11,086 million of borrowings in fiscal 1985. The fiscal 1986 total does not include refinancings of short-term borrowings that were outstanding at the end of fiscal 1985—some $2,186 million in discount notes and $1,250 million in the Central Bank Facility. Those refinancings brought the IBRD's "gross borrowings" for fiscal 1986 to $14,045 million, some $210 million over fiscal year 1985 totals. (See Table 3-6.)

Direct short-term, medium-term, and long-term borrowings in United States dollars contributed the largest share (31 percent) of the total borrowing program for fiscal 1986. Direct borrowings of Swiss francs (18 percent), Japanese yen (17 percent), Deutsche mark (16 percent), and Dutch guilders (7 percent), contributed 58 percent of the program, and other currencies accounted for 11 percent. After taking into account currency-hedged swap transactions—commonly referred to as currency swaps—which changed the "effective" liability structure of the program, the "effective" borrowed currencies in fiscal 1986 were Swiss francs (29 percent), Deutsche mark (20 percent), the United States dollar (19 percent), Japanese yen (18 percent), Dutch guilders (9 percent), and other currencies (5 percent).

During the fiscal year, the IBRD's Swiss-franc operations reached a record level of $3,096 million equivalent, consisting of $1,871 million in borrowings and $1,225 million in swap transactions.

Swap Transactions

Fifty-one currency-swap transactions were executed in fiscal 1986 and aggregated $1,927 million, including $410 million as an advance on the fiscal 1987 swaps program. The total includes $1,225 million swapped into Swiss francs, $349 million into Deutsche mark, $261 million into Dutch guilders, and $92 million into Japanese yen. All the currency swaps were for medium-term to long-term maturities, with an average maturity of 10.4 years, compared with 6.4 years in fiscal 1985. In addition, there were two United States-dollar medium-term and long-term swaps, totaling $109 million, out of fixed-rate and into variable-rate borrowings. These transactions transformed borrowings in various high nominal-cost currencies to funding in lower nominal-cost currencies, resulting in a reduction in the average nominal cost of medium-term and long-term borrowings in the fiscal 1986 borrowing program of seventy-seven basis points. In the five fiscal years, 1982 through 1986, the IBRD has engaged in swap transactions aggregating $7,074 million.

Currency swaps have been employed to lower the costs of funds available for the IBRD's lending operations in three ways. First, they have enabled the IBRD to increase its access to nominal low-cost currencies beyond that which would have been cost effective through direct borrowing operations. Second, they have allowed the IBRD to obtain currencies at costs lower than the lowest cost alternative available through direct market borrowings. Third, swaps have enabled the IBRD to broaden the base of its direct borrowing operations by permitting it to tap a wider range of capital markets and currencies than it would otherwise have done on cost considerations alone. For example, the availability of currency-swap opportunities was an important consideration in the decision to borrow in the European Currency Unit market and in the markets for Australian dollars, Austrian schilling, Belgian francs, Canadian dollars, Danish kroner, French francs, and Italian lire.

Sources of Funds

The IBRD sells its securities through direct placement with official sources (governments, government institutions, and central banks) and in the private sector (markets where securities are offered to investors through public offerings, loans and private placements by investment-banking firms, merchant banks, commercial banks, and savings institutions). Of the ninety-eight medium-term and long-term borrowing operations that the IBRD conducted during fiscal 1986, eighty-four were in the private sector throughout the world and accounted for $8,543 million, or 80 percent, of the total amount of funds borrowed. The other fourteen medium-term and long-term issues, totaling $1,550 million, or 15 percent of the funds raised, were placed with official sources.

Short-term borrowings outstanding on June 30, 1986, *net of unamortized discounts,* totaled $3,948 million: $2,474 million in market borrowings of discount notes (an increase of $287 million over the amount outstanding at the end of fiscal 1985) and $1,474 million in official borrowings through the Central Bank Facility (an increase of $224 million over the amount outstanding at the end of fiscal 1985). These increases accounted for 5 percent of the fiscal year's total borrowing program.

The IBRD's securities have been placed with investors in more than 100 countries throughout the world. This diversity allows the IBRD flexibility in selecting the markets that will allow optimum borrowing conditions; the same diversity lessens its dependence on any specific market.

The $10,609 million of total IBRD borrowings in fiscal 1986, including $516 million of incremental short-term obligations outstanding on June 30, 1986, consisted of the currencies listed in the table on page 75. Of these borrowings, $1,811 million represented refinancing of outstanding medium-term and long-term borrowings. In addition, there was $3,436 million of short-term borrowings outstanding at June 30, 1986, that had been outstanding at the end of fiscal 1985 and refinanced during fiscal 1986.

A total of $4,768 million equivalent of debt, not including short-term notes, matured during the year. Additional debt, not including short-term notes, aggregating $83 million, was retired by means of sinking-fund and purchase-fund operations.

The principal amount of the IBRD's outstanding obligations increased $19,593 million to $69,897 million as of June 30, 1986. These obligations were denominated in twenty different currencies and currency units. A summary classification of outstanding borrowings, by currency at June 30, 1986, is set forth in Appendix E of the IBRD Financial Statements.

Cost of Borrowings

The cost, after currency swaps and interest-rate swaps, of total borrowings by the IBRD in the fiscal year, weighted by amount, was 6.93 percent. This compares with 7.98 percent for fis-

Table 3-8. **Average Cost of the IBRD's Total Borrowings Outstanding, Fiscal Years 1981–86**

Year	Average principal outstanding (US$ millions)	Cost (percentage)
1981	28,810	7.41
1982	30,201	8.15
1983	35,228	8.90
1984	42,116	8.75
1985	46,066	8.67
1986	61,815	8.25

cal 1985 and was the IBRD's lowest cost of new borrowings in the last seven years. The equivalent figure for the $14,045 million of gross borrowings (including the refinancing of $3,436 million of short-term debt) was 7.09 percent. The average cost of total funds to the IBRD (debt plus equity, that is, paid-in capital, reserves, and retained earnings), was 7.15 percent, compared with 7.44 percent for the prior year. The average cost, after swaps, of total borrowings in fiscal 1986 breaks down as follows: fixed-rate, medium-term, and long-term borrowings of $10,092 million cost 6.88 percent; incremental short-term borrowings of $516 million cost 7.62 percent. In addition, refinancing of short-term borrowings outstanding at the end of fiscal 1985 cost 7.60 percent.

The use in recent years of interest-sensitive instruments (variable-rate and short-term borrowings) has allowed the IBRD to take advantage of lower interest rates at the short end of the yield curve in United States and Canadian dollars. The low costs were particularly evident in the discount-note program. In fiscal 1986, however, the IBRD barely increased its short-term borrowings and engaged in no new variable-rate borrowings. Instead, it chose to focus on opportunities for longer-term borrowings at increasingly lower fixed rates.

The cost of the IBRD's average outstanding borrowings was 8.25 percent, compared with 8.67 percent for fiscal 1985. The cost, after both currency and interest-rate swaps, of the IBRD's average outstanding borrowings for each of the past six fiscal years is summarized in Table 3-8.

Capitalization

The capital stock of the IBRD and the subscriptions thereto of its members are expressed, under the Articles of Agreement, in terms of the United States dollar of the weight and fineness in effect on July 1, 1944 (1944 dollars).

Table 3-9. **Capital Subscriptions, Fiscal Year 1986**

Type and country	Amount (SDR millions)
General capital increase	
Argentina	264.0
Bangladesh	141.3
Burma	80.3
Chile	112.0
Colombia	135.0
Congo, People's Republic of the	36.7
Ecuador	59.4
Fiji	2.8
Finland	66.7
Iran	528.4
Malta	40.3
New Zealand	29.5
Norway	225.6
Oman	43.0
Pakistan	260.8
Portugal	107.6
Rwanda	41.3
Saudi Arabia	540.1
South Africa	124.1
Tonga	26.3
United Arab Emirates	128.2
United Kingdom	304.2
United States	1,492.1
Uruguay	73.5
Western Samoa	1.5
Total	4,864.7
Subscriptions from new members	
Poland	24.9
Tonga	1.4
Total	26.3
Other increases in subscriptions[a]	
Belgium	94.5
Chile	1.5
Colombia	97.4
Congo, People's Republic of the	2.9
Denmark	61.7
Finland	41.1
France	234.4
India	83.3
Iran, Islamic Republic of	406.5
Ireland	25.7
Korea, Republic of	21.6
Malawi	3.2
Malaysia	37.7
Norway	68.6
Saudi Arabia	577.0
Spain	115.9
Turkey	27.1
United Arab Emirates	12.3
United Kingdom	52.9
Uruguay	32.5
Total	1,997.8

a. As of June 30, 1986, Austria, Bangladesh, Egypt, and Sri Lanka had deposited all required payments for increases in their subscriptions of SDR74.0 million, SDR4.0 million, SDR17.5 million, and SDR22.0 million, respectively. These subscriptions became effective in July 1986 after completion of certain administrative formalities.

Since the effectiveness on April 1, 1978, of the Second Amendment to the Articles of Agreement of the International Monetary Fund (IMF), currencies no longer have par values, and the basis for translating the 1944 dollar into current United States dollars no longer exists. The IBRD is examining the implication of this change on the valuation of its capital stock and the impact it will have on its financial statements. For the time being, payments on account of subscriptions, however, are accepted at the equivalent of $120,635 per share of capital stock.

For purposes of its primary financial statements, the IBRD has expressed the value of its capital stock on the basis of the SDR in terms of United States dollars as computed by the IMF on June 30, 1986 ($1.17757 per SDR).

On January 4, 1980, the IBRD's Board of Governors adopted a resolution that increased the authorized capital stock of the IBRD by 331,500 shares; this provided for a paid-in portion of 7.5 percent, compared with the 10 percent paid-in portion of previously existing capital stock. The Governors also adopted a resolution that increased the authorized capital stock by an additional 33,500 shares and that authorized each member to subscribe to 250 shares of this additional capital, none of which had to be paid in. Increases in subscribed capital under these resolutions amounted to SDR29,414.2 million (about $34,637.3 million) as of June 30, 1986.

In August 1984, there was a selective capital increase in the IBRD's authorized capital of 70,000 shares (about $8,400 million on the basis of the current subscription price). Selective increases, totaling 69,074 shares, were authorized for subscription by certain members. The closing date for the subscription period is December 31, 1986. Through June 30, 1986, fifteen countries had subscribed to this increase.

Capital subscribed during fiscal 1986 is shown in Table 3-9.

On June 30, 1986, the authorized capital stock of the IBRD stood at SDR78,650 million; its subscribed capital was SDR65,836 million.

Finances: IDA

The International Development Association (IDA) held a total of $39,592 million in credits on June 30, 1986, including $2,142 million approved but not yet effective. Of the $37,450 million of effective credits, $11,605 million was undisbursed at the end of the year.

Disbursements totaled $3,155 million (including disbursements from the IDA Special Fund) in fiscal 1986, compared with $2,491 million in fiscal 1985. As of June 30, 1986, IDA had disbursed a total of $25,910 million since the start of its operations.

The resources provided to IDA were $6,076 million during the period, including amounts provided by members of $5,585 million, which consisted primarily of contributions to the sixth and seventh replenishments and the FY84 Account, which aggregated $3,954 million, adjusted for the effects of currency appreciations of $1,631 million on resources provided by members in past fiscal years. The IBRD granted $150 million to IDA from its fiscal 1985 net income. Other resources that became available to IDA during the fiscal year totaled $491 million and were derived primarily from grant participations in, cancellations of, and repayments on credits.

Chapter Four
1986 Regional Perspectives

Eastern and Southern Africa

The World Bank's *Annual Report* for fiscal 1985 traced the economic hardship, caused mainly by prolonged drought and sustained declines in the prices of most regional exports, in countries of the Eastern and Southern Africa region since 1980. During fiscal 1986, the region's economic situation improved, primarily because the weather was more benign, but also because policy reforms in some countries began to yield benefits. Nevertheless, the reversal of the process of secular decline has encountered many difficulties: Prolonged cuts in consumption and investment have damaged the productive base in several economies; the servicing of external debt has become a heavy, sometimes unmanageable, burden for some; and the long-term prospects for most primary exports remain gloomy. Moreover, the additional resources needed to support the stabilization and structural-adjustment measures undertaken by many countries have not been forthcoming.

Table 4-1. Eastern and Southern Africa: 1984 Population and Per Capita GNP of Country Borrowers, Fiscal Years 1984–86

Country borrowers, fiscal 1984–86	Population[a] (thousands)	Per capita GNP 1984[b] (US$)
Botswana	1,034	960
Burundi	4,573	220
Comoros	382	n.a.
Djibouti	n.a.	n.a.
Ethiopia	42,169	110
Kenya	19,540	310
Lesotho	1,478	530
Madagascar	9,893	260
Malawi	6,832	180
Mauritius	1,011	1,090
Mozambique	13,436	n.a.
Rwanda	5,837	280
Seychelles	65	n.a.
Somalia	5,234	260
Sudan	21,345	360
Swaziland	731	790
Tanzania[c]	21,345	210
Uganda	14,971	230
Zaire	29,671	140
Zambia	6,429	470
Zimbabwe	8,099	760

NOTE: The 1984 estimates of GNP per capita presented above are from the "World Development Indicators" in the *World Development Report 1986*.
n.a. Not available.
a. Estimates for mid 1984.
b. *World Bank Atlas* methodology, 1982–84 base period.
c. The GNP per capita refers to mainland Tanzania only.

Special Features of 1985

In part because of ample rainfall, agricultural production increased in every country in the region. Five countries showed gains of over 5 percent, three increased production by over 12 percent, and Kenya, Malawi, and Zimbabwe had exportable food surpluses. Some of the countries worst affected by the drought, such as Somalia and Sudan, recorded substantial production increases in their major staple crops, though they still faced deficits in specific food grains and regional shortages. Although only Botswana, Ethiopia, and Mozambique are expected to require further emergency food aid in 1986, several other countries will need complementary nonfood assistance.

Led by the agricultural recovery, gross domestic product (GDP) performance improved in 1985; of the twelve countries in the region that account for nearly 90 percent of the region's population,[1] ten recorded positive real growth, while seven had higher growth in 1985 than in 1984. However, continuing high rates of population growth meant that only four countries—Mauritius, Somalia, Sudan, and Zimbabwe—experienced increases in per capita income in 1985. Over the longer term, the protracted economic stagnation in Ethiopia, Madagascar, Tanzania, Uganda, Zaire, and Zambia has caused per capita incomes to fall below levels reached in 1970.

The international environment continued to be unfavorable for the region during the past year. Even though the average prices for imports fell slightly, the region's terms of trade deteriorated by 6 percent during 1985, and were some

[1] These are Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Somalia, Sudan, Tanzania, Uganda, Zaire, Zambia, and Zimbabwe.

30 percent below the level of 1978–80.[2] Export prices of cotton fell from the previous year's level by 26 percent, of sugar by 22 percent, and of tea by 43 percent. The combined price index of seven agricultural and mineral-export commodities that constitute the region's major exports declined by 7 percent in 1985 and was 35 percent lower than in 1980. Export earnings fell for all countries in the region except Somalia and Zimbabwe, and total export receipts of the twelve countries declined by 7 percent during 1985, more than offsetting gains realized during 1983 and 1984.

The inflow of foreign resources into the region in 1985 also declined. Disbursements of concessional and nonconcessional medium-term and long-term loans (net of amortization) dropped for the fifth year in succession, reaching 40 percent of the peak volume achieved in 1980. Although the flow of grants has increased over this same period, it has not been sufficient to compensate for the decline in loans. Net official development assistance (ODA), comprising grants and concessional loans, fell by 2 percent in current prices in 1984, continuing the decline of the previous year. This drop represents a striking change from the 1970s, when ODA grew by nearly 13 percent a year. Data for ODA are not yet available for 1985, but it is likely that the stagnation in developmental aid flows persisted despite the increase in emergency food aid to countries severely affected by the drought.

Finally, the problem of servicing foreign debt intensified for several countries and hampered their efforts at economic stabilization and adjustment. Madagascar, Somalia, Sudan, Tanzania, Zaire, and Zambia accumulated substantial arrears; each country (except for Tanzania) has had to renegotiate its debt at the Paris and/or London Club at least once in the past six years, with the total number of renegotiations reaching twenty-four for the group. Their actual debt-service payments (after arrears and reschedulings) range between 22 percent to 41 percent of export earnings. However, their estimated scheduled 1985 debt-service ratios (service payments due before reschedulings or arrears, as a percentage of export earnings) are much higher and many lie between a low of 47 percent for Zaire and a high of 158 percent for Sudan. These estimates understate the true debt-servicing burden of the six countries, since they exclude interest on

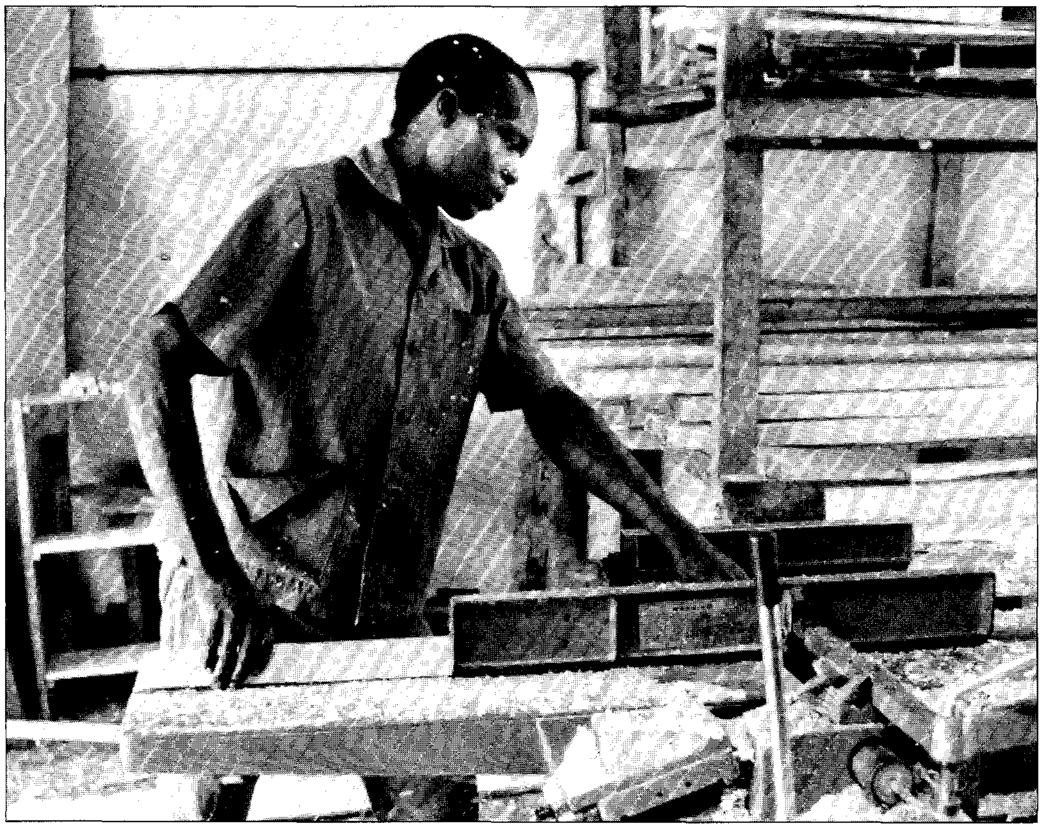
[2] The period 1978–80, before the impact of the second oil shock had set in, was a good one for the region. Its terms of trade declined precipitously in 1981, however, falling 21 percent in one year. By 1985, they were 4.6 percent below the average for 1982–84.

***Table 4-2.* Lending to Borrowers in Eastern and Southern Africa, by Sector, Fiscal Years 1977–86**

(millions of US dollars)

Sector	Annual average 1977–81	1982	1983	1984	1985	1986
Agriculture and Rural Development	219.4	177.6	315.6	166.8	255.6	190.7
Development Finance Companies	39.0	92.5	79.9	48.3	50.0	56.8
Education	63.6	61.0	81.8	15.4	85.0	79.1
Energy						
Oil, Gas, and Coal	9.7	35.7	26.0	53.0	25.1	3.1
Power	47.4	19.0	149.5	189.6	41.1	169.0
Industry	26.4	4.0	29.3	75.0	6.4	170.0
Nonproject	90.9	70.0	130.9	145.0	45.0	95.0
Population, Health, and Nutrition	—	23.0	6.8	13.8	3.5	10.8
Small-scale Enterprises	2.0	5.2	—	—	—	—
Technical Assistance	11.1	30.7	6.0	26.6	27.8	53.4
Telecommunications	7.0	71.7	22.0	—	72.6	—
Tourism	6.2	—	—	—	—	—
Transportation	126.0	83.2	169.3	375.3	134.9	78.5
Urban Development	21.2	—	49.0	55.8	20.0	—
Water Supply and Sewerage	23.6	41.0	63.7	22.0	49.0	9.5
Total	693.5	714.6	1,129.8	1,186.6	786.0	915.9
Of which: IBRD	238.9	107.9	326.6	445.2	74.5	198.1
IDA	454.6	606.7	803.2	741.4	711.5	717.8

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



At work at the Lurambi Modern Furniture Company (Kakamega, Kenya). Bank assistance for the development of small-scale enterprises in the region has amounted to more than $150 million.

short-term debt, arrears, and private nonguaranteed debt.

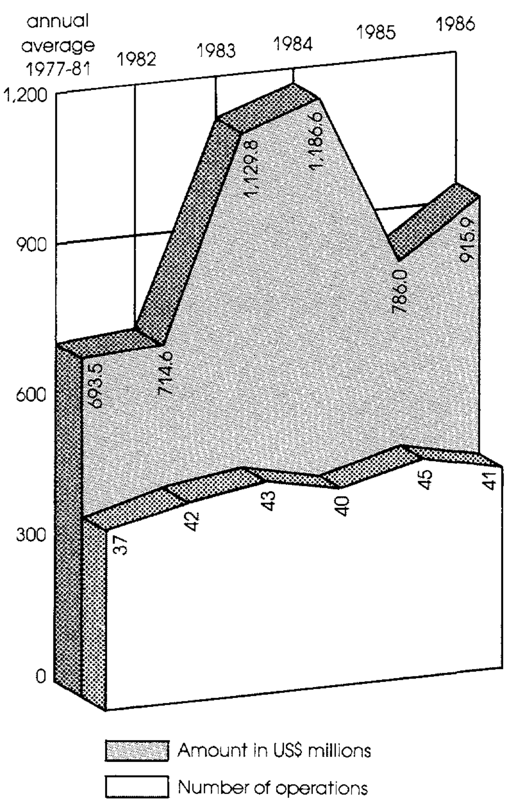
Progress toward Stabilization

By 1980, seven governments in the region had resorted to borrowing from domestic banks in excess of 5 percent of GDP; current-account deficits had exceeded 10 percent of GDP in seven countries; and nine countries had experienced double-digit inflation. Several governments responded to these financial disequilibria by attempts at stabilization. For example, in the period 1983–85, fifteen International Monetary Fund (IMF) Stand-by Arrangements were reached with nine countries, involving cutbacks in public-sector deficits; ceilings on credit expansion; reforms of the exchange and trade system; liberalization of, and increases in, producer prices; and greater flexibility in exchange rates.

The experience in 1985 of countries that had adopted stabilization measures was mixed. Only three countries had budget deficits higher than 5 percent of GDP and balance-of-payments deficits over 10 percent of GDP, as compared with seven countries in 1980. However, ten countries had larger current-account deficits in 1985 than in the previous year, in many cases the result of falling export prices. Inflationary pressures also increased, although the pace of international inflation slowed. Eleven countries experienced a rise in their consumer-price index of 10 percent or more and five of over 20 percent; in nine countries, inflation was higher than in 1984. To some extent, however, the acceleration in the rate of price increases reflected the emergence of previously repressed inflationary pressures.

Unfortunately, not all the measures designed to stabilize an economy are conducive to long-term structural adjustment. Some policy reforms, such as the liberalization of producer prices and adjustments in exchange rates, are beneficial to growth. But others may contribute, by contracting an already much-reduced import capacity, to a growing underutilization of existing investments, a slowdown in the implementation of desirable ongoing projects, a postponement of critical new investments, and damaging cutbacks in social expenditures. Some of these adverse effects could have been avoided had stabilization been accompanied, in tandem, by ap-

Figure 4-1. Trends in Lending, Fiscal Years 1977—86



propriate measures and additional aid to stimulate production and maintain high-priority imports.

Progress toward Structural Adjustment

Many structural-adjustment efforts by governments in recent years have been made in the context of World Bank-supported structural-adjustment and sector-adjustment lending. Altogether, nineteen such operations—in Burundi, Kenya, Madagascar, Malawi, Mauritius, Sudan, Tanzania, Uganda, Zaire, Zambia, and Zimbabwe—have been approved since 1980. The progress of these structural-adjustment measures has been encouraging on several fronts, though the implementation of some difficult reforms has been interrupted by the continuing fall in export prices, political uncertainties, and declining net inflows of aid and loans. The benefits of successfully implemented measures are now visible, although continuing adverse, exogenous shocks have tended, in several instances, to offset the favorable effects of policy reforms.

Many countries have adopted measures to reduce or eliminate the growing overvaluation of their exchange rates. In 1985, eight countries brought their real effective exchange rates (adjusted for relative rates of inflation, domestically and among major trading partners) to levels lower than in 1978, and seven improved their relative competitiveness in 1985 over the previous year. Zambia launched a market-determined exchange-rate system, and Somalia moved towards such a system (though the gap between the official and free-market exchange rates remained high). While Uganda abandoned its auction-based exchange system[3] following monetary and political instability, Zaire continued with its policy (begun in 1983) of allowing its exchange rate to be freely determined by the market. Kenya, Madagascar, Malawi, Mauritius, and Zimbabwe continued to manage their exchange rates flexibly. In particular, Mauritius deployed flexible exchange rates as part of a larger export-promotion strategy to achieve an expansion of its manufactured exports. Exchange-rate adjustments led to a significant diversion of exports from parallel to official markets: This was the case with diamonds in Zaire, coffee in Uganda, and other goods elsewhere.

Partly in concert with exchange-rate depreciation, the internal terms of trade for the agricultural sector were improved in many countries. Nine countries offered higher relative prices to agricultural producers during 1985, in many cases continuing policies initiated earlier. These improvements sometimes took place in the context of broader reforms in procurement and marketing systems that had tended to be dominated by inefficient parastatals. During the period 1983–85, for instance, Madagascar lifted a government monopoly on the marketing of paddy and rice, while abolishing fixed paddy and rice prices, as well as a consumer-price subsidy; Tanzania licensed private traders to enter the maize market, removed price controls on maize meal, and partially liberalized interregional trade in maize. Somalia reduced the public sector's role in grain purchases and in the distribution of several agricultural inputs, and Zambia abolished an official monopoly on the marketing of maize and on the supply of all agricultural inputs except fertilizers.

While the significant role of exogenous factors makes it difficult to evaluate the impact of improved incentives, several instances of positive supply response in agriculture can be found.

[3] This is a system of determining exchange rates by holding periodic public auctions of available foreign exchange; the highest bid at which the market is cleared becomes the exchange rate until the next auction.

In Zambia, real agricultural producer prices have been increased by more than 30 percent in the past four years, and tax rates on agricultural income have been lowered. As a consequence, and despite drought conditions, marketed output increased by about 9 percent a year in both 1983 and 1984. The most recent Zambian harvest recorded the highest production levels in the last decade for wheat, soybeans, sunflower seed, sugar, and coffee. In Uganda, before the auction-based exchange-rate experiment was abandoned, substantial real depreciation and producer-price increases led to growth in monetized agricultural production of 14 percent in 1982, 11 percent in 1983, and 5 percent in 1984. In Somalia, improved incentives had a sizable effect during 1981–85 on the production of maize and sorghum, and on exports of bananas. Livestock exports have also recovered sharply, despite a continued ban by traditional importers on Somali cattle. Similarly, in Malawi, there has been an upsurge in the output of maize in 1982–83 following a large rise in its relative price, while in 1983–84, the production of cotton (and, to a lesser extent, of groundnuts) has reversed a declining trend in response to price incentives.

By the early 1980s, price controls on manufactured production had begun to proliferate in the region. In recent years, controls have been significantly reduced, if not eliminated, in Madagascar, Malawi, Somalia, Tanzania, Uganda, Zaire, and Zambia. The industrial sectors of most countries, however, remain starved of imported inputs, greatly curtailing their ability to respond to price incentives. In addition, specific factors have intervened: Uncertainty over the ownership of previously nationalized facilities has held back the private sector in Uganda, for instance. Structural deficiencies also persist in most industrial sectors, arising from uncompetitive, often uneconomically sized facilities set up behind high levels of protection and operated without adequate managerial or technological capabilities. There are signs, nevertheless, that some governments are beginning to restructure their industries: Export incentives have been increased along with the shift to flexible exchange rates, and Mauritius, Somalia, Zaire, and Zambia have started to move from quantitative import restrictions to tariff-based protection structures.

Stabilization, Adjustment, and Debt

While improved incentives summoned some supply responses, the dominant pattern of adjustment in the region has been the containment of public expenditures and overall demand. Continuing adverse shocks, in the form of declining export prices, transport disruption in Southern Africa (because of disturbed conditions in Mozambique), and stagnating aid disbursements have taken their toll on the availability of resources. For several countries, the overhang of external debt has augmented these pressures on resources available for imports.

The combined medium-term and long-term outstanding debt of the region's twelve selected countries rose from $3 billion in 1970 to $19 billion in 1980, and to $28 billion in 1985. The payment of interest and amortization on this debt rose much faster than gross loan disbursements to, or the exports of, debtor countries. This situation resulted in a sharp fall in net resource transfers (disbursements less debt service) from loans, from a combined $2.5 billion in 1980 to about $500 million in 1985. Correspondingly, actual debt-service payments in 1985 absorbed about a quarter of export earnings, compared with 6 percent in 1970 and 14 percent in 1980, and scheduled debt-service payments could not be met by several countries.

Debt has affected the countries of the region in significantly different ways. Some countries, such as Kenya and Mauritius, have managed their debt well and continue to have access to new credit on conventional terms. A second group, comprising countries such as Malawi and Zimbabwe, has encountered serious debt-servicing pressures in recent years, but has succeeded in restoring a measure of creditworthiness by undertaking economic reforms. Finally, a third group of countries (Madagascar, Somalia, Sudan, Tanzania, Zaire, and Zambia) has not been able to meet its scheduled debt-servicing obligations. Over the next five years, 30 percent of this group's scheduled debt-service payments is owed to multilateral institutions, with the IMF accounting for 61 percent of such payments. Since multilateral debt-sevice payments cannot be rescheduled, these high ratios will increase the difficulties to be faced by this group of countries in coping with its debt burdens.

The debt problems of the most seriously affected countries stem from several causes. Except for Zambia, loans were not raised on particularly hard terms (though a large part of IMF resources was drawn upon on relatively hard terms in the 1980s). Several countries (Zaire and Zambia, and, to a smaller extent, Somalia and Tanzania) delayed reducing their consumption expenditures by borrowing abroad when confronted with a deterioration in their terms of trade or other adverse events. Some countries, such as Somalia and Sudan, tried to sustain unwarranted levels of consumption in periods when external circumstances were not in their favor. Madagascar and Sudan tried to carry out overly ambitious investment plans. In general, there was a tendency on the part of governments to use borrowed resources unproductively because of policy distortions, poor project design, or deficiencies in technical and organizational skills. Thus, many projects did not generate or save the foreign exchange required to service the foreign debt that financed them. Creditors often exacerbated matters by "pushing" uneconomic projects that were of commercial interest to suppliers of equipment in creditor countries.

The debt overhang is a legacy of past mistakes. Unless handled skillfully by all parties to the debt difficulties, however, it can undermine efforts to stabilize and restructure debtor economies and restore growth to them. Recent efforts by debtors, such as Madagascar, Zaire, and Zambia, to carry out intensive reforms have encountered considerable difficulty: Foreign suppliers have charged price premia because the overhang makes payments uncertain; trade credit has dried up, reducing debtor capacity to buy in the most competitive markets; commercial banks and export-credit agencies have reduced their exposure, without offsetting resources being made available on concesssional terms; and key officials of debtor governments have had to spend considerable time negotiating with creditors. Consequently, debtor economies that try to emerge from their difficulties have encountered chronic shortages of critically needed imports, weakening the incentive and abilities of governments to persist with economic reforms.

1986: A Year of Opportunity

The countries of Eastern and Southern Africa face a year of opportunity in calendar year 1986. The sharp decline in the price of oil will save nearly $600 million in foreign exchange for the countries of the region. Coffee exporters (Burundi, Ethiopia, Kenya, Madagascar, Rwanda, Tanzania, Uganda, and Zaire) will benefit from a large increase in price; this windfall gain is expected to yield almost $1 billion over normal earnings from coffee. Copper and sugar prices, though still at low levels, are expected to rise slightly during 1986. Hence, the combined terms-of-trade index for the region is likely to improve by almost 20 percent.

These favorable price relationships may not last, and a substantial deterioration could take place in 1987. It is of the utmost importance, therefore, that economic policies of the governments in the region capitalize on the opportunities immediately at hand, rather than use the 1986 breathing space to postpone difficult reforms. It is essential, also, that the donor and creditor communities alike not view the favorable prospects of 1986 as a reason to slacken support for appropriate amounts of assistance and debt relief.

Western Africa

During the past twelve months, several Western African countries undertook difficult policy reforms to cope with their structural imbalances, and while the extent of adjustment has varied, progress is clearly under way. Côte d'Ivoire, Ghana, and Togo have reinforced their ongoing stabilization and structural-adjustment programs; in addition, Guinea, Niger, and Senegal adopted IDA-assisted structural-adjustment programs that aim at reforming public-resources management and improving performance in the agricultural and industrial sectors; The Gambia and Mauritania have launched impressive recovery programs.

***Table 4-3.* Western Africa: 1984 Population and Per Capita GNP of Country Borrowers, Fiscal Years 1984–86**

Country borrowers, fiscal 1984-86	Population[a] (thousands)	Per capita GNP 1984[b] (US$)
Benin	3,920	270
Burkina Faso	6,559	160
Cameroon	9,874	800
Cape Verde	320	320
Central African Republic	2,521	260
Chad	4,877	n.a.
Côte d'Ivoire	9,878	610
Equatorial Guinea	366	n.a.
Gambia, The	718	260
Ghana	12,309	350
Guinea	5,932	330
Guinea-Bissau	870	190
Liberia	2,127	470
Mali	7,341	140
Mauritania	1,659	450
Niger	6,205	190
Nigeria	96,485	730
São Tomé and Principe	105	330
Senegal	6,376	380
Sierra Leone	3,664	310
Togo	2,940	250

Note: The 1984 estimates of GNP per capita presented above are from the "World Development Indicators" in the *World Development Report 1986.*
n.a. Not available.
a. Estimates for mid 1984.
b. *World Bank Atlas* methodology, 1982–84 base period.

The environment in which the countries of the region are pursuing adjustment saw some welcome signs of relief in fiscal 1986. The return of good rainfall generated a high level of food production in calendar 1985; the increase in cereal output was most noteworthy in the Sahelian countries (Burkina Faso, Chad, Mali, Niger, and Senegal) where, according to the Food and Agriculture Organization of the UN (FAO), production exceeded the poor 1984 supply by some 50 percent. Benin and Togo also had food surpluses. The combination of favorable weather and response to policy reforms, such as exchange-rate adjustments and higher producer prices, has resulted in some improvement in overall output: Total real gross domestic product (GDP) of countries in the Western Africa region grew 0.8 percent in 1985 (2.5 percent without Nigeria) following four consecutive years of declines. Cameroon, Côte d'Ivoire, Ghana, Niger, and Togo were among the best performers. Prospects for Western Africa are for further growth in 1986 (assuming continued good weather), as many countries will benefit from lower oil prices and higher coffee prices, as well as from the continuing momentum of the reform process.

At the same time, certain critical constraints to adjustment and longer-term development have not yet been overcome. Among the most important constraints are the following:

- Explosive population growth rates continue to contribute to declining per capita incomes; per capita GDP for Western Africa as a whole has declined by approximately 25 percent since 1980 (a disproportionate share of this drop is the result of the sharp fall in per capita incomes in Nigeria). Rapid population growth, coupled with budget austerity, has hampered governments' ability to sustain programs in human-resource development, which are essential to loosen the long-run constraints to economic and social development.
- In the near term, depressed prices of cotton, iron ore, uranium, and groundnuts are adversely affecting the current-account and fiscal deficits of Benin, Burkina Faso, Central African Republic, Chad, The Gambia, Liberia, Mali, Niger, Mauritania, and Senegal; at the same time, oil-

exporting countries such as Cameroon, the People's Republic of the Congo, Gabon, and Nigeria are suffering from the sharp slump and continuing instability in world oil prices.

- Debt remains a critical factor in the adjustment process, as mounting debt-servicing difficulties threaten the implementation of reform programs; debt relief and rescheduling are essential elements of the financial restructuring needed in support of effective adjustment plans. Côte d'Ivoire, Guinea, and Mauritania are among the countries pursuing such restructuring efforts, while the government of Niger is preparing plans for a round-table meeting of donors to examine a medium-term financial plan designed to deal with its debt situation in the context of its overall aid requirements.

While progress is under way in the adjustment process, the momentum of the reform efforts cannot be sustained unless additional concessional resources are provided by the donor community. Donor round tables and consultative groups have been instrumental in improving aid coordination, but implementation of reform programs has suffered from lagging disbursements of official development assistance. In this regard, the Development Committee's endorsement in April 1986 of increased external funds for sub-Saharan Africa is an encouraging development.

Economic Developments: The Major Oil Exporters

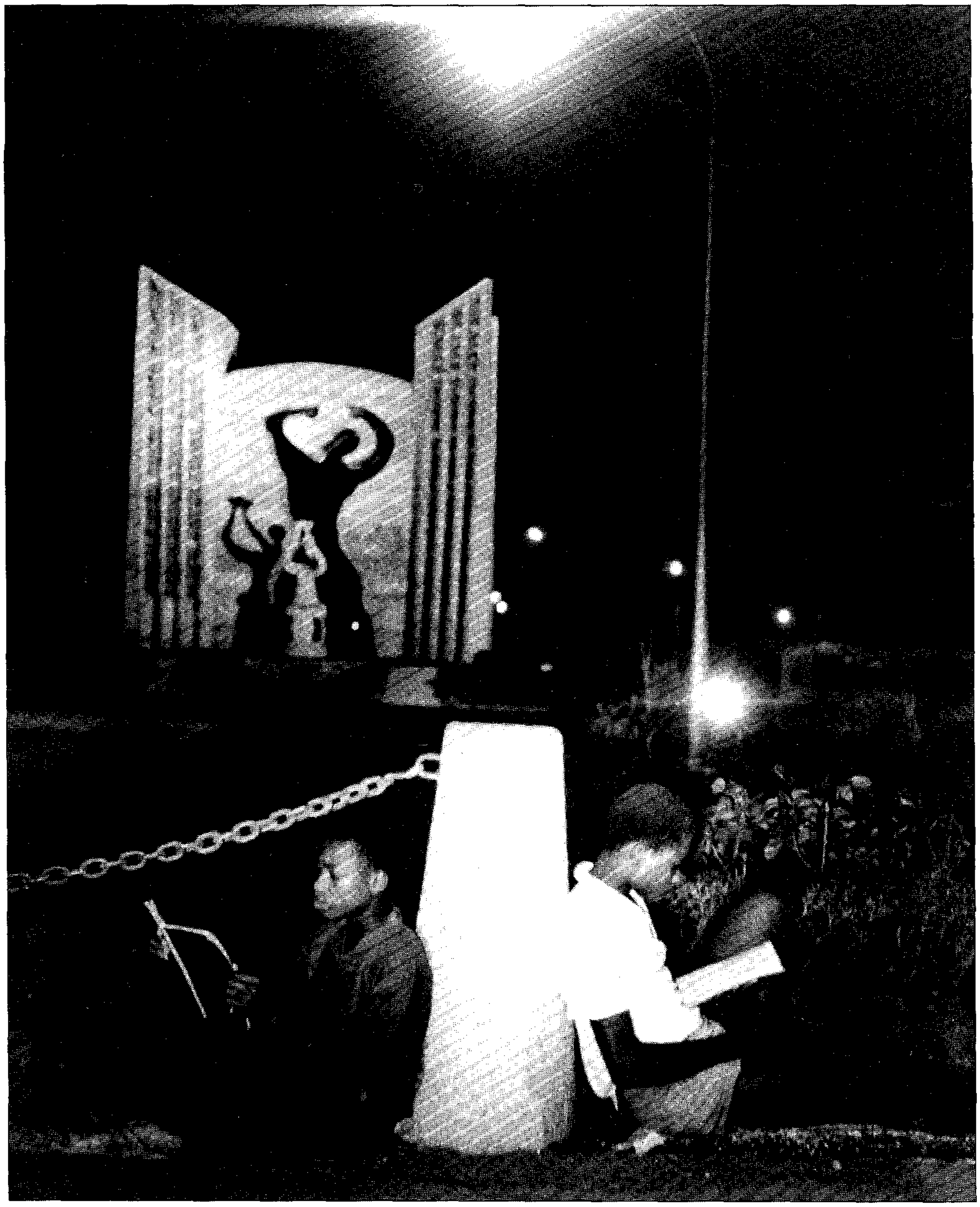
Nigeria has continued to rely on restrictive demand-management policies and administrative controls to cope with the financial problems induced by weak oil markets and rapidly increasing debt-service obligations. Although higher oil production raised 1985 export revenues over 1984 levels, the sharp increase in debt-service payments forced the government to reduce imports dramatically. The federal budget deficit was reduced to about 4.5 percent of GDP, and recurrent expenditures were cut by more than one third through stricter limitations on transfers to public enterprises and state governments, and control on wages and salaries. As a result of these austerity measures, inflation was slowed considerably.

The 1986 budget proposes further measures to address Nigeria's economic problems: They include exchange-rate initiatives, parastatal reform, substantial increases in petroleum-product prices, and additional spending cuts, which could reduce the federal budget deficit to 2 percent of GDP. However, the further weakening of the oil market will require the government to combine even greater austerity with further restructuring measures, particularly the adoption of a more realistic exchange rate.

***Table 4-4.* Lending to Borrowers in Western Africa, by Sector, Fiscal Years 1977–86**
(millions of US dollars)

Sector	Annual average 1977–81	1982	1983	1984	1985	1986
Agriculture and Rural Development	235.9	288.9	104.6	503.5	124.4	244.0
Development Finance Companies	21.0	19.0	140.1	—	9.3	28.5
Education	28.0	19.7	55.5	9.5	34.0	35.6
Energy						
Oil, Gas, and Coal	4.1	114.0	36.0	51.0	2.6	—
Power	48.2	108.8	24.0	30.0	15.5	48.0
Industry	13.1	20.0	19.7	21.9	—	23.9
Nonproject	12.0	150.0	80.0	326.7	119.2	321.0
Population, Health, and Nutrition	—	—	15.0	16.7	60.6	70.3
Small-scale Enterprises	12.7	16.0	15.0	41.0	—	30.0
Technical Assistance	18.5	26.0	26.0	53.9	47.7	5.0
Telecommunications	—	38.0	—	—	—	46.5
Tourism	5.6	—	—	—	—	—
Transportation	171.9	115.5	96.8	88.4	275.0	114.8
Urban Development	16.4	61.0	20.0	28.2	22.0	153.0
Water Supply and Sewerage	38.0	110.0	31.5	10.9	101.0	10.0
Total	625.5	1,086.9	664.2	1,181.7	811.3	1,130.6
Of which: IBRD	374.7	853.8	236.5	710.2	419.1	703.1
IDA	250.8	233.1	427.7	471.5	392.2	427.5

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



Students studying under a street light in Independence Square (Lomé, Togo).

Nigeria's medium-term and long-term external public debt outstanding at the end of 1985 amounted to $11.5 billion (excluding converted trade arrears of $1.7 billion). Substantial additional trade arrears have been estimated to range between $3.5 billion and $6 billion. The severity of Nigeria's current debt relates not so much to its absolute size (which, in 1985, amounted to only 25 percent of GDP, compared with the 49 percent average of all middle-income heavily indebted countries), but to its unfavorable payments profile and to the poor outlook of the world oil market. These negative aspects have prompted Nigeria to discuss possible debt-rescheduling arrangements with its creditors. The government is also working on a broader program of economic reforms.

Cameroon's economy continued to perform well, with growth estimated at 8.6 percent in 1985. Oil production, about 17 percent of GDP, was responsible for nearly half of this growth. The country posted a positive current-account balance of 7.2 percent of GDP, public savings amounted to nearly 12 percent of GDP, and the overall budget remained in surplus. Cameroon's external-debt situation is currently quite manageable: Total outstanding public and publicly guaranteed medium-term and long-term external debt amounted to about $1.8 billion, or 23 percent of GDP, in 1985, and the country's debt-service ratio is slightly below 10 percent.

There are, however, problems on Cameroon's horizon. While oil exports have performed well and now account for nearly two thirds of total merchandise exports, traditional agricultural exports, mainly coffee and cocoa, have virtually stagnated since 1980. Oil production is expected to decline steadily from its current peak, and the lower world price appears to have substantially reduced exploitable-reserves profitability. Cameroon, therefore, faces a sharp drop in export earnings, as well as a diminution of national income, over the next few years. Stabilization of domestic demand and strong measures to increase the output of exports other than oil, therefore, will be required.

Unlike other West African oil exporters, Congo's economic and financial situation deteriorated dramatically in 1985. Gross domestic product fell by 3.6 percent, the first decline since 1977, reflecting a drop in oil production. Activity in most other sectors stagnated or declined as a result of depressed investment demand. Although the share of public investment in GDP was reduced from 28 percent in 1982 to 17 percent in 1984, heavy external borrowing continued to the point at which public debt service amounted to 43 percent of fiscal revenues in 1985. Arrears on both external and domestic debt have accumulated rapidly; 25 percent of the overall 1985 budget deficit (equivalent to 7 percent of GDP) was financed through net accummulation of arrears.

In June 1985, the government announced an adjustment program to stem the deteriorating fiscal situation. Although its basic elements were the containment of budgetary growth and a reduction in public investment, total public investment substantially exceeded the initial plan for 1985, civil-service employment continued its rapid increase, and the salary bill exceeded initial allocations. The current-account, which was in surplus in 1984, registered a deficit equivalent to 8 percent of GDP in 1985, and the sharp fall in oil prices in early 1986 further deepened the country's severe financial crisis. To restore its creditworthiness in the medium term, the country will have to undertake far-reaching structural reforms.

Economic Developments: The More Traditional Economies

Ghana's economic-recovery program gained further strength, as the economy began to respond strongly to policy reforms and to the continuation of favorable weather. Real GDP growth in 1985 exceeded 5 percent; agriculture and manufacturing rebounded as utilization of capacity increased as a result of improved incentives and an increased availability of foreign exchange. Inflation continued to decelerate sharply: From an annual average rate of 123 percent in 1983, it dropped to 40 percent in 1984 and to 11 percent in 1985.

Notable progress has also been achieved in exchange-rate policy: The cedi, which in early 1986 stood at ninety to the U.S. dollar, has been depreciated by 3,200 percent since the reform program was launched in April 1983. Other incentive measures adopted in 1985 included a 90 percent increase in the price paid to producers for their 1985–86 cocoa crop and a further 50 percent increase for the 1986–87 crop. Producer prices for cotton and tobacco were raised by 100 percent and 50 percent, respectively.

At the December 1985 meeting of the consultative group for Ghana, the government presented donors with the framework for a program of further progress on exchange-rate adjustment and trade liberalization, public-sector reforms, and increased domestic-resource mobilization to finance a higher level of investment.

After experiencing three consecutive years of recession, the economy of Côte d'Ivoire rebounded sharply in 1985 in response to improved producer incentives and better weather. Driven by the recovery in agricultural output, GDP grew by 5.3 percent in real terms. This performance was accompanied by a significant improvement of the current-account balance, which turned from a deficit of 2.3 percent of GDP in 1984 to a surplus of 3.6 percent in 1985, largely the result of increased coffee and cocoa export receipts. At the same time, continued public-finance discipline led to a public-sector surplus of 1.5 percent of GDP in 1985, compared with a deficit of 3.6 percent in the previous year. The outlook is somewhat clouded by declining cocoa and cotton prices, which may be offset by higher coffee prices.

After several years of declines, Togo's real GDP grew by 3 percent in 1985. The current-account deficit has been brought down from a peak of 17 percent of GDP in 1979 to 12 percent in 1982, and to 7.5 percent in 1985. Togo has also succeeded in clearing its domestic-payment arrears, while rescheduling its external debt. The government took significant steps in 1985 to implement the second phase of its structural-adjustment program by raising producer prices for coffee, cocoa, and cotton by 8.8 percent, 9.1 percent, and 20 percent, respectively, and by adopting a new rural-development strategy that emphasizes upgraded agricultural-extension programs directly linked to research.

The economy of Benin posted a 3.5 percent growth rate in 1985, a welcome break in the stagnation that set in after 1982. Performance in 1985 was led largely by the continuing strong response of agricultural output, particularly cotton, to a combination of improved weather conditions, remunerative producer pricing, and prompt delivery of inputs.

The government's financial situation remained unsatisfactory, however. In spite of a modest recovery in revenues and the availability of extra budgetary resources from petroleum sales, public finances registered a deficit equal to 8 percent of GDP, compared with 10 percent in 1984. Lower world-market cotton prices in the last half of 1985 and a rising burden of interest payments on external debt contributed to a widened current-account deficit (8 percent compared with about 5 percent in 1984). Progress has been slow on developing a reform program to confront these imbalances. The government is currently discussing with the International Monetary Fund (IMF) a possible stabilization program and with the Bank on ways in which the public-enterprise sector might be reformed.

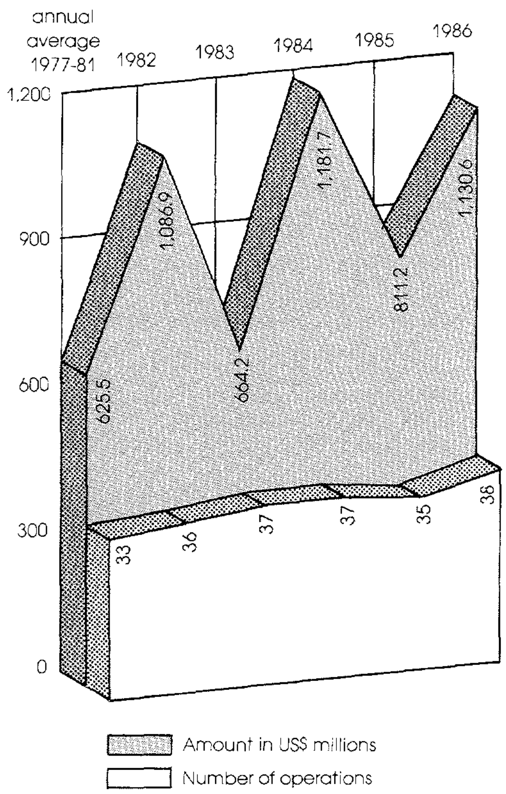
Preliminary estimates indicate that Guinea's agricultural output increased by 3 percent in real terms in 1985, while real growth in GDP was 2.4 percent. Depressed conditions in the world aluminum market adversely affected mining output, and industrial output grew by less than 2 percent. The overall balance-of-payments deficit, which amounted to $73 million (basically unchanged from the 1984 level), was financed largely through accumulation of arrears. Guinea's arrears on medium-term and long-term public external debt are estimated to have reached $298 million at the end of 1985, while medium-term and long-term external debt stands at approximately $1.36 billion. The government deficit deteriorated sharply in 1985 as a result of a decline in revenues and a sharp increase in expenditures.

A comprehensive reform program (assisted by Bank structural-adjustment lending and a Stand-by Arrangement with the International Monetary Fund), which was launched in December 1985, includes the establishment of a realistic exchange rate through a large initial devaluation (1,400 percent) and subsequent weekly auctions; reform of the banking sector, involving closure of all state-owned banks and the establishment of three private banks (joint ventures) in their place; liberalization of prices and the abolition of marketing controls or public monopolies; rationalization of the public-enterprise sector; and reform of the tariff regime and liberalization of import-export procedures.

Other countries with growing economies in 1985 included:

- Niger, which after three years of negative real GDP growth, realized a rate of growth of 7.1 percent, the result mainly of a strong recovery in the rural sector, which benefited from favorable weather. The government has undertaken an IDA-assisted structural-adjustment program complementing stabilization efforts initiated under three consecutive IMF Stand-by Arrangements; those efforts have led to a significant reduction in the budget and current-account deficits, both of which stood at about 5 percent of GDP in 1985. (The reduction in the budget deficit reflected, for the most part, a substantial cutback in investment, while the drop in the current-account deficit was caused largely by a sharp reduction in imports.)
- Mali, where real GDP growth of 1.1 percent was fueled, in large measure, by a sharp rise in the output of cotton and cereals, reflecting increased incentives to producers and abundant rainfall. The country's current-account deficit declined (to 5.9 percent of GDP), and fiscal imbalances continued on their correction course, as the consolidated budget deficit dipped below 1 percent of GDP.
- Mauritania, where real GDP grew by 2.1 percent. Aided by an exchange-rate devaluation of 20 percent, fish exports soared by 30 percent, and iron-ore exports were maintained at the relatively high level of $150 million. Strict budgetary discipline was also maintained in 1985: Revenues increased by 15 percent, while outlays expanded by only 4.5 percent, thus bringing about a balanced current budget for the year. These measures are included in an economic and financial recovery program (1985–88) prepared with the Bank's assistance by the Mauritanian government. They also include the rehabilitation of the public-enterprise sector.
- Burkina Faso, whose real GDP, after three years of decline, bounced back to the level of 1981—the result primarily of the first good harvest in three years. Due to the implementation, in 1985, of an austerity budget, the country's budget deficit declined to less than 1 percent of GDP. The government, however, continued to add to its payments arrears in 1985, and following several years of improvement, the current-

Figure 4-2. Trends in Lending, Fiscal Years 1977—86



account deficit widened again to 5 percent of GDP. An improvement of the situation in public finances depends on the commitment of the government to address policy issues in the areas of public-finance management, investment priorities, and state enterprises.

A few countries, however, did not join the recovery: They included Liberia, Sierra Leone, and Senegal. Growth in these countries was constrained—in the case of Liberia—by a continuing drop in export earnings and inappropriate economic policies; in Sierra Leone, by worsening mineral prices and declining production of the country's main export commodity, alluvial diamonds, as well as by poor policies that include an overvalued currency, uncontrolled budget deficits, and excessive borrowings; and in Senegal, by the severe burden of its external debt, which, in 1985, reached $1.8 billion, an amount equivalent to 80 percent of GDP.

These three countries, however, are not ignoring their difficulties. The Bank continues to maintain a dialogue with the Liberian government on critical policy-reform areas, including the need for improved public-expenditure management, rationalization and reform of the public-enterprise sector, and improved policies in the agricultural and manufacturing sectors. In Sierra Leone, the government is negotiating with the IMF on a stabilization program and is working with the Bank on the framework of a structural-adjustment program that would provide stronger incentives in agriculture and industry and reform in public expenditures and public enterprises. And in Senegal, the government has begun implementation of a medium-term structural-adjustment program whose basic objectives are to maximize the exploitation of the country's potential in agriculture and industry and to optimize public-resource allocations. By the end of 1985, major subsidies had been eliminated, the consumer rice price had been substantially increased, the groundnut subsector had been restructured, overstaffing reduced in key rural-development agencies, and the reorganization of the Ministry of Planning begun as a prelude to the introduction of a three-year rolling public-investment program.

Debt and Financial Restructuring

Recent developments in Western African economies point to a worsening of the external-debt situation that could impede efforts at adjustment. At the end of 1984, the debt of the countries in the region (long-term public and publicly guaranteed debt, disbursed and outstanding) stood at about $32 billion, an amount equivalent to about 30 percent of GDP. Although scheduled debt service was equivalent to more than 30 percent of export earnings, rescheduling and accumulation of arrears have held down the actual debt-service ratio considerably. Because of the severity of the debt problem in sub-Saharan Africa, the Bank has stepped up its analytical and resource-mobilization efforts in the field of financial restructuring: The objective of these efforts is to design and bring into effect feasible scenarios for arresting further declines in per capita income and consumption and for restoring growth with a manageable balance-of-payments gap. In that context, a few countries in the region have already put in place, with the Bank's assistance, multiyear financing plans that incorporate the mobilization of additional external resources and debt restructuring, including, in some cases, multiyear rescheduling and retroactive adjustments to the terms of existing borrowings.

Thus, the government of Côte d'Ivoire, after four years of austerity under the stabilization phase of its structural-adjustment program, has embarked on the second phase of the program with the objective of achieving self-sustained growth of income over the medium-term while restoring creditworthiness. This strategy entails a further strengthening of macroeconomic and financial management and the implementation of a comprehensive reform of agricultural incentives and the generalization of the industrial-incentive reforms launched in 1985. In parallel, the government is pursuing a medium-term financial-restructuring strategy aimed at mobilizing the external financial resources to support growth within the context of a structural-adjustment program. These resources would come from the IMF, the Bank, other donors, and commercial banks; through the instrument of a World Bank "B" loan, Côte d'Ivoire has been able to regain access to voluntary lending. Multiyear rescheduling arrangements with both the London and the Paris Clubs have also supported Côte d'Ivoire's restructuring efforts.

Niger is faced with a heavy foreign-debt burden ($1 billion at the end of 1985, or 65 percent of GDP), and a debt-service ratio that reached 47 percent in 1985 (33 percent after rescheduling). To cope with this unsustainable situation, the government has embarked, with the Bank's technical assistance, on the preparation of a multiyear financial plan to be considered at a donors' meeting that the Bank and the UNDP (United Nations Development Programme) will sponsor in late 1986. A structural-adjustment program, supported in fiscal 1986 by $60 million in IDA and Special African Facility funds, will serve as the basis for mobilizing donor support for the multiyear plan. The plan will stress the need for significantly higher, long-term commitments of grant or highly concessional financing, as well as retroactive adjustment of terms and further rescheduling of part of Niger's outstanding debt.

A special donors' meeting, held in Paris in March 1985, considered the financing needs of Mauritania for 1985 and agreed on an integrated package of aid and debt relief: A sizable external-resource gap of about $220 million was successfully financed through rescheduling, direct balance-of-payments support, and clearance of all arrears. A consultative group meeting held in November 1985 lent support to Mauritania's 1985–88 recovery program through a combination of additional concessional money and debt relief. This support should allow the country to sustain and reinforce the policy measures already taken to restructure the economy.

While the problem of external debt will continue to constrain the efforts of most West African governments to restructure their economies and restore the momentum of economic and social development, the Bank is working with governments to mobilize additional resources to make adjustment with growth a reality.

East Asia and Pacific

After a significant recovery in 1984, economic growth in the East Asia and Pacific region slowed considerably during 1985 and remained sluggish through the first half of 1986. A combination of factors contributed to this development. First, with few exceptions, commodity prices slumped after their brief improvement in 1984, damaging, in particular, the growth performance and prospects of those countries still heavily dependent on primary commodity exports (Indonesia, Malaysia, the Philippines, Thailand, Papua New Guinea, and the smaller islands of the Pacific).

Second, growth rates in the industrial countries declined, resulting in a lessened demand by them for manufactured imports. This was the case especially in the United States, the major importer of manufactured goods from the region. The Republic of Korea and Singapore, countries heavily dependent on exports of manufactured goods, were particularly affected by this development. Even Malaysia, the Philippines, and Thailand, which, in the recent past, had benefited from significant increases in exports of selected manufactured goods, saw production, as well as investment, in their industrial sector slump as a result of a substantial drop in demand. Protectionist tendencies in the industrial countries, while not worsening as dramatically as had seemed possible in early 1985, also contributed to the slowdown in manufactured exports from the region—not just because of actual restrictions imposed, but probably more because of the uncertainties they cast over the business climate. While the recent drop in oil prices is likely to provide a stimulus for economic growth in industrial countries, the effect on export demand from East Asia is likely to make itself felt only with some delay and will be moderated by continued weak commodity prices.

Finally, unanimous concern in the countries of the region about imbalances in their external and fiscal accounts, particularly in the face of continued high international indebtedness and real interest rates, led to a continuation of monetary and fiscal restraint, thus further limiting the scope for economic expansion.

Special factors also were at work in some countries.

China, after a year of exceptionally high growth in 1984, had to consolidate its gains and deal with some of the macroeconomic imbalances generated by rapid expansion, particularly a dramatic surge in imports and the related deterioration in its current-account balance.

The two major oil-exporting countries, Indonesia and Malaysia, had to adapt to the precipitous drop in international oil prices and the resulting pressures on their balance of payments and fiscal revenues. These pressures required significant cutbacks in domestic public and private spending at a time when their rates of growth were already low by historical standards.

The oil-importing countries, especially Korea, benefited from the oil-price reductions and saw their adjustment problems ease. In the Philippines, the only country in the region where problems of adjustment and debt restructuring have taken on crisis proportions in recent years, eco-

***Table 4-5.* East Asia and Pacific: 1984 Population and Per Capita GNP of Country Borrowers, Fiscal Years 1984-86**

Country borrowers, fiscal 1984-86	Population[a] (thousands)	Per capita GNP 1984[b] (US$)
China	1,029,156	310
Fiji	686	1,810
Indonesia	158,915	540
Korea, Republic of	40,127	2,110
Lao People's Democratic Republic	3,542	n.a.
Malaysia	15,270	1,980
Papua New Guinea	3,422	710
Philippines	53,380	660
Solomon Islands	259	n.a.
Thailand	50,023	860
Vanuatu	130	n.a.
Western Samoa	161	n.a.

NOTE: The 1984 estimates of GNP per capita presented above are from the "World Development Indicators" in the *World Development Report 1986.*

n.a. Not available.

a. Estimates for mid 1984.

b. *World Bank Atlas* methodology, 1982-84 base period.

nomic and political upheavals continued to take their toll, with negative economic growth prevailing in 1985 for a second consecutive year.

In this environment of tightening international and domestic economic conditions, the World Bank continued to provide assistance for structural-adjustment efforts—aimed at strengthening the capacity and incentives for agricultural, industrial, and trade development—that were combined with measures designed to increase domestic-resource mobilization and improve the efficiency of resource allocation, especially in the public sector. In addition, support continued for longer-term development of human resources and of infrastructure. However, as in the preceding year, Bank lending to many of the countries in the region remained constrained by fiscal austerity measures made necessary by the difficult economic environment. China was an exception, as efforts by the Bank to assist the government in the design and implementation of its extensive economic reforms resulted in an expansion of Bank commitments. A major economic report by the Bank, which assessed the developmental needs and opportunities of the Chinese economy for the remainder of the century and explored options for further implementation of the government's broad agenda of policy reform, was published early in fiscal 1986.[4]

Slowdown in Market Economies

The Philippines continued to focus on the implementation of a stabilization program designed to adjust the balance of payments and reduce inflation. Some success was achieved: The current-account deficit was reduced from 8 percent of gross national product (GNP) in 1983 to 1 percent in 1985, and the domestic inflation rate was reduced from 50 percent in 1984 to 6 percent. Major policy measures taken related to the control of monetary expansion and a reduction in government expenditures. At the same time, the exchange rate was allowed to float, restrictions of foreign-exchange allocations and limits on foreign-exchange holdings by private banks were eliminated, price controls on a number of basic commodities, including rice, were lifted, and the restrictions on some of the regulated imports were lifted as part of a program of trade liberalization.

While the stabilization effort was a success, economic activity was set back by a combination of high real interest rates, restricted availability of credit, and continuing uncertainty. The country's GNP declined by about 6 percent in 1984 and by 4 percent in 1985, implying a reduction by more than 15 percent in real per capita terms over the two-year span, while unemployment rose.

Some steps were taken in fiscal 1986 to address the country's fundamental structural problems. These included a simplification of manufacturer excise taxes and the introduction of a turnover tax at the wholesale and retail levels; reductions in the public-investment program to a more appropriate and manageable level; and substantial reforms in the institutional arrangements governing the sugar and coconut subsectors to eliminate unnecessary public-sector controls, improve incentives for production and reinvestment, and provide greater accountability in financial management. A comprehensive review of the public-corporate sector and government financial intermediaries was also begun with a view to identifying an appropriate policy program.

During the past year, the Bank increased its activities in aid coordination and continued its support of the country's stabilization and recovery program by shifting the focus of its lending program towards essential macroeconomic and sectoral-policy reforms, rehabilitation and maintenance of existing infrastructure, and increased local-cost financing for high-priority projects.

Thailand's rate of economic growth slowed from 6 percent in 1984 to about 4 percent in 1985, as its terms of trade worsened — the result of low international commodity prices and reduced incomes, especially in agriculture. The country's current-account deficit improved slightly, from 5 percent of gross domestic product (GDP) in 1984 to 3.8 percent in 1985. At the same time, the public-sector deficit widened to about 6.5 percent of GDP, despite a reduction in public investments and a slowing down in the growth rate of consumption. The widening gap between savings and investment was filled largely with external borrowings by the private sector.

Thailand's terms of trade are expected to improve in fiscal 1987 if oil prices remain low while other commodity prices remain at least stable. An improvement in the country's trade account is likely to be offset somewhat, however, by the expected reduction in remittances from Thai workers employed in the Middle East. Because persistence of fiscal constraints will require continued restraint in public investment over the coming years, private investments, financed by domestic savings, will have to be the primary source of revived growth. In view of the modest outlook for domestic demand in the coming years, the government has given high priority to promoting exports, especially of manufactures.

[4] The World Bank. *China: Long-Term Development Issues and Options.* Baltimore: The Johns Hopkins University Press, 1985.

After posting impressive growth rates in both 1983 and 1984, Korea was particularly affected in 1985 by the slowdown in the economies of the industrial countries, mainly the United States. The result was a sharp reduction in the growth of Korea's exports, from 13.5 percent in 1984 to 2.3 percent in 1985, and of GNP, from 8.4 percent to 5.0 percent. Korea was able to moderate the effects of these external events and maintain progress through flexible macroeconomic policies: The exchange rate was depreciated substantially and the money supply was permitted to grow above target, special tax and depreciation incentives were offered for fixed investment in export-related industries, and a supplementary budget was adopted.

As a result of these measures, both the rate of growth of exports and fixed investment turned up in the second half of 1985. Other indicators also showed improvement. The current-account deficit was further cut to around 1 percent of GNP, inflation was kept to under 3 percent, and the national savings rate rose to nearly 30 percent.

The principal uncertainty concerning Korea's macroeconomic performance in 1986 continues to be external. The recent appreciation of the industrial-country currencies against the U.S. dollar should boost Korea's exports to those markets, and scope for increasing some relatively new Korean exports, such as automobiles and electronic appliances, is large. Declining oil prices and interest rates will help the current account in Korea's balance of payments, both through their effects of stimulating world economic growth (and thus Korea's exports) and through a reduction of Korea's import and debt-service bill. However, if longer-term economic growth in the industrial countries proves at any time to be less than is currently expected, or if protectionism against Korean exports increases, the slower growth of 1985 could be repeated.

Oil Exporters Deal with Price Declines

Indonesia's economy continued to be buffeted by adverse external developments, most notably the softening, since 1983, of world oil markets. Indeed, net earnings from oil exports in 1985 were about one third lower than four years earlier; in addition, commodity prices for Indonesia's exports other than oil have fallen significantly over the past two years. Yet, the government has been able to achieve a viable balance-of-payments position, as its current-account deficit was reduced sharply—from 8.5 percent of GNP in 1982-83 to less than 3 percent of GNP in 1985-86. This reduction was achieved by encouraging the development of exports

***Table 4-6.* Lending to Borrowers in East Asia and Pacific, by Sector, Fiscal Years 1977-86**
(millions of US dollars)

Sector	Annual average 1977-81	1982	1983	1984	1985	1986
Agriculture and Rural Development	663.5	614.0	563.6	504.4	1,028.4	539.9
Development Finance Companies	238.8	30.0	534.5	175.0	224.0	106.5
Education	157.6	225.6	237.2	409.4	370.0	476.4
Energy						
Oil, Gas, and Coal	36.8	317.0	339.7	159.4	236.0	97.0
Power	329.7	271.3	609.6	425.4	167.0	535.5
Industry	25.6	207.4	5.5	—	147.0	—
Nonproject	43.6	400.0	477.8	300.0	—	—
Population, Health, and Nutrition	38.5	—	27.0	85.0	85.0	113.4
Small-scale Enterprises	35.2	132.0	70.0	204.6	163.1	64.5
Technical Assistance	2.0	—	—	10.0	—	20.0
Telecommunications	18.0	142.1	—	8.5	4.0	3.9
Transportation	247.4	286.0	588.2	792.0	420.6	970.8
Urban Development	92.4	8.0	167.0	149.8	80.5	425.0
Water Supply and Sewerage	82.6	90.0	88.5	78.5	175.0	212.3
Total	2,011.7	2,723.4	3,708.6	3,302.0	3,100.6	3,565.2
Of which: IBRD	1,843.8	2,641.4	3,549.0	2,873.0	2,654.3	3,101.8
IDA	167.9	82.0	159.6	429.0	446.3	463.4

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

Rehabilitating irrigation canals in West Java (Indonesia). More than a half million farm families will benefit from a project, approved in fiscal 1986, that seeks to strengthen irrigation services in Central Java and West Java provinces.

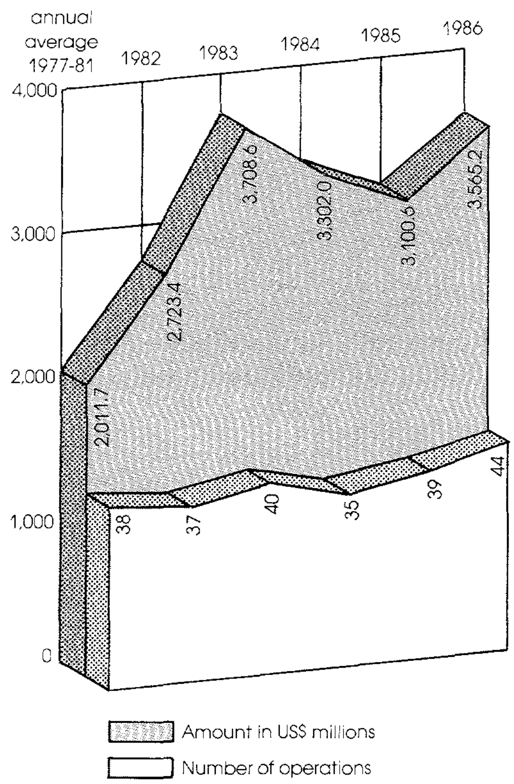
other than oil, primarily through the maintenance of a realistic exchange rate, and by reducing the level of imports through restrictive demand-management policies, included among which was a major rephasing, in mid 1983, of the government's public-investment program. The government has also been successful in reducing the domestic inflation rate to less than 5 percent a year.

Success in managing the balance of payments and domestic inflation has inevitably been achieved at some cost to investment and growth: The investment rate has steadily fallen over the past three years, and GDP growth, which averaged 8 percent a year during the 1970s, has fallen to less than 3 percent over the past four years.

The recent sharp decline in oil prices and uncertainty over their future course have underscored the appropriateness of the cautious management strategy adopted by the government. That strategy has permitted Indonesia now to be better positioned to undertake further stabilization and adjustment measures. External reserves (including those held by commercial banks) have risen to more than $10 billion, equivalent to nine months of imports. Although the public sector's use of export credits is now strictly controlled, the total debt-service ratio has risen in recent years, reaching 25 percent in 1985. The government is also legitimately concerned about the effects that a prolonged shortfall in oil revenues might have. Accordingly, an austere budget that cuts back total expenditures by 7 percent (and development expenditures by 22 percent) has been announced for fiscal year 1987. Expenditure priorities identified by the government include ongoing and externally funded projects, projects that serve objectives of equity and employment, and operations and maintenance expenditures. On the revenue side, recent tax reforms, including a new value-added tax introduced in Indonesia's 1986 fiscal year, are expected to have a positive impact on domestic-resource mobilization.

The economic performance of Malaysia fell below expectations, as GDP growth dropped to 2.8 percent in 1985, compared with 7.6 percent in the previous year and 6.7 percent for the four-year period, 1980–83. Reduced growth was mainly the result of slower growth in the indus-

Figure 4-3. Trends in Lending, Fiscal Years 1977—86



trial countries and a worsening of the international economic environment. Exports fell by 0.8 percent, the result, in part, of a sharp fall in the international price of palm oil, depressed rubber and petroleum prices, and the suspension of international tin trading toward the end of the year. Malaysia's export earnings were more than offset by a 7.2 percent decline in imports, as domestic demand was sluggish. As a consequence, the current-account deficit as a share of GNP fell from 5 percent in 1984 to about 3 percent in 1985, and Malaysia's borrowing requirements from abroad were, in turn, reduced significantly.

Prudent management of the domestic economy and the relatively slack pace of domestic economic activity contributed to low inflation and a stable exchange rate against the dollar. However, closures of, or cutbacks in, electronics and textile firms, the effect of declining tin exports on the prospects of hundreds of small tin mines, and the sharp slowdown in neighboring Singapore's construction sector have resulted in increased unemployment. Toward the end of 1985, the government announced a major, new low-cost housing scheme to increase employment opportunities over the next several years.

Policies to diversify further the economic base away from mining and tree crops and encourage new sources of future growth, particularly in manufacturing, are being pressed forward. The fifth five-year plan, introduced in April 1986, includes an emphasis on resource-based industrial development and export promotion. In preparing the ground for greater private-sector investment in the fifth plan period, the government partially liberalized the country's investment licensing laws and continued its policy of privatizing some sectors of the economy.

Continued Reforms in Nonmarket Economies

Chinese economic growth continued to be impressive. Real GDP rose by 12.5 percent in 1985; personal incomes also increased sharply, reflecting higher urban wages and rural incomes; the gross value of industrial output rose by about 18 percent, led by a major surge in industrial activity; and gross agricultural output value (including rural industries) increased by about 13 percent, slightly below the increase in 1984, but well above previous medium-term trends. Planted acreage and output of grain and cotton were reduced in 1985, mainly the result of lower procurement prices and a smaller volume of guaranteed procurement, measures instituted by the government in response to overproduction in the previous year.

Energy production also rose, as bottlenecks and constraints eased. Coal output increased by about 7.7 percent, while electricity supplies and crude-oil production rose by 8 percent and 8.9 percent, respectively. Although cargo-freight tonnage by rail increased by some 12.1 percent, this rise, to some extent, was offset by a more rapid growth of road and waterway transport.

However, considerable deterioration took place in the balance of payments. Stagnant exports and an increase in imports by more than half resulted in a current-account deficit of over $11 billion, a negative swing of $12 million as compared with 1984. The stagnation in exports may reflect a combination of weakening incentives for exporters, sluggish world demand for some products, and strong domestic demand. Tighter controls over imports were imposed in early 1985, but were not immediately effective. China's domestic currency also depreciated against the U.S. dollar, by about 14 percent in 1985.

Inflation increased notably in 1985, reflecting a governmental decision to free prices of certain goods such as meat and vegetables, as well as increased domestic demand resulting from urban wage increases, the continuing rise in rural incomes, and substantial credit expansion in late 1984. The index of retail prices rose by about 8.8 percent, compared with 3 percent in previous years. Tighter controls over credit and project approvals contained investment demand in the second half of 1985, and government revenues grew faster than expenditures, eliminating the small budget deficit of previous years.

China's economic reforms continued to make considerable progress. Rural reforms emphasize the growth and diversification of activities, both agricultural and nonagricultural, and the allocation of resources in agriculture now occurs largely through market mechanisms, with the government influencing supply and demand through procurement and pricing policies rather than physical quotas. Under the farm-procurement system introduced in 1985, procurement targets are set for grains, cotton, and a number of other products, and the government offers to contract for deliveries at a price expected to achieve the target. Individual farm households are free, in principle, to accept or reject the offer, which therefore, in effect, becomes a minimum price guarantee. Similarly, in urban reforms, an increasing proportion of industrial output is being allocated through market mechanisms, at flexible prices. Profit incentives have been strengthened and regularized for many state enterprises, and a large and growing collective sector in industry and services now fosters competition, as well as contributes to growth of output.

Progress has also been made in strengthening the central bank's role of regulating the banking system and implementing monetary policy, in substantially raising interest rates on loans and deposits, in shifting from grant to loan financing of investment projects, and in gradually liberalizing flows of capital and labor in the economy.

The most important short-term problems in China relate to demand management: Wages in state enterprises appear to be difficult to hold down; investment demand, also, is hard to restrain. For the longer term, reforms are needed in the areas of the social-security system, the allocation of labor and capital in the urban economy, and the remaining price distortions.

The economy of the Lao People's Democratic Republic grew by about 7 percent in 1985, largely the result of increased rice production, which, at about 1.4 million tons, was the self-sufficiency target that had been set for the 1981–85 five-year plan. Growth was also registered in the mining, manufacturing, and forestry sectors. A new system of public-enterprises management was introduced in 1985. This system included an almost fourfold increase in official retail prices (so as to eliminate consumer subsidies and improve the financial position of public enterprises) and greater autonomy to public enterprises in determining levels of investment, production, and employment.

A significant increase in inflation occurred during the year, however, and the current-account deficit rose by $10 million to $95 million. The rate of inflation jumped to more than 50 percent, the result of monetary expansion and adjustments to official prices and wages in the state sector. As in previous years, the trade deficit remained large, with export earnings amounting to only 29 percent of imports.

Exports Increase in Papua New Guinea

The economy of Papua New Guinea grew by over 6 percent during 1985, aided by a healthy export performance. Despite declining world prices for the country's mineral exports, higher prices for agricultural commodities, coupled with higher levels of production, increased the value of total merchandise exports by 20 percent. As a result, the current-account deficit as a percentage of GDP was narrowed somewhat to 13 percent, and foreign-exchange reserves stood at an equivalent of about six months of imports at the end of the year.

Prospects for world prices of Papua New Guinea's primary export commodities are less bouyant for the future, and the economy is projected to grow by only 3 percent in 1986. While little pressure on domestic prices or the country's international reserve position is expected, the budgetary and the current-account deficits are likely to remain substantial, and, for the longer term, unsustainable. The government is currently preparing a medium-term development plan that embodies a set of policies and strategies designed to restore budgetary and external balance and sustain positive future per capita GDP growth.

Islands Dependent on World Trade

Fiji experienced a decline in GDP of about 3 percent in 1985, the result of low sugar prices, declining tourist arrivals, and several severe cyclones that struck during early 1985. While this downturn in economic activity and the associated decline in imports reduced the current-account deficit to below 1 percent of GNP, it compounded the economic effects of several years of slow growth in the early 1980s, which had led to stagnant per capita incomes and a rising rate of unemployment. The economy's growth prospects for 1986 are brighter, as sugar production is likely to be higher than in 1985, sugar prices may recover slightly, and tourist arrivals are expected to increase moderately. In continuation of its external adjustment, Fiji is concentrating on expanding sugar production and tourism, while continuing efforts to diversify its export base, both in agriculture and in export-oriented industries. The smaller Pacific island countries—Solomon Islands, Tonga, Vanuatu, and Western Samoa—with their economic fortunes tied closely to the export of one commodity, copra, suffered a reversal of the rapid growth experienced in 1984, as copra prices declined to one third of their peak level. The medium-term outlook for these economies is uncertain, since vegetable-oil prices are not expected to recover until the late 1980s, and efforts at diversification have been slow to gain momentum.

South Asia

Although there were signs of a slowdown of economic growth in 1986, most South Asian countries have enjoyed annual growth rates in gross domestic product (GDP) of over 4 percent during the 1980s. During much of the past decade, in fact, the economic performance of South Asia has been notable, given the generally difficult world economic environment.

Among the more impressive accomplishments of South Asian countries has been their success in achieving sustained growth in agriculture, in particular, the production of basic foodstuffs. Countries such as India, Pakistan, and Sri Lanka have achieved virtual self-sufficiency in food grains, while Bangladesh has made such progress that the need for food-grain imports may no longer exist by the end of the decade. In Burma, also, major advances have been made in expanding production of paddy.

The slowdown in growth rates, which occurred in 1985 and continued into 1986, is partly the result of the slower growth in economic activity in the industrial countries and Middle Eastern oil exporters, and, in part, is also a reflection of difficulties in demand management by South Asian countries. Thus, serious fiscal and balance-of-payments strains have affected Bangladesh, Burma, Nepal, Pakistan, and Sri Lanka.

Along with the current problems of short-term stabilization, South Asian countries are also preoccupied with the need to promote rapidly the process of structural adjustment to achieve a more viable balance of payments. Attention is being directed, therefore, toward bringing about a sustained expansion of exports, and, in particular, exports of manufactures. The objective is being sought through trade-liberalization policies, policies to increase economic efficiency and competitiveness, and provision of incentives to the private sector. Governments also expect that these measures will provide increased employment opportunities in the industrial sector and help enhance their creditworthiness for external commercial borrowing (an important consideration at a time when concessional assistance from industrial countries has declined).

An additional focus of medium-term policy is to expand domestic-resource mobilization to finance the capital formation required to sustain development. This focus has led to an emphasis on raising public savings and has encompassed action both to increase revenues and restrain the growth of current expenditure. More attention has also been directed to improving the performance of state enterprises. This sector, which bulks large in South Asian economies, is characterized by widespread inefficiency and operating losses, with a resulting burden on central budgets.

The effects of these policy actions across a broad front should position the countries of South Asia to take advantage of the potential for a resumption in world economic growth that is associated with a declining inflationary environment and a reduced level of interest rates. Higher growth in the industrial countries is also likely to result in an easing of protectionist pressures and an expansion of imports from the developing countries.

Although the more pressing near-term problems of stabilization and structural adjustment have been emphasized, longer-term social issues are not being ignored. Most of the countries of

***Table 4-7.* South Asia: 1984 Population and Per Capita GNP of Country Borrowers, Fiscal Years 1984–86**

Country borrowers, fiscal 1984–86	Population[a] (thousands)	Per capita GNP 1984[b] (US$)
Bangladesh	98,057	130
Bhutan	1,213	n.a.
Burma	36,126	180
India	749,184	260
Nepal	16,112	160
Pakistan	92,361	380
Sri Lanka	15,851	360

NOTE: The 1984 estimates of GNP per capita presented above are from the "World Development Indicators" in the *World Development Report 1986.*
n.a. Not available.
a. Estimates for mid 1984.
b. *World Bank Atlas* methodology, 1982–84 base period.

the region have high population growth rates, which frustrate efforts to raise living standards and aggravate problems of urban congestion and unemployment. The lack of educated and skilled people retards development across all sectors, reducing the capacity to absorb investment and causing major bottlenecks in the development process. In addition to shortages of technical skills at all levels, weak managerial capacity affects development administration. Countries, therefore, are encouraging population planning, along with programs of maternal and child health care and nutrition. Increasing attention is being paid to the problem of widespread illiteracy and the need to expand and improve technical training at all levels for craftsmen, technicians, and engineers.

India: The Seventh Plan Begins

In light of the targets of India's seventh five-year plan (1986-90), which calls for average annual real growth of 5 percent, the pace of economic activity in fiscal 1985 was below the plan target: Growth in GDP was around 3.6 percent; early estimates for fiscal 1986,[5] however, indicate a likely growth rate of about 5 percent. Food-grain production in fiscal 1986, estimated at 150 million tons (an increase of around 2.5 percent over the previous year) was close to the record reached in fiscal 1984. Agricultural growth overall during the past year is estimated to be around the seventh plan target of 2.5 percent. It is likely that growth in manufacturing and the electricity, gas, and water sectors also reached the seventh plan targets of 5.5 percent and 8 percent, respectively. Inflation during the year, as measured by the wholesale price index, was 3.7 percent, in contrast with more than 7 percent in each of the preceding three years. Early estimates, suggesting that the growth in the dollar value of exports during fiscal 1986 was considerably less than the rate of growth of imports, are disappointing, as the seventh plan calls for distinctly faster rates of export growth than in previous years. This export performance reflects both increased competition in export markets, as well as the fact that it takes time for policies to affect noticeably the profitability of exports relative to domestic sales. The first year in the seventh plan also saw central government tax revenues increase by an estimated 22 percent over actual collections during the preceding year.

Last year's *Annual Report* noted that preliminary reviews of India's economic performance under the sixth five-year plan suggested that

[5] References in these paragraphs are to the Indian fiscal year: April 1-March 31.

***Table 4-8.* Lending to Borrowers in South Asia, by Sector, Fiscal Years 1977-86**
(millions of US dollars)

Sector	Annual average 1977-81	1982	1983	1984	1985	1986
Agriculture and Rural Development	781.8	813.3	944.9	967.2	1,107.4	1,311.6
Development Finance Companies	66.4	180.0	—	100.0	—	490.0
Education	24.1	14.3	19.8	48.8	138.9	55.2
Energy						
Oil, Gas, and Coal	133.0	209.2	478.3	498.0	591.0	—
Power	307.5	1,295.2	577.1	854.6	926.0	710.0
Industry	166.8	183.5	—	278.3	309.0	502.2
Nonproject	83.0	240.0	110.0	170.0	30.0	200.0
Population, Health, and Nutrition	22.0	—	18.0	70.0	—	129.0
Small-scale Enterprises	21.6	36.5	—	75.0	7.5	10.0
Technical Assistance	6.4	7.0	6.0	35.0	—	—
Telecommunications	118.7	40.0	35.0	—	22.0	—
Transportation	97.0	80.0	506.0	530.7	289.3	—
Urban Development	46.8	25.0	187.1	—	138.0	145.0
Water Supply and Sewerage	96.4	—	97.0	73.0	—	78.0
Total	1,971.6	3,124.0	2,979.2	3,700.6	3,559.1	3,631.0
Of which: IBRD	315.8	1,446.0	1,163.1	1,865.0	2,169.0	2,216.2
IDA	1,655.8	1,678.0	1,816.1	1,835.6	1,390.1	1,414.8

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

Gathering water from a tap in Kathmandu, Nepal.

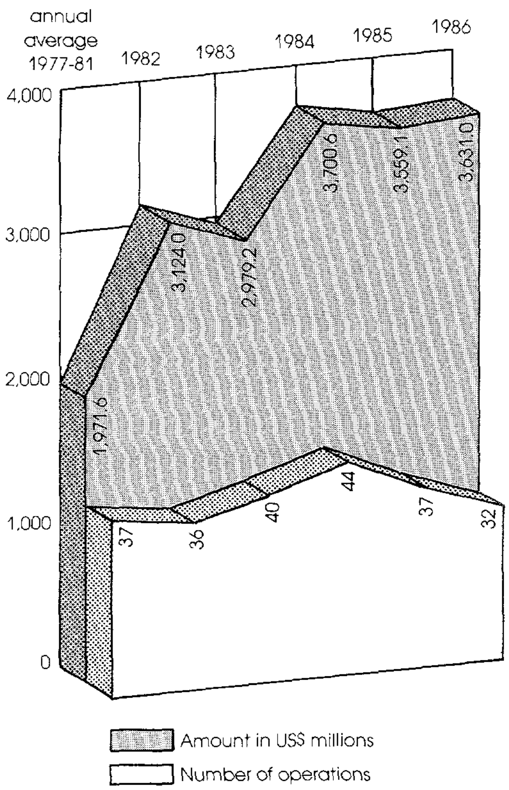
most plan targets had been achieved. The suggestion has been confirmed, and India's performance is a tribute to the quality of its economic management in adjusting to a variety of challenges while keeping external borrowing and inflationary pressures in check.

Nevertheless, there were several less satisfactory aspects to economic performance under the sixth plan. In particular, the national savings rate fell during the period, resulting in a slower rate of investment growth than had been planned; the savings shortfall was especially evident in the public sector. A second major disappointment was a far lower-than-expected rate of growth of real manufacturing value added.

Building on the experience of the previous plan, the seventh plan targets annual GDP growth at 5 percent, places more emphasis on the efficient use of capital and other resources than on accelerated growth of investment, and underscores the importance of a high rate of export growth. However, this approach, which aims to provide the government with an opportunity to deal more effectively with the twin challenges of alleviating pervasive poverty and creating employment for a labor force expected to grow at 2.3 percent a year, depends critically on a continued and substantial net transfer of capital.

In pursuance of the objectives of the seventh plan, a number of policy initiatives and reforms have been set in motion to modernize industry, upgrade technology, and replace monopoly markets with competitive ones in order to generate higher rates of growth and employment. A significant development has been the announcement of a long-term fiscal policy that aims at providing a stable economic environment under which uncertainties can be reduced and the foundations of economic growth can be set firmly into place. A relatively liberal import regime has been continued (despite a large trade

Figure 4-4. Trends in Lending, Fiscal Years 1977—86



deficit), and consideration is being given to a shift away from quantitative controls on imports towards a greater reliance on tariffs. Measures to provide greater incentives to exports are also being studied.

Bangladesh and Pakistan: Improving over 1985

Notwithstanding its severe structural constraints and disruptions caused by natural disasters, the Bangladesh economy continued its relatively good pace of economic performance achieved during the second five-year plan period, fiscal 1981-85.[6] A major factor in this sustained economic expansion—GDP in fiscal 1986 may have increased by about 5 percent—has been the government's steadily improving ability to deal with short-term economic financial problems, as well as with the basic development challenges in the agricultural, industrial, and export sectors.

Recent expansion in output has been broadly based, with food-grain production growing faster than population, industrial output rebounding strongly after stagnating in the early 1980s, and growth in nontraditional exports amounting to an average 20 percent a year in real terms during fiscal 1981-85, and accelerating toward the end of the period. In addition, supplies of domestic commercial energy, and especially natural gas, have increased steadily, permitting sustained growth in power and fertilizer production, along with significant progress in import substitution of petroleum products.

Policy initiatives place increasing emphasis on the role of the private sector and on improvement in the efficiency of the public sector. In agriculture, for instance, increasing incentives have been provided to the private sector through increased producer prices and outlays for agricultural development; heightened efficiency is being sought, in part, through elimination or reduction in subsidies. Policy changes in industry, too, seek an enhanced role for the private sector through a substantial disinvestment of public enterprises and liberalization of imports and of investment controls. Export development has been encouraged by the adoption of more effective exchange-rate policies and a variety of export incentives.

The government's third five-year plan objective—a rate of economic growth of 5.4 percent annually over the period fiscal 1986-90—is essential for a gradual improvement in the population's low standard of living; at the same time, the realization of that objective is a difficult challenge. Its achievement will depend on adequate growth in imports, the sustenance of a high rate of agricultural growth, continued expansion of investment, increased mobilization of domestic financial resources, and substantial improvement in the ability of the government to implement development projects.

The steady improvement in economic performance that has marked the Pakistan economy since the late 1970s was interrupted in fiscal 1984,[7] as agricultural production and workers' remittances declined and inflationary pressures continued. Though economic performance did improve in fiscal 1985, the year was marked by serious budgetary and balance-of-payments difficulties. The former, which included expenditures for subsidies, Afghan refugees, and defense, was compounded by problems associated with an inelastic tax structure. The balance-of-payments position, however, was weakened as a result of declines in both merchandise exports

[6] References in these paragraphs are to the Bangladesh fiscal year: July 1-June 30.

[7] Reference to fiscal years in these paragraphs are to the Pakistani fiscal year: July 1-June 30.

and in remittances. These problems have persisted into fiscal 1986, and the mobilization of additional resources and expenditure restraint constitute major challenges for the government. Following the recovery of GDP in fiscal 1985 from the depressed levels of the previous year, overall economic growth in fiscal 1986 is likely to approach 7 percent.

In order to effect needed structural adjustment of its economy and correct supply weaknesses, the government has recently modified several important policies in the major sectors. In agriculture, for instance, a number of support services, including those for extension, have been strengthened; provision of agricultural inputs has been emphasized, and coordination among federal and provincial authorities has been improved. Better industrial performance reflects the effect of recent government policies, although protection for the domestic market continues to be considerable, thus impeding the export of manufactures. The government recognizes that the private sector needs adequate incentives and that the public sector must become more productive. To enhance public-sector productivity, a variety of actions, aiming at reducing protection in highly protected industries, deregulation, and improved efficiency, are being implemented.

The government is conscious of the need to increase investment in long-neglected physical and social infrastructure. Neglect has led to power shortages, deterioration in the irrigation network, and widespread failures in the road system. Lack of investment in social sectors is reflected in social indicators that lag behind those of other countries at comparable levels of development. The sixth plan places special emphasis on these problems and on the need for progress in domestic-resource mobilization to finance needed higher public-investment levels.

Sri Lanka and Nepal: Trying to Boost Exports

The past two years appear to have been marked by a gradual slowing in the impressive performance of the Sri Lankan economy. Between 1977 and 1984, real GDP grew at an annual rate of close to 6 percent. This rapid growth, stimulated by major policy changes that were part of the broad program launched in 1977–78 to decontrol the economy, liberalize trade, and place greater reliance on market forces, was accompanied by an expansion in paddy output that brought the country close to food-grain self-sufficiency. An ambitious public-investment program, highlighted by the major works associated with the Mahaweli irrigation and power-development scheme, helped to create the basis for sustaining the country's long-term growth. An important, temporary stimulus to the liberalization process and its associated expansion of output, employment, and investment was the dramatic rise in the world price of tea that began in 1983 and persisted into 1984 before declining sharply in 1985. The hike in tea prices enabled the country to sustain the high level of economic activity of previous years—despite the emergence of a number of economic strains. With the recent downturn in tea prices, the effect of these strains has become increasingly evident in major sectors of the economy, in particular, the export sector. These problems have been aggravated by continuing ethnic tensions that have negatively affected earnings from tourism.

In the medium and longer run, there is hope for a resumption of the strong economic growth enjoyed in the 1977–84 period. A number of important policy reforms have been initiated. These include progress towards providing necessary incentives to the manufacturing and export sectors; some reduction in protection; and the adoption of measures aimed at reviving the country's all-important tree-crop sector. Measures adopted include changes in tree-crop taxation, provision of stabilization funds for tea and rubber, and the introduction of a multiyear program of investment and management improvements designed to increase the productivity and efficiency of the tree-crop sector. The government, concerned also with the inadequacy of industrial incentives, has begun to take action to reform the country's industrial-policy framework and to initiate reforms in the large and generally inefficient public-enterprise sector.

Sustained economic growth remains elusive to Nepal, one of the poorest countries in the world. In the three-year period, fiscal 1983–85,[8] growth was barely 3 percent a year, and, in the last year of that period, agricultural growth, and thus overall GDP growth, slowed to less than 3 percent. In large measure, this flat economic performance reflects continued stagnation in the agricultural sector, which dominates the economy.

Nepal's development difficulties rest, in part, on its unfavorable natural endowment, which includes a poor terrain, landlocked position, and weak resource base. These physical and natural difficulties have been compounded by weaknesses in both public administration and economic management. Increased attention is now being paid to the need to correct the system of production incentives and increase the country's capacity for economic management. Several

[8] References to fiscal years in these paragraphs are to the Nepalese fiscal year, July 16–July 15.

policy measures, designed to stabilize the economy in the short term, have been adopted recently: These include a broad range of fiscal, monetary, and balance-of-payments policies, along with reforms aimed at rationalizing and liberalizing the trade and exchange system. Attention is also being devoted to defining issues and appropriate policies in agriculture, industry, transport, and population planning, as well as in the export sector.

Reducing Expenditures in Burma

The high rate of economic growth experienced by Burma during the early 1980s was maintained during fiscal 1985,[9] as the economy grew by over 6 percent. A major factor in this sustained expansion has been the Whole Township Program (WTP), launched in fiscal 1978 with the aim of increasing paddy production. This highly successful Burmese version of the green revolution resulted in a 50 percent expansion of paddy output between fiscal years 1978 and 1985. Success of the WTP has necessitated the expansion of modern storage and milling facilities in order to upgrade the quality of milled rice so as to be competitive with other exporting countries. The government continues to apply the experience gained from intensification of the high-yielding variety programs in paddy to other crops with a view to increasing nonrice export earnings, as the world market price of rice has not improved since its decline in 1982.

Notwithstanding Burma's strong economic performance, serious financial imbalances, which were somewhat masked in the early 1980s as a result of strong rice prices, have become evident. They include large public-sector deficits, rapid increases in domestic credit and the rate of inflation, and a major increase in the external current-account deficit along with a large debt-service ratio. To redress this situation, economic policy has concentrated on reducing capital expenditures and imports, which will have an impact on the near-term and medium-term rate of economic growth. The government will also have to exert special caution in its management of the balance of payments to avoid adding to the burden of its external debt.

[9] References to fiscal years in these paragraphs are to the Burmese fiscal year, April 1-March 31.

Europe, Middle East, and North Africa

For most countries in the Europe, Middle East, and North Africa region, 1985 was a disappointing year. Adjustment efforts continued apace, and some progress was achieved in reducing balance-of-payments deficits; nevertheless, the hopes ushered in by the beginnings of economic recovery in the United States in 1984 were not completely fulfilled, as a slowdown in industrial-country growth as a whole in 1985 reduced the external stimulus that could have benefited the economies of the region. For the major borrowers of the region as a group,[10] growth in output averaged 3.2 percent, the same as in 1984. Algeria, Morocco, and Portugal experienced higher growth in gross domestic product (GDP) than in 1984. For the first two, growth was largely the result of favorable weather and recovery in their agricultural sectors; Portugal's growth was fueled by increased external demand. Hungary and Yugoslavia, however, experienced sharp declines in growth rates.

Table 4-9. Europe, Middle East, and North Africa: 1984 Population and Per Capita GNP of Country Borrowers, Fiscal Years 1984–86

Country borrowers, fiscal 1984–86	Population[a] (thousands)	Per capita GNP 1984[b] (US$)
Algeria	21,187	2,410
Cyprus	654	3,650
Egypt, Arab Republic of	45,933	720
Hungary	10,668	2,100
Jordan	3,385	1,570[c]
Morocco	21,390	670
Oman	1,138	6,490
Portugal	10,164	1,970
Syrian Arab Republic	10,094	1,620
Tunisia	6,981	1,270
Turkey	48,371	1,160
Yemen Arab Republic	7,764	550
Yemen, People's Democratic Republic of	2,035	550
Yugoslavia	22,963	2,120

NOTE: The 1984 estimates of GNP per capita presented above are from the "World Development Indicators" in the *World Development Report 1986*.
n.a. Not available.
a. Estimates for mid 1984.
b. *World Bank Atlas* methodology, 1982–84 base period.
c. East Bank only.

The oil-price declines of late 1985 and early 1986 have had, and are expected to have, major effects on the economies in the region. In three countries—Algeria, the Arab Republic of Egypt, and Tunisia—oil exports account for between 40 percent and 95 percent of merchandise exports. With prices declining by more than half, direct losses in export earnings have been, and are anticipated to be, high. On the other hand, in the oil-importing countries—Hungary, Jordan, Morocco, Portugal, Turkey, the Yemen Arab Republic, the People's Democratic Republic of Yemen, and Yugoslavia—oil imports account for between 20 percent to 40 percent of merchandise imports; price declines, therefore, ease balance-of-payments pressures. The net impact on oil importers is mixed, however, because of their close links with the high-income oil exporters: The latter group supplies oil and markets for products of the former, is host to migrant workers, and, in the past decade, has provided considerable amounts of concessional assistance. Already in 1985, with a considerable scaling down of public-investment activity taking place in these countries, several oil-importing countries have experienced reductions both in workers' remittances and in the volume of bilateral grants.

The recent decline in oil prices has intensified pressures on oil exporters to adopt adjustment programs; Tunisia made the most progress in this regard during the past year. The oil importers, which had already adopted adjustment programs (notably Hungary, Morocco, Turkey, and Yugoslavia) continued their adjustment efforts. As in previous years, the focus of their expenditure restraint continued to be on investment, which fell, on the average, for the third year in a row. For the first time since 1979, investment in the oil-exporting countries also fell, by 2.1 percent. The cumulative effects of these cuts in investment programs have meant that the

[10] Algeria, the Arab Republic of Egypt, Hungary, Morocco, Portugal, Tunisia, Turkey, and Yugoslavia.

region's major borrowers, as a group, have not increased investment levels since 1980.

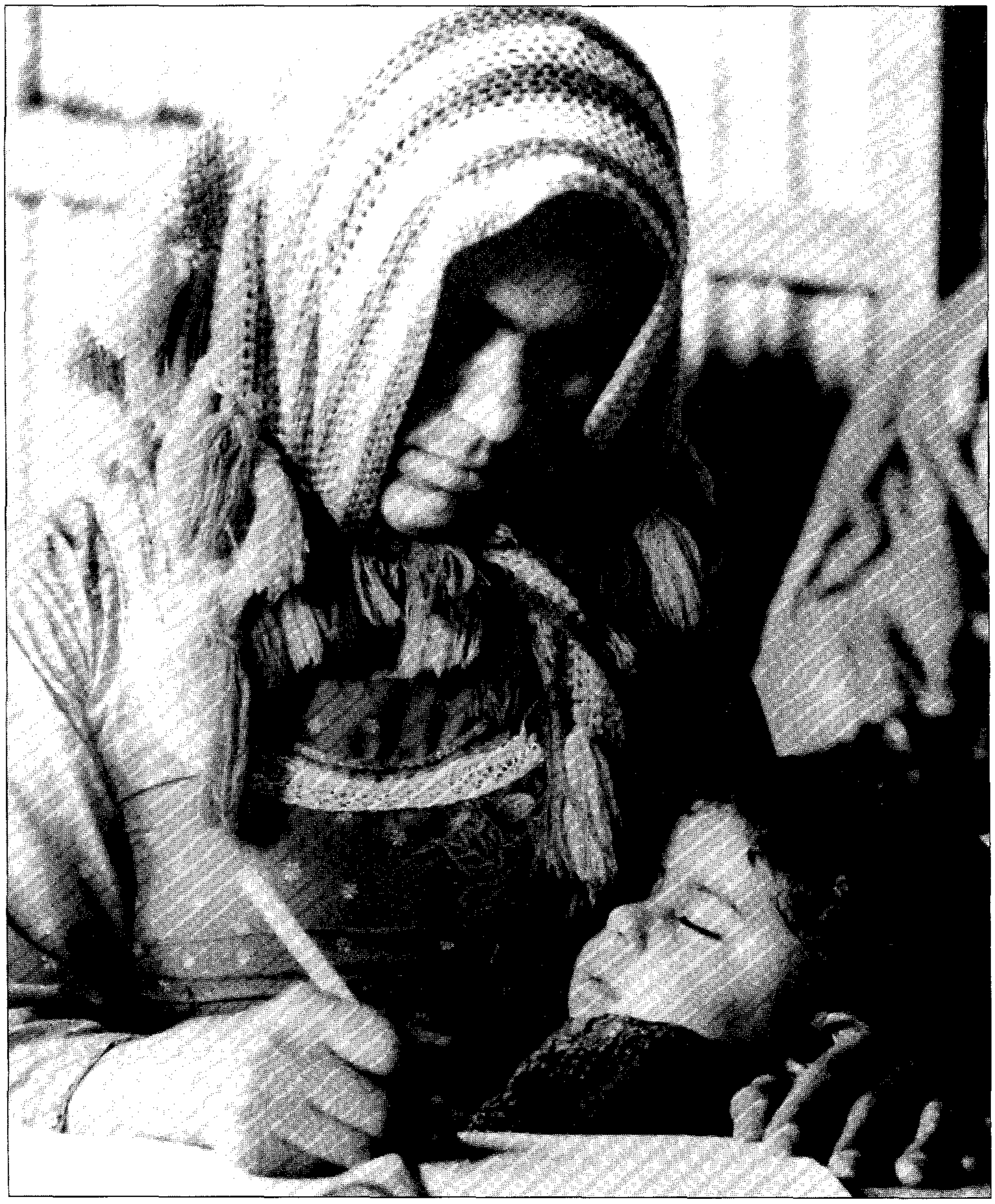
The restraint on investment expenditures also contributed to a substantial deceleration in the growth of imports; imports by major borrowers increased by less than 1 percent in 1985, compared with nearly 5 percent the previous year. Exports of goods and nonfactor services, by contrast, grew rapidly in volume terms—by almost 7 percent, despite the slowdown in world trade. This performance, which came on the heels of export growth of 11 percent in volume terms in 1984, indicates that adjustment programs are taking hold and are having an effect. Since 1980, for instance, as a result of efforts of the major borrowers to reduce their external-finance requirements, exports have increased by about 60 percent in volume, while imports have increased by much less, by about 10 percent in volume. As a result of this underlying real performance, balance-of-payments deficits, on the average, have been cut in half; in 1984–85, current-account deficits averaged 1.9 percent of GDP for the region's major borrowers, compared with 3.9 percent in 1979–82. In this regard, calendar year 1985 witnessed a modest decline in balance-of-payments deficits from 1984 levels.

Debt burdens, however, did not ease. All countries increased their total external indebtedness (except Romania and Yugoslavia), and debt-service ratios increased for all except Morocco, where debt-service payments were contained through debt rescheduling. For the major borrowers, debt-service ratios now range from 35 percent to 45 percent for Algeria, Egypt, and Hungary to about 20 percent for Tunisia. The tenacity of the debt problem is to be traced to several factors, many of them external. First, export prices in dollar terms for countries of the region, as for developing countries elsewhere, have been falling in the past four years, partly as a result of falling real commodity prices, but also, the result of an appreciation, through 1985, of the United States dollar. As a result, debt-service ratios have tended to worsen, and servicing of dollar-denominated debt (about 75 percent of all debt) has become more difficult. Second, with variable-interest debt accounting for over half of total debt, interest charges on debt have been high. Although nominal interest rates eased somewhat in 1985, they remained high by historical standards. More important, however, the general disinflation in export prices has meant a continuation of extraordinarily high real interest rates.

***Table 4-10.* Lending to Borrowers in Europe, Middle East, and North Africa, by Sector, Fiscal Years 1977–86**
(millions of US dollars)

Sector	Annual average 1977–81	1982	1983	1984	1985	1986
Agriculture and Rural Development	583.8	490.1	740.0	474.1	821.0	536.2
Development Finance Companies	225.2	356.0	56.3	575.0	87.1	515.0
Education	137.2	93.0	93.8	142.7	104.1	172.9
Energy						
Oil, Gas, and Coal	71.1	193.5	130.4	103.0	166.7	—
Power	200.6	42.5	318.6	308.7	267.0	505.2
Industry	209.3	134.1	291.1	206.1	177.6	125.0
Nonproject	169.0	304.5	575.8	376.0	—	—
Population, Health, and Nutrition	8.5	—	18.1	—	41.9	—
Small-scale Enterprises	24.0	70.0	—	—	50.0	100.0
Technical Assistance	1.7	—	4.5	—	4.7	12.0
Telecommunications	15.0	64.0	—	128.0	23.0	—
Tourism	11.7	—	—	—	—	—
Transportation	327.3	397.8	116.0	309.4	356.9	193.5
Urban Development	21.6	74.0	85.0	75.0	37.2	25.0
Water Supply and Sewerage	122.8	159.6	106.0	427.8	292.0	120.0
Total	2,128.8	2,379.1	2,535.6	3,125.8	2,429.2	2,304.8
Of which: IBRD	1,912.7	2,317.6	2,464.5	3,052.4	2,387.1	2,258.4
IDA	216.1	61.5	71.1	73.4	42.1	46.4

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



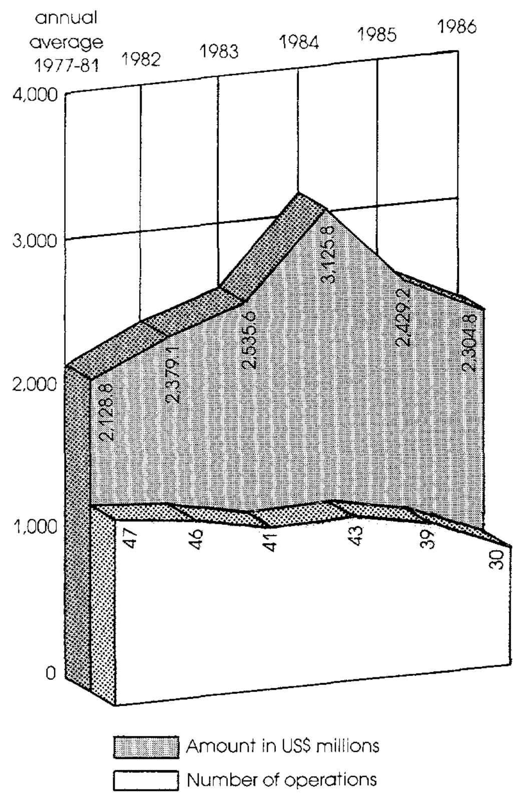
A scene from an adult literacy class in the Yemen Arab Republic.

Some of these factors are now being reversed. In 1985, the dollar began to depreciate, and interest rates fell; these factors, in combination, should act to reduce debt-service burdens. If declining oil prices provide a substantial boost to industrial-country growth, especially in Europe, the level of exports from countries of the region may be enhanced. At the same time, debt burdens are so onerous that the pressure for continuing adjustment is unlikely to ease.

For Middle-income Oil Importers, a Mixed Year

Turkey was one of the first countries to undertake a serious adjustment program in response to a deep economic crisis. Painful as the adjust-

Figure 4-5. Trends in Lending, Fiscal Years 1977—86



ments contained in the 1980 program were, they have begun to pay handsome dividends, as the economy now appears to be more resilient to fluctuations in external conditions. Although the pace of activity slowed down modestly in 1985 (from about 6 percent growth in 1984 to a rate of about 5 percent in 1985), it was still far higher than the regional average. Turkey's export performance continued to be excellent, as exports grew by 12 percent in volume in 1985. Export growth—mainly to Middle Eastern and some EEC markets—was accompanied by restraint in import growth, and the economy experienced a dramatic halving of its current-account deficit, to 1.5 percent of GDP. The growth in exports also lightened Turkey's growing debt-service burden, notwithstanding large payments on rescheduled debt that became due. Some progress was also made on inflation, which decelerated to 43 percent for the year; even so, inflation remains the economy's most serious problem. The softening of international oil prices is likely to have an important and favorable effect on Turkey, although the country will need to expand its export markets outside the high-income, oil-producing economies.

Turkey remains the region's largest borrower from the World Bank, with $1,057 million in loan commitments from the IBRD in fiscal 1986; the Bank continued its support of Turkey's economic-reform process through lending for policy adjustment, including a $300 million loan to support restructuring of the financial sector.

Hungary, by contrast, experienced a particularly difficult year in 1985, primarily the result of an unusually cold winter, which disrupted industrial and agricultural production, and GDP declined by 0.5 percent. In addition, the country adopted a more cautious pace of implementation of domestic economic reforms. Partly as a result of weak demand for certain Hungarian exports in West European markets, and also because of a diversion of exports to "ruble" areas, export volumes to convertible-currency areas actually fell. A substantial "convertible-currency" current-account deficit (−2.3 percent of GDP), however, was more than adequately covered by borrowing, as the country added to its foreign-exchange reserves. In doing so, however, a substantial increase in total external indebtedness took place.

Hungary's prospects for economic growth remain constrained by the need to devote a substantial proportion of convertible-currency earnings to service debt. Moreover, the economy is likely to gain only modestly from the decline in oil prices, as it is tied to long-term price contracts under the Bucharest formula.[11] Thus, even moderate growth in GDP is contingent upon a sustained revival in convertible-currency exports, which, in turn, presupposes that Hungary's effort to accelerate its reform program and related adjustment policies will succeed.

Yugoslavia adopted an adjustment program in 1983; since then, its focus, aimed at improving external balance and, internally, at making the economy more responsive to market forces, has not changed. On the first count, the program has been successful. Export volumes to convertible-currency areas have increased significantly, and the economy has run current-account surpluses for three years. The adjustment effort has meant, however, that GDP growth and investment have had to be lowered substantially. GDP growth in 1985 was only 0.5 percent, while fixed investment declined by 5.5 percent. The second aspect of adjustment, reform of the

[11] The Bucharest formula is an agreement under which the Soviet Union supplies oil and gas to signatory countries at a price that is an average of international prices in the previous five years.

incentive structure of the economy, has proved more elusive and difficult to accomplish. Nonetheless, important legislation, reforming, in particular, the banking system, the foreign-exchange allocation system, and foreign-credit regulations, was adopted in late 1985 and is now being implemented. Reflecting the continuing impact of stabilization efforts on new investment and the initial effects of new laws imposing financial discipline and strict controls on foreign borrowing, Bank lending to the country declined considerably in fiscal 1986. The outlook for fiscal 1987, however, is for further improvement in the external account as a result of a reduced energy-import bill and increased exports to convertible-currency areas; lending, as a result, could return to more normal levels.

Viewed over the long term, Portugal's adjustment efforts have met with some success, particularly in the area of exports; these have increased by almost 15 percent a year in real terms over the last three years. In 1985, led by continuing good export performance, Portugal's economy recovered from two years of declines; GDP grew by 3.5 percent, compared with an average −0.9 percent in 1983 and 1984. The country's entry into the European Communities on January 1, 1986, as well as the establishment of a more stable political environment, afford new opportunities for the country to meet its domestic economic challenges, including large public-sector deficits.

Since 1983, Morocco has undertaken a program of economic reform, one supported by two successive Stand-by Arrangements with the International Monetary Fund (IMF) and by IBRD sectoral-adjustment lending. Progress has been mixed; the country continues to experience difficulties in servicing its debt and, in both 1985 and 1986, it had to reach a number of rescheduling agreements with creditors. Public finance remains the most troublesome area of economic policy, as expenditure reduction has been marked by rigidities. Growth in GDP accelerated slightly in 1985 (to 4.2 percent), the result of a recovery in agriculture following ample rainfall in the 1985 crop year. The country's export performance continues to be dominated by the fortunes of phosphates (prices, in current dollars, are half the level of 1975), but the more active export-promotion and exchange-rate policies adopted under the adjustment program already show a trend towards export diversification and strong growth in nontraditional exports and receipts from tourism. As a result, export growth quickened to over 5 percent in 1985, and the balance-of-payments deficit was reduced from 12 percent (before debt relief) of GDP in 1984 to 8 percent. The IBRD continued to support Morocco's adjustment efforts as lending increased during fiscal 1986 over the previous year's total. An increasing proportion of IBRD lending to Morocco has been in support of policy reforms; in the past two years, support has been given for sectoral reform in agriculture, industry, and education.

Jordan has been particularly affected by the slowdown in economic activity in neighboring high-income, petroleum-exporting countries. Economic performance remained weak in 1985; growth was about 3.5 percent (compared with over 6 percent a year in the 1980–84 period), the current-account deficit remained a high 6 percent of GDP, and public-sector finances worsened. This performance can be attributed, first, to a 50 percent decline in foreign aid from neighboring oil-producing countries, which triggered a reduction in public investment; second, to a stagnation in workers' remittances; and, finally, to a sharp decline in the export of manufactured goods to neighboring countries. The reduced foreign-exchange inflow was absorbed, in part, by reduced imports, which fell in tune with cuts in investment. The country's low external indebtedness, however, allows it latitude to make economic adjustments without seriously disrupting growth.

Middle-income Oil Exporters: Beginning to Adjust

Since the early 1980s, the Syrian Arab Republic has experienced a difficult balance-of-payments situation as a result of declining net oil exports (oil imports now balance oil exports in value) and difficulties in controlling its budget deficit. In addition, more recently, declines have taken place in workers' remittances and in the volume of concessional assistance Syria receives. Estimates for 1985 show no GDP growth, as investment and industrial production stagnated and production of oil remained flat. As noted in last year's *Annual Report,* the country needs to formulate and adopt a program for dealing with its structural difficulties.

Algeria is taking measures to move toward a more diversified export base and decrease the percentage of its total foreign-exchange revenues originating from hydrocarbon exports. After a period of highly expansionary investment policies in the 1970s, restrictive demand policies have been followed in the past few years. As a result, the country has been able to negotiate successfully the tightening in the external environment, in particular, in the oil markets, since 1982. Performance in 1985 was good; the country achieved the highest rate of growth in the region (6.7 percent). Despite the fall in oil prices, it was able to contain its current-account deficit to less than 0.5 percent in GDP, in part, because it continued the import compression of the past few years. Algeria is one of the few countries in the region that has been able to reduce its outstanding external liabilities (by over $3 billion between 1982–84). Its debt-service performance has not improved, however, as its export earnings have stagnated since 1980 and grace periods on existing debt have begun to expire. The country is now better positioned than in the recent past to weather the decline in oil prices; it is already undertaking a set of adjustment measures.

The Egyptian economy passed through a difficult period in both 1985 and the first half of 1986. The external environment for the country deteriorated sharply with the fall in oil prices and declines in workers' remittances, Suez Canal receipts, and tourism earnings. As a result, the balance-of-payments deteriorated further, and the rate of growth of output slowed to less than 5 percent. Scheduled debt-service payments rose to about 35 percent of current-account receipts. The government has adopted measures to confront these difficulties by raising energy prices and realigning the exchange rate. The World Bank, through its economic work, is supporting the government's efforts to devise an adjustment program. While this dialogue is continuing, impending macroeconomic and sector-policy reforms, as well as the government's review of its investment priorities and external borrowing program, have slowed down Bank lending.

Although economic recovery slowed in Tunisia in 1985, the economy still grew by over 4 percent, largely the result of an exceptionally good agricultural crop. With falling oil revenues, however, the balance-of-payments deficit and the debt-service ratio remained at high levels. The government, seriously committed to an adjustment program, undertook several measures in 1985 to deal with the country's economic difficulties; these included restrictive wage policies, a deceleration in the growth of public expenditures, and improvements in export performance. In order to tackle further its immediate balance-of-payments problems, as well as the longer-term issues of growth and employment (as Tunisia moves towards becoming a net oil importer), the government is undertaking further measures to restructure the economy. It is expected that as the set of programmed reforms is implemented, the economy will witness steady growth with manageable deficits.

High-income, Oil-exporting Countries: Cutting Back

The continuing weakening in the oil markets during 1985 and the dramatic decline in early 1986 further affected the development efforts of the high-income, oil-exporting countries (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates) by forcing them into significantly retrenching their public expenditures. This retrenchment, in turn, seriously affected the level of economic activities in the private sector—notably in construction and services. The retrenchment in public expenditures, which forced many foreign workers to leave, was not solely the result of declining oil revenues; the completion, by the early 1980s, of most of these countries' ambitious infrastructure programs was also a factor. A reduced spending capacity has also helped to delay or cancel major projects of questionable value.

Declining oil revenues are likely, also, to affect levels of Arab/OPEC assistance. If donor countries continue to be adversely affected by stagnant or declining oil revenues, total aid, especially bilateral aid, may decline further from current levels. The aid flows managed by Arab/OPEC development funds, by contrast, are not expected to decline markedly, as these funds are well capitalized.

The economic downturn resulting from the fall in oil revenues has had some positive effects on the economies of these high-income countries. First, because of reduced overall demand, project execution costs and operational costs have declined substantially. Second, labor costs have also declined, and, in particular, the gap between the wages of nationals and expatriates has narrowed, thus contributing to a more rapid absorption of nationals into the productive sectors. Third, the depressed market conditions have forced governments and the private sector to rationalize investment programs and to introduce greater efficiency in various operations. Both private and public entities are far more cost conscious today than in years past.

Latin America and the Caribbean

During the past year, the economies of Latin American and Caribbean countries continued to be constrained by the adverse global economic situation. For the region as a whole, gross domestic product (GDP) grew by 2.7 percent in 1985, as compared with 3.2 percent in 1984. Only in Brazil, which registered an increase in GDP estimated at 8 percent, was growth significant. In all other countries, GDP either grew modestly or declined. Excluding Brazil, GDP grew by less than 1 percent overall, thus continuing the erosion of per capita GDP, which fell by 2.1 percent. Since 1980, in fact, per capita GDP levels for the region as a whole have fallen by 9 percent (or over 12 percent, excluding Brazil).

***Table 4-11.* Latin America and the Caribbean: 1984 Population and Per Capita GNP of Country Borrowers, Fiscal Years 1984–86**

Country borrowers, fiscal 1984–86	Population[a] (thousands)	Per capita GNP 1984[b] (US$)
Argentina	30,097	2,230
Barbados	253	4,370
Bolivia	6,211	540
Brazil	132,580	1,720
Chile	11,807	1,700
Colombia	28,418	1,390
Costa Rica	2,527	1,190
Dominican Republic	6,114	970
Ecuador	9,115	1,150
Grenada	94	860
Guatemala	7,744	1,160
Guyana	785	590
Haiti	5,361	320
Honduras	4,222	700
Jamaica	2,196	1,150
Mexico	76,837	2,040
Panama	2,133	1,980
Paraguay	3,302	1,240
Peru	18,228	1,000
St. Vincent and the Grenadines	117	840
Uruguay	2,985	1,980

NOTE: The 1984 estimates of GNP per capita presented above are from the "World Development Indicators" in the *World Development Report 1986*.
n.a. Not available.
a. Estimates for mid 1984.
b. *World Bank Atlas* methodology, 1982–84 base period.

External Adjustment

This growth performance reflects the international economic environment and the adjustment policies pursued by countries primarily to meet debt-service obligations. Sustained adjustment performance and dramatic results were achieved in the past year: The larger countries continued to generate the trade surpluses necessary to service debt, and, for the region as a whole, a trade surplus of $34 billion was attained (as compared with $39 billion in 1984 and a trade deficit of $1.7 billion in 1981). In contrast with 1984, however, the 1985 trade surplus was neither achieved nor facilitated through export growth. The region's exports in 1985 fell by 5.7 percent (in nominal U.S. dollars), as compared with growth of nearly 12 percent in 1984.

The region's disappointing export performance in 1985, shared by most countries, made the containment of imports essential in order to generate the trade surpluses necessary to meet debt-service obligations. Total imports for the region were further reduced to $58 billion in 1985, contributing to a 41 percent decline since 1981. In general, reductions in imports have been realized through policies that reduce aggregate domestic demand, by both exchange-rate adjustments and the continued use of quantitative import restrictions.

In the aggregate, the region's trade surplus for 1985 was roughly equivalent to the amount of its net interest payments ($35 billion). Interest payments abroad were equal to about 38 percent of the region's exports of goods; such percentages were especially high for Argentina (66 percent), Chile (45 percent), and Bolivia (34 percent). These payments continue to constitute a heavy burden both in terms of effecting resource transfers abroad (through the generation of trade surpluses) and of marshalling the domestic resources for those transfers. The region's external-interest payments now equal about 6 percent of its combined GDP. For some countries, such as Chile and Argentina, this percentage approaches—or exceeds—the 10 percent range. In the continuing absence of offsetting external-capital inflows, the marshalling of such amounts for transfer abroad, in addition to preventing inflationary pressures, serves to reduce the resources available for domestic investment, and, therefore, for restored growth.

During the past year, the trend of reduced external-capital inflows to the region continued. In 1985, net capital inflows (including private direct investment) amounted to only $4.7 billion (or about 0.7 percent of the region's GDP), down from $10.3 billion in 1984. By comparison, net capital inflows in 1981, the last year before commercial-bank retrenchment, were $37 billion, equal to about 6 percent of regional GDP. Commercial-bank exposure in the region remained largely unchanged in 1985. Thus, the net capital inflow was derived primarily from official lending institutions and some private direct investment. Reflecting the curtailed capital inflows, total external debt increased only moderately (2.1 percent), continuing the sharply reduced growth in indebtedness that has taken place since 1982. The region's total external debt at the end of 1985 is estimated at $368 billion, and the ratio of debt to exports continues to be high for a number of countries, especially Nicaragua (11.8), Argentina (6.0), Bolivia (5.5), and Chile (5.4).

Recession and Continuing Crisis

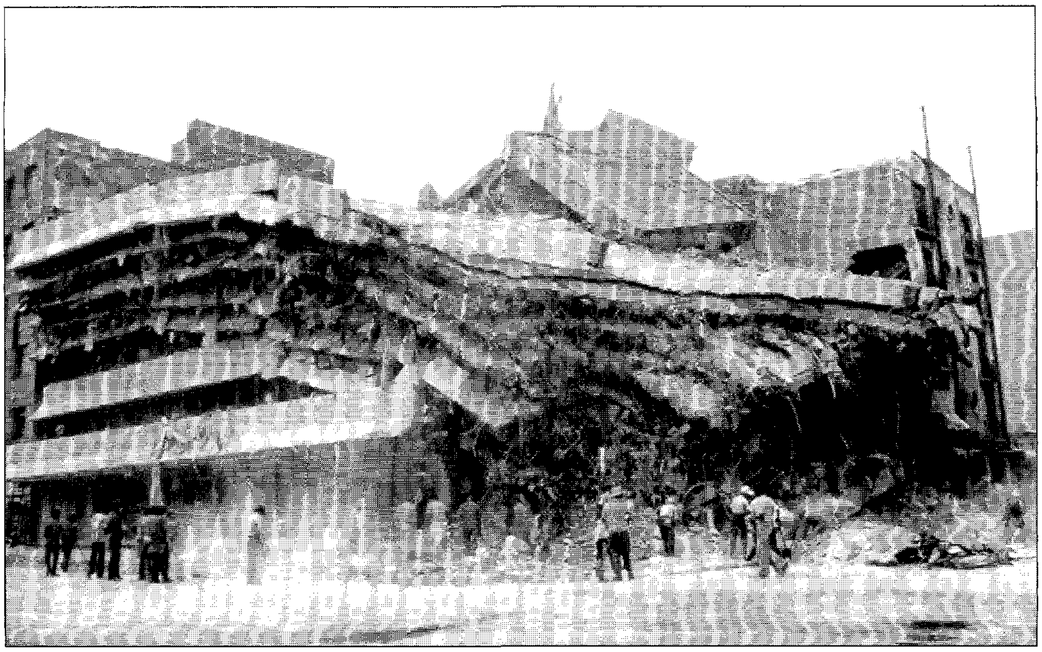
The impressive accomplishments of most of the countries of the region in achieving external adjustment have been accompanied by unparalleled economic recession and crisis for those same countries. Internal adjustment, including the reduction of inflation, has proven difficult and costly, in both economic and political terms. During the past year, Argentina, Bolivia, and Brazil undertook ambitious stabilization programs, involving sweeping monetary reform and attempts to restore confidence and build a sound basis for future growth. The current situation in most Latin American countries is one of negligible per capita income growth, depressed per capita consumption levels, low investment, a high savings drain for external-interest payments, net resource transfers from the private to the public sector to help finance debt-service payments (for most of which the public sector is responsible) and, in many countries, high inflation. This situation has existed since 1982, and, as yet, there are no signs (with the major, but partial, exception of Brazil) of resumed sustainable growth.

The economic and social costs of the crisis have been, and are, high. The output forgone during the recession is lost forever, and most countries are substantially worse off economi-

Table 4-12. **Lending to Borrowers in Latin America and the Caribbean, by Sector, Fiscal Years 1977–86**
(millions of US dollars)

Sector	Annual average 1977–81	1982	1983	1984	1985	1986
Agriculture and Rural Development	579.7	694.5	1,029.6	856.9	442.5	1,955.0
Development Finance Companies	222.2	415.8	427.4	20.0	195.0	252.4
Education	51.8	112.8	59.8	68.0	195.8	10.0
Energy						
Oil, Gas, and Coal	21.1	307.3	81.2	—	310.0	131.0
Power	500.2	394.4	89.4	841.1	833.7	819.2
Industry	170.8	—	304.5	9.5	4.0	—
Nonproject	64.0	76.2	60.2	60.2	435.0	705.0
Population, Health, and Nutrition	6.0	13.0	33.5	57.5	—	96.0
Small-scale Enterprises	54.2	26.0	446.1	352.0	340.0	70.0
Technical Assistance	2.5	8.8	10.2	9.5	29.5	47.5
Telecommunications	27.5	40.0	—	30.0	—	—
Tourism	28.9	—	—	—	—	—
Transportation	344.6	651.7	447.3	501.1	662.0	140.6
Urban Development	138.8	206.8	46.2	191.2	86.9	369.5
Water Supply and Sewerage	208.7	40.6	424.2	28.6	163.8	175.0
Total	2,421.1	2,987.9	3,459.6	3,025.6	3,698.2	4,771.2
Of which: IBRD	2,373.9	2,962.9	3,396.6	3,001.5	3,652.3	4,701.2
IDA	47.2	25.0	63.0	24.1	45.9	70.0

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



A $400 million IBRD loan was approved in fiscal 1986 to help rehabilitate and reconstruct facilities damaged by the September 1985 earthquake in Mexico City.

cally now than they were in 1980. In essence, a decade's worth of development—at least—will have been lost in the region.

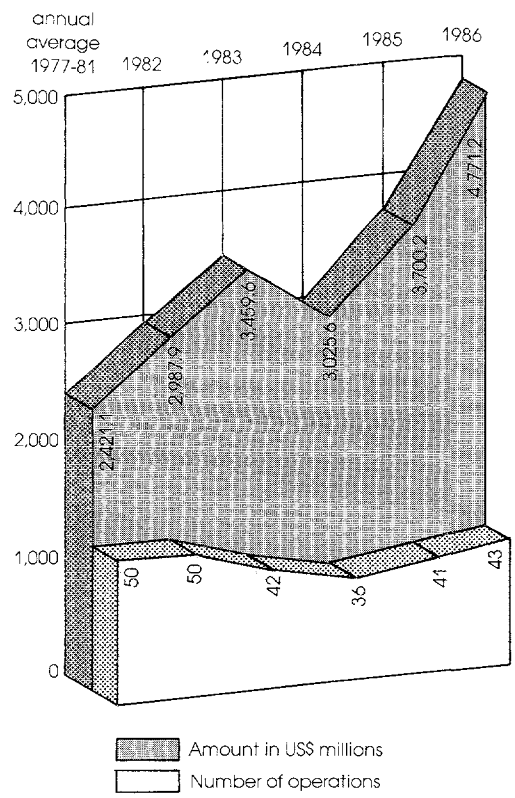
The story of Mexico exemplifies some of the economic and social effects of the crisis. While the cumulative decline of Mexican per capita GDP between 1980 and 1985 has been a relatively modest 3.6 percent (much less than in many other countries of the region), the devastating extent of the recession can be amply seen elsewhere. Between 1981 and 1985, for instance, manufacturing employment declined by 7 percent, and average real wages fell by 28 percent. For those individuals who lost their jobs, the duration of their unemployment has increased; the percentage of the unemployed looking for work in Mexico City for more than nine weeks tripled between the end of 1982 and mid 1985. Reflecting such circumstances, social discontent and emigration have increased. At the same time, Mexico's ability to grow has been undermined by successive reductions in investment; gross capital formation for plant and equipment in 1984 was less than half that of 1981. And these adverse developments preceded this year's sharp drop in oil prices.

The Caribbean Countries

In the Caribbean (taken here to consist of the English-speaking countries), the economic recovery registered in 1984 was not sustained, in most cases. Indeed, the larger Caribbean economies contracted in 1985, as demand for regional exports such as oil, bauxite, sugar, and manufactures declined. Unemployment has grown, and foreign-exchange shortages have increased. The weakening bauxite market contributed to economic decline in Guyana, Jamaica, and Suriname, and high-cost Caribbean producers are facing the prospect of having to close their production facilities. While the output of crude oil increased in Trinidad and Tobago by 8.5 percent, oil revenues fell sharply and contributed to the slide in the economy. In Barbados, real output declined marginally as demand for electronic components decreased and conditions remained depressed in the Caribbean Community and Common Market (CARICOM). On the other hand, the smaller economies of the Eastern Carribean continued their recovery in 1985, largely the result of increases in banana exports and tourism revenues. (Total tourist arrivals in the Caribbean in 1985 were some 4 percent higher than in 1984.) Tourism continues to be the major growth industry in the Caribbean, and prospects appear reasonably promising for several tourism-based economies—especially those that are geographically closest to the United States.

The decline or slowdown in economic growth in those economies where tourism is not the leading sector have compelled Caribbean countries to confront the problems of economic ad-

Figure 4-6. Trends in Lending, Fiscal Years 1977—86



justment; investment priorities are being redefined and appropriate balance-of-payments policies, including reductions in imports, are being adopted. Recent years have brought a series of external shocks, each requiring further adjustment. Nonetheless, supply responses to significant market incentives, as well as a variety of initiatives to develop extraregional export markets, have been limited, highlighting some of the difficulties of promoting structural adjustment in small economies. Intraregional trade fell in 1985, offsetting increased exports to extraregional markets. While several countries recognize that a reduction in public-sector deficits is essential, achievement has been difficult so long as growth in revenues remains sluggish and an unwillingness to curb expenditures, particularly in public-sector wage bills, continues. In several countries, however, tangible efforts have been made to encourage private investment and to reduce the role of the public sector.

The Caribbean Group for Cooperation in Economic Development (CGCED), serving twenty Caribbean countries and chaired by the World Bank, continued its aid-coordination activities in 1985. The work program and procedures of the CGCED have been streamlined to increase its effectiveness. Regional issues have been dealt with more systematically, and a renewed effort made to widen the donor base. Following the seventh meeting of the CGCED in June 1985, the dialogue on economic policies between donors and recipients has been intensified, and a closer link between aid mobilization and policy performance has been established. As with the rest of the region, part of the Bank's strategy toward the Caribbean is to use its resources to promote and sustain policy changes designed to bring about structural adjustment and renewed growth. In the islands of the Eastern Caribbean, the Bank aims at moving these countries towards creditworthiness by the end of the decade through a program of policy-based concessional lending.

The Need for Restored Growth

The past year marks the fourth consecutive year of economic crisis in the region. Substantial sacrifices have been made in order to adjust to the negative international economic environment. Among the region's member-country governments, impatience with recession, declining incomes, and austere economic policies appears to be growing. Economic recovery has become an imperative, both for maintaining social and political stability in the region and for providing the economic conditions that can permit countries to meet their international obligations, thereby strengthening the international financial system. Resumed economic growth for the region depends upon an improved global economic environment, the pursuit of sound domestic economic policies, and the availability of adequate external-capital flows. Only with resumed growth can any improvement in creditworthiness be expected. Yet, without adequate external financing for the region, growth is not possible. Dealing with this dilemma will continue to present a challenge for leadership, both for the World Bank and the international financial community in general, as well as for the individual member-country governments.

For a resumption of regional growth, an improved international economic environment continues to be of critical importance.

First, continuing growth in countries that are members of the Organisation for Economic Co-operation and Development (OECD)—in particular, in the United States, which is the region's largest trading partner—is an essential part of the solution to the debt problem. The slowing of OECD growth from 4.6 percent in 1984 to 2.8 percent in 1985 has hindered the economic recovery of Latin America, and, unless that growth can, at a minimum, be sustained, prospects are not encouraging.

Second, international interest rates, while declining significantly during the past eighteen months, remain high in real terms, especially in relation to depressed commodity prices. Continued reduction of real international interest rates would have a major beneficial effect on the region. In terms of immediate balance-of-payments relief alone, a decline of one percentage point in the interest rate results in a reduction of the region's debt by about $3 billion.

Third, an improvement in international commodity prices would bolster Latin America's prospects for economic recovery. Despite some export diversification, most notably in Brazil, commodities still account for about 80 percent of the region's exports. Real commodity prices are currently at their lowest levels since the Great Depression, with the decline continuing through 1985. Despite the recent rise in coffee prices and the declining value of the United States dollar, substantial improvements in commodity prices as a whole are not expected. In fact, with the recent erosion of petroleum prices, the prospects for growth in Ecuador, Mexico, and Venezuela are not encouraging.

Fourth, since export diversification and expansion for the region are essential, holding the line against (or preferably, a rollback of) protectionism in the OECD countries is imperative if Latin American countries are to continue to be able to service their debts.

Beyond a hospitable international economic environment, the second necessary condition for economic recovery and restored growth is the pursuit of sound economic policies in the region. In general terms, there is now a consensus among most governments that a sound macroeconomic framework should consist of realistic exchange-rate and interest-rate policies, the elimination of excessive public-sector deficits, and the adoption of stable rules of the game that could bolster the confidence of the private sector. While appropriate policies, focusing on structural adjustment, vary from country to country, several common themes can be discerned in the thinking of the region's member-country governments.

First, there is increasing recognition that policies affecting external trade must be revised. For a generation or more, the dominant thinking in Latin America on foreign trade has been the need to promote import substitution. Protection of industrial activities through tariffs and quantitative restrictions has been high, while policies frequently penalized agriculture. Exchange rates, more often than not, were overvalued. The results of such policies have been low ratios of external trade to GDP and a heavy dependence on commodity exports. Today, by contrast, most countries have competitive exchange rates, while policies that can boost exports, particularly of manufactured products, are under review.

A second major theme is the need to increase domestic savings. The 1960s and, perhaps even more, the 1970s were characterized by high fiscal deficits, heavy losses by state enterprises, and interest rates and policies that discouraged private savings. Again, changes are taking place, although not in all countries. Substantial efforts have been made to reduce budget deficits; in several countries (Mexico and Argentina, for instance), they have declined by a dramatic 3 percent of GDP in a single year. During 1985, as has been the case in the past several years, growing attention was also paid to improving the efficiency of state enterprises, and, in an increasing number of countries, selling some of them to the private sector. Similarly, efforts are being made in a number of countries to court foreign direct investment more actively, thus contributing to the pool of investible resources. In addition, interest-rate policies in most countries are no longer so hostile to private savings, and plans are being made to strengthen financial systems.

A related theme is an increased recognition that the efficiency with which available savings are invested must be improved. For private-sector investment, appropriate market-price signals and a minimum of government-induced distortions and interventions are essential. For investment by the public sector itself, a number of governments (Brazil, Chile, and Colombia, for instance) have made some progress toward increasing efficiency through a better assessment of resource availability, improved examination of investment alternatives, and more exacting project analysis.

Even with a reasonably favorable international economic environment and sound regional economic policies, substantial and sustained economic recovery and growth cannot take place without a resumption of adequate capital flows. Latin America has become a net exporter of real resources—some $100 billion over the past three years—at a time when capital flows to the region are urgently needed. It is important also that private flows be reestablished at a sufficient level. Commercial banks must recognize that the restoration of creditworthiness must be a product of their continued lending and not a precondition for it. Recovery could also be accelerated to the extent that official capital flows can be increased. In addition, a restructuring of the existing external debt on appropriate terms is essential for providing the breathing space required for structural adjustment and resumed growth. While several multiyear reschedulings were negotiated in 1984, less progress in this regard was apparent during 1985.

The Activities and Role of the Bank

The Bank's response to the ongoing economic crisis in Latin America and the Caribbean has undergone a substantial evolution over the past several years, in both the magnitude and nature of its lending involvement. By fiscal 1985, new Bank commitments to the region were 24 percent higher than in fiscal 1982, the last year before the current crisis. During the past year, Bank lending continued at these higher levels, with new commitments totaling $4,771 million. Continued efforts were also made during the year to increase disbursements, not only through new lending but through accelerated project execution, increased Bank cost sharing, and improved disbursement procedures for existing loans, as well. (Procedures instituted under the Bank's Special Action Program in 1984–85, for example, have now become routine. For details, see page 54 of the World Bank *Annual Report* for 1985.) As a result of these efforts, disbursements in fiscal 1986 increased to $3.1 billion, an increase of 50 percent over fiscal 1983 amounts.

The nature and structure of Bank lending to the region have also undergone significant change. In fiscal 1986, about one third of new loan commitments involved either policy-based operations or had a strong policy content. Although the core of the Bank's lending activities in the region will continue to finance specific projects, Bank support is needed for fundamental changes in economic policies. The process of policy reform is a difficult and painstaking one that can be orchestrated only by the governments themselves. The Bank has increasingly sought to help these governments, when requested, both in its technical work and with financial assistance. Accordingly, the Bank has expanded its policy-based lending to support the policy reforms essential for structural adjustment and renewed growth. Most operations during the past two years have been sectoral loans, designed to support policy changes in a particular sector. Structural-adjustment loans (to Chile and Costa Rica, for example) have been used to support simultaneously a range of policy changes in several parts of the economy. All of these loans, however, whether for sectoral or structural adjustment, have been designed to support basic policy changes initiated by governments and to provide funds that are disbursed rapidly, thus making an immediate contribution to a country's external-capital needs.

Several examples of policy loans approved during fiscal 1986 illustrate the range of policy reforms supported through Bank operations: A $250 million loan to Colombia provides support for extensive reforms in that country's commercial and agricultural policies that aim at diversifying and expanding exports and increasing agricultural production; a structural-adjustment loan to Chile of $250 million, in addition to supporting trade-policy liberalization, also supports government measures to rationalize public investment, protect the economy from severe copper-price fluctuations, and increase domestic savings; for Ecuador, a loan of $100 million supported a series of policy measures for the agricultural sector, including a liberalization of agricultural-pricing policies, a reduction in trade restrictions, and a curtailment of the government's participation in selected public enterprises. Other recent policy-based operations include loans to Brazil for public-sector management reforms and for improvements in agricultural policies, and to Argentina for agricultural-taxation reforms.

In undertaking policy-based loans, a center stage is provided for the Bank's economic-policy dialogue with the region's member governments and to its supporting economic and sector work. During the past year, such work has been intensified. The Bank, for example, has assisted a number of countries in reviewing their public-sector investment programs and in formulating medium-term policy programs for restoring growth. As a result, the Bank is now better positioned to meet the challenges ahead in coping with the debt crisis. Also, as a part of its assistance to the region's member-country governments, the Bank has sought, and will continue to seek, to play a wider role in restoring private-capital flows to the region. In the case of Colombia, for example, the Bank has successfully served as an intermediary, representing the government, to attract additional commercial bank, as well as official bilateral, lending to the country. Ample scope also appears to exist to expand the use of the Bank's cofinancing instruments in its operations in the region.

Chapter Five
Summaries of Projects Approved for IBRD, IDA, and African Facility Assistance in Fiscal Year 1986

Acronyms and Abbreviations Used in This Chapter

ADAB—Australian Development Assistance Bureau
ADF—African Development Fund
AfDB—African Development Bank
AFESD—Arab Fund for Economic and Social Development
AsDB—Asian Development Bank
BADEA—Arab Bank for Economic Development in Africa
BITS—British Electricity International Ltd.
BOAD—West African Development Bank
CCCE—Caisse Centrale de Coopération Economique
CDC—Commonwealth Development Corporation
CEAO—West African Economic Community
CIDA—Canadian International Development Agency
DANIDA—Danish International Development Agency
EDF—European Development Fund
EEC—European Economic Community
EIB—European Investment Bank
FAC—Fonds d'Aide et de Coopération
GTZ—German Technical Assistance Corporation
IDB—Inter-American Development Bank
IFAD—International Fund for Agricultural Development
IsDB—Islamic Development Bank
KFAED—Kuwait Fund for Arab Economic Development
KfW—Kreditanstalt für Wiederaufbau
MRE/CD—Ministry of External Relations/Cooperation and Development, France
ODA—Overseas Development Administration
OECF—Overseas Economic Cooperation Fund
OPEC—Organization of Petroleum Exporting Countries
SDC—Swiss Development Cooperation
SIDA—Swedish International Development Authority
SYSMIN—EEC's Minerals System Facility of ACP (African, Caribbean, and Pacific) Mineral Producers
UNDP—United Nations Development Programme
UNIDO—United Nations Industrial Development Organization
UNSO—United Nations Sudano-Sahelian Office
USAID—United States Agency for International Development
WFP—World Food Programme
WHO—World Health Organization

Agriculture and Rural Development

ARGENTINA: IBRD—$350 million. The first phase of a government program to encourage increases in agricultural production and exports—through reduction of export taxes on agricultural products, adoption of fiscal measures to maintain the overall fiscal deficit at satisfactory levels (including the introduction of a federal land tax), and a rationalization of import tariffs and regulations on agricultural inputs—will be supported.

BANGLADESH: IDA—$28 million. A second forestry project seeks to expand and adequately maintain forest areas and thereby increase the supply of fuelwood for domestic consumption; provide protection against cyclones, tidal bores, and soil erosion; and increase the supply of wood for industrial and commercial users. Cofinancing ($4.3 million) is anticipated from the UNDP. Total cost: $36 million.

BANGLADESH: IDA—$22 million. Production of shrimp in coastal areas of the country will be intensified through the introduction of improved shrimp-culture technology consisting mainly of improved water-management and related shrimp-culture practices. Technical assistance and training are included. Cofinancing ($4.5 million) is anticipated from the UNDP. Total cost: $37.7 million.

Data used in this section have been compiled from documentation provided at the time of project approval.

BENIN: IDA—$1.9 million. Supplementary funds will be provided to help finance the Borgou Province Rural Development Project, approved in April 1981.

BRAZIL: IBRD—$500 million. The process of making the agricultural-credit system more market oriented and of reducing rural-credit subsidies, as well as reforming trade and pricing policy for key agricultural commodities, will be supported.

BRAZIL: IBRD—$155 million. Some 700,000 small-scale farmers are expected to benefit directly from a second agricultural-extension project that seeks to increase the scope, efficiency, and effectiveness of the National System for Technical Assistance and Rural Extension. In addition, about 150,000 rural families are to benefit from first-time social extension and community-development services. Total cost: $340.1 million.

BRAZIL: IBRD—$92 million. Some 73,000 low-income farm families will benefit from the fifth in a series of projects within the Northeast Rural Development Program designed to increase the efficiency and impact of rural-development efforts. Agricultural production and productivity in the state of Pernambuco will be increased, employment opportunities generated, and water-resource development promoted. Institutional assistance is included. Total cost: $188.4 million.

BRAZIL: IBRD—$57 million. More than 9,000 low-income rural families will benefit from a project that forms part of the Federal Irrigation Program, designed to increase the income of smallholder farmers living in one of the driest areas of the northeast region through, in this case, rehabilitation of irrigated lands and the irrigation of new land. Institution-building assistance is included. Total cost: $123.6 million.

BRAZIL: IBRD—$48 million. Through the commissioning of sector studies, basic surveys, feasibility studies, and preliminary engineering, an adequate stock of thoroughly studied and well-designed irrigation projects in the northeast of the country will be created. In addition, technical assistance and training will be provided to irrigation agencies in the region. Total cost: $107.7 million.

BURMA: IDA—$30 million. Foreign-exchange earnings will increase through a project designed to improve rice quality and rice exports, reduce storage losses, and initiate a program for the rehabilitation of private rice mills. Cofinancing has been arranged with Switzerland ($5 million) and the UNDP ($2.1 million). Total cost: $79.9 million.

BURUNDI: IDA—$12.8 million. About 60,000 rural families are to benefit from a second forestry project that will help meet the rapidly growing demand for wood, reduce the need for timber imports, help protect the natural environment, and promote greater integration of cropping, forestry, and livestock activities at the farm level. Cofinancing ($2.6 million) is anticipated from the FAC. Total cost: $17 million.

CENTRAL AFRICAN REPUBLIC: IDA—$11.9 million. The standard of living of about 10,800 cattle-raising families and livestock production are to increase from a project that seeks to develop a viable institutional framework for the country's livestock subsector to ensure the efficient delivery of necessary inputs and extension to livestock producers, thus reducing diseases and pasture degradation and increasing exports. Cofinancing is anticipated from the EDF ($5.4 million), IFAD ($3.8 million), and the FAC ($1.1 million). Total cost: $37.3 million.

CHAD: IDA—$15 million. Support will be provided for the first emergency phase of a program aimed at reestablishing Cotonchad—the government's main instrument in the cotton sector—on a sound financial basis and avoiding the collapse of Chad's dominant cotton sector as a result of exceptionally low world prices. Cofinancing is anticipated from the CCCE ($15.6 million), the EDF ($13.7 million), the Netherlands ($2.3 million), and the FAC ($800,000). Total cost: $47.4 million.

CHINA: IDA—$90 million. Funds will be onlent by the Agricultural Bank of China to individual farmers, households, collective units, and enterprises owned by local government entities and collectives in Fujian and Hunan provinces for the development of aquaculture, orchards, agroprocessing, and livestock enterprises. Total cost: $256.9 million.

CHINA: IDA—$60 million. Intensive pond culture in the vicinity of eight major urban areas will be expanded and developed in support of the government's program to triple production of freshwater fish by the year 2000. Total cost: $197.7 million.

COLOMBIA: IBRD—$250 million. Further support will be given to the country's medium-term, growth-oriented structural-adjustment program through deepening reforms in the macroeconomic, trade, and public-investment areas and, in addition, through a reduction of trade and sectoral distortions in agriculture.

COLOMBIA: IBRD—$114 million. Some 10,800 farmers, more than half of whom have incomes below the poverty line, are to benefit from a project that forms part of the government's efforts to revitalize the agricultural sector—at the subsectoral level, by rehabilitating existing irrigation facilities and constructing new small-scale irrigation schemes—and improve the efficiency of public-sector institutions. Total cost: $257.5 million.

COTE D'IVOIRE: IBRD—$13.4 million. A fifth IBRD-supported operation in the country's oil-palm subsector emphasizes replanting, densification, and new planting adjacent to existing agroindustrial complexes, thus increasing processing capacity. Technical assistance is included. Cofinancing is being provided by the CCCE, the CDC, and the EIB ($13.4 million each), while EDF participation is being considered. Total cost: $184.9 million.

ECUADOR: IBRD—$100 million. The government's program to reform policies in the agriculture sector, which emphasizes the liberalization of commodity pricing and interest rates and the reduction of public-sector interventions, will be supported.

EGYPT, ARAB REPUBLIC OF: IBRD—$70 million. Agricultural productivity is to be increased through more efficient functioning of the irrigation and drainage network, relevant and cost-effective methods of channel maintenance will be introduced, and the capabilities of project-related institutions strengthened. Total cost: $126.9 million.

GUINEA: IDA—$7.5 million. The capabilities of the Ministry of Rural Development in agricultural planning, strategy and policy formulation, and project analysis will be improved through the establishment of a Strategy and Development Office in the ministry, to be staffed with qualified Guinean and internationally recruited personnel. Cofinancing ($900,000) is anticipated from the FAC. Total cost: $10.1 million.

GUINEA: IDA—$6.6 million. The productivity of smallholders in food and cash-crop production will be increased through the introduction of technical packages for coffee, peanuts, and cassava, and by strengthening the Gueckedou Prefectoral Directorate of Rural Development. Cofinancing is anticipated from the ADF ($6.5 million) and IFAD ($5 million). Total cost: $25.2 million.

INDIA: IBRD—$375 million. Increased agricultural production will be sought through participation in the National Bank for Agriculture and Rural Development's ongoing loan-refinancing program for investments in agriculture and through a strengthening of the agricultural-credit system.

INDIA: IBRD—$131 million; IDA—$140 million. Agricultural production in two command areas of Andhra Pradesh state will be increased through the modernization and completion of existing irrigation networks in one command area and the development of additional irrigable areas in the second. Total cost: $475.8 million.

INDIA: IDA—$160 million. Through the construction and/or completion of irrigation systems in two command areas in Maharashtra state (along with associated facilities, onfarm development, and technical support to farmers), agricultural production and farmers' incomes will be increased. About 66,000 farm families are to benefit directly, and 95,000 full-time jobs will be generated, more than half of which will go to landless families and migrant laborers. Total cost: $322.7 million.

INDIA: IDA—$99 million. Finance will be provided to help support a five-year program for upgrading and constructing public tubewell-irrigation systems, open dugwells, and riverlift installations in West Bengal state. Total cost: $141.8 million.

INDIA: IDA—$72.1 million. A second national agricultural-research project will help strengthen the capability of state agricultural universities to conduct location-specific research in the main agroecological zones of the country. The first project's scope will also be extended to include the priority research needs of these zones under rainfed and irrigated farming conditions. Total cost: $110.9 million.

INDONESIA: IBRD—$166 million. As many as 530,000 rural families are to benefit from a project that seeks to strengthen the irrigation services of Central and West Java provinces, particularly in project preparation, implementation, and operation and maintenance, as well as improve cost recovery and operation-and-maintenance funding through increased land taxes. Cofinancing is anticipated from the EEC ($18 million). Total cost: $302.1 million.

INDONESIA: IBRD—$33 million. The first stage of a longer-range agricultural-development program in two of the country's poorest provinces—Nusa Tenggara Barat and Nusa Tenggara Timur—will be financed. Funds will be provided to sectoral agencies for farming-systems research, pilot cotton development, cattle development, and national and provincial road improvement in Timur. Cofinancing is anticipated from the UNDP ($3.4 million), ADAB ($2.8 million), and the AsDB ($600,000). Total cost: $598 million.

INDONESIA: IBRD—$32 million. Cattle and their female offspring will be provided to about 131,000 small farmers, mostly transmigrants, during a five-year implementation period. In addition, cattle-holding and quarantine facilities will be constructed or upgraded, and veterinary services will be improved. Cofinancing ($12 million) is anticipated from IFAD. Total cost: $66.4 million.

KENYA: IDA—$20 million; African Facility—$40 million. The first phase of the government's program of adjustments in the agricultural sector—designed to stimulate growth by promoting intensification of production and better use of the country's limited land, improving producer incentives, and expanding the flow of investment resources into the sector—will be supported.

MADAGASCAR: IDA—$20 million; African Facility—$33 million. The 1986-87 phase of the government's program to increase production and incomes by making its agricultural economy more market oriented will be supported. In addition, foreign exchange will be provided to finance imports needed to realize fully benefits associated with the reform program. Special joint financing is being arranged with the Federal Republic of Germany's KfW ($4 million) and Japan ($3 million).

MALAWI: IBRD—$16.7 million. A second wood-energy project will help reduce the gap between sustainable fuelwood supply and demand by developing policy instruments and incentives to encourage tree planting on a national basis, increasing fuelwood production through tree planting by small farmers and through the establishment of a limited number of government plantations in ecologically fragile areas, and introducing more efficient charcoal kilns and household stoves. Institutional-development, wood-production, wood-conservation, research, and training components are included. Total cost: $19.6 million.

MALAWI: IDA—$11.6 million. Support will be given an institutional-development process aimed at improving the Ministry of Agriculture's analytical and long-term planning capability, strengthening the national extension system, and upgrading the skills of staff in the Department of Agriculture and in the Planning Division. Cofinancing ($6.2 million) is being arranged with USAID. Total cost: $20.2 million.

MALAYSIA: IBRD—$50 million. The living standards and incomes of some 26,000 settler families will be raised through a project that assists the Federal Land Development Authority and the Public Works Department (PWD) in the provision of roads and water-supply works for existing land-settlement schemes. The PWD's construction and waterworks operations-and-maintenance practices will also be strengthened. Total cost: $97.4 million.

MALI: IDA—$6.3 million. The threat of deforestation will be addressed through a set of initiatives in both urban areas (through tax-policy changes and development of semi-industrial tree plantations) and rural areas (through financing two pilot schemes aimed at developing guidelines for managing national forests). Technical assistance and sectoral studies are included. Cofinancing is anticipated from the CCCE ($5.4 million) and the MRE/CD/FAC ($2.9 million). Total cost: $16.7 million.

MAURITANIA: IDA—$7.6 million. A second livestock project seeks to slow the deterioration of grazing areas and to boost productivity by making groups of pastoralists responsible for allocated grazing areas, by providing better services and production inputs, and by increasing the knowledge of livestock-production systems essential to the formulation of a development policy and to the planning of future interventions. Cofinancing is anticipated from the ADF ($6.3 million) and the OPEC Special Fund ($2 million). Total cost: $18.1 million.

MAURITIUS: IBRD—$30 million. By rehabilitating, modernizing, and strengthening the financial performance of sugar mills; improving productivity in the use of land, labor, fertilizer, machinery, and equipment in sugar production; and supporting efforts to develop irrigation and the use of bagasse for power generation, the government's strategy to broaden the productive base of the economy will be supported. Total cost: $44.9 million.

MEXICO: IBRD—$180 million. About 62,000 farm families will benefit from the implementation of a credit program (administered by the Agricultural Trust Funds in the Bank of Mexico (FIRA)) that seeks to raise agricultural productivity with a view to increasing food production, agricultural exports, and real farm income. Total cost: $473 million.

MEXICO: IBRD—$109 million. About 40,000 farm families will directly benefit from a second tropical agricultural-development project that will bring about 143,000 hectares of new land into rainfed crop production and intensify crop and livestock production and productivity on existing areas that now suffer drainage problems. Total cost: $217.5 million.

MOROCCO: IBRD—$120 million. A sixth agricultural-credit project will pursue the government's sectoral objectives being supported by the Bank through the Agricultural-sector Adjustment Loan. Institutional assistance for the Caisse Nationale de Crédit

Agricole is included. Cofinancing is anticipated from the AfDB ($66 million) and the Federal Republic of Germany (KfW) ($35 million). Total cost: $720.3 million.

MOROCCO: IBRD—$46 million. Through rehabilitation or upgrading of existing irrigation infrastructure; provision of equipment, vehicles, and housing; setting up of an efficient management-information system and improved planning, financial, accounting, and operating procedures in nine regional agricultural-development agencies; technical assistance; and on-farm development, greater efficiency in the use of existing resources in large-scale irrigated lands will take place. Total cost: $92.5 million.

NEPAL: IDA—$24.5 million. The third phase of an IDA-supported rehabilitation program in the Narayani zone of Nepal's central region seeks to increase dry-season agricultural production and reduce the risks to monsoon crop production by introducing an equitable, predictable, and reliable irrigation scheme covering about 37,400 hectares. Cofinancing ($7.5 million) is being arranged with the SDC. Total cost: $35.5 million.

NIGERIA: IBRD—$162 million. Implementation of the first phase of statewide agricultural-development projects in six states (and a modified program in a seventh) will be supported. The first phase aims at increasing food-crop production (mainly cassava, yams, corn, and rice) and incomes of small farmers. Cofinancing ($12 million) is anticipated from IFAD. Total cost: $256.4 million.

PAKISTAN: IBRD—$165 million; IDA—$55 million. Finance will be provided to the Agricultural Development Bank of Pakistan (ADBP) for onlending to farmers for medium-term and long-term agricultural investments. Provision of funds for consultants, equipment to the ADBP, and training for ADBP staff is included. Total cost: $1,670.7 million.

PAKISTAN: IDA—$10 million. The pilot phase—covering 46,135 hectares and 213 public tubewells—of a program to transfer responsibility of the Water and Power Development Authority's program of salinity control and land reclamation to private farmers will be supported. Total cost: $21.8 million.

PAPUA NEW GUINEA: IBRD—$27.6 million. Through the development of oil-palm and cocoa plantations in Milne Bay province, the country's export earnings from sales of palm oil, palm kernel, and cocoa will increase, and the development of Milne Bay, one of the least-developed provinces in the country, will be assisted. Cofinancing ($31.8 million) is being provided by the CDC. Total cost: $68.3 million.

PAPUA NEW GUINEA: IBRD—$18.8 million. Agricultural exports will be increased and incomes of smallholders improved through provision of funds to the Agriculture Bank of Papua New Guinea (ABPNG) for onlending to smallholder families and through technical assistance to the ABPNG for improving its management and financial performance. Total cost: $31.3 million.

RWANDA: IDA—$12.7 million. About 50,000 smallholder farm families are to benefit from the implementation of a pilot phase of a national agricultural-extension and agricultural-service organization and of a national program for promoting private and cooperative investments in agriculture, agroprocessing, and marketing. Institutional-development assistance is included to improve agricultural-sector planning and management. Cofinancing ($3 million) is to be provided by the UNDP. Total cost: $22.6 million.

SENEGAL: IDA—$4.9 million. Assistance will be provided to the government and the Agency for the Equipping and Development of the Senegal Delta and Senegal and Faleme Rivers (SAED), to help SAED disengage from its production-related activities and turn these over to farmers and private enterprises. Cofinancing is being arranged with the CCCE and FAC ($3.3 million), the UNDP ($410,000), and USAID ($100,000). Total cost: $15.1 million.

SOMALIA: IDA—$30 million; African Facility—$32.6 million. Recurrent import requirements of the Somali economy in support of significant policy reforms will be financed. Technical assistance for strengthening key government institutions, mainly in agriculture, will also be provided. Special joint financing ($7.4 million) is to be provided by the United Kingdom. Total cost: $70 million.

SOMALIA: IDA—$4.3 million. A comprehensive and economically justifiable animal disease-control program for the northern part of the country will be defined, and the program will be tested on an operational scale. Institution-building assistance to the Animal Health Department of the Ministry of Livestock, Forestry, and Range is included. Cofinancing ($6.3 million) has been arranged with IFAD. Total cost: $11.6 million.

SUDAN: IDA—$22 million. Some 300,000 farmers producing cotton, sorghum, peanuts, wheat, and vegetables on over 4 million feddans are to benefit from a project that seeks to improve crop production in the irrigated subsector through improvements in research, extension, and training. Total cost: $38 million.

SUDAN: IDA—$10.6 million. The standard of living of the population in the western part of the country will be maintained and gradually raised by increasing the availability and security of food and water supplies without a concomitant increase in environmental degradation. Cofinancing has been arranged with the ODA ($10.7 million) and IFAD ($9.9 million). Total cost: $43.8 million.

SYRIAN ARAB REPUBLIC: IBRD—$7.5 million. About 380,000 farm families, or about 80 percent of the country's farm community, are to benefit from a project that supports the government's objective of increasing agricultural productivity through strengthening the organizational and managerial structure of the agricultural-extension system and by improving farm-management practices, as well. Cofinancing ($7.5 million) has been agreed with IFAD. Total cost: $36.3 million.

THAILAND: IBRD—$60 million. A four-year time slice of the Office of the Rubber Replanting Aid Fund's (ORRAF) agricultural-development program, including rubber replanting; related field-administration, management, and training costs; upgrading of the Rubber Research Institute of Thailand's research centers; extension, marketing, and processing improvements for the Department of Agricultural Extension; and replanter training will be financed. Technical assistance is included. Cofinancing is anticipated from the CDC ($14.5 million). Total cost: $263.5 million.

TOGO: IDA—$6.9 million. Supplementary funds will be provided to help finance a ginnery and additional transport and storage facilities attached to the Second Rural Development Project in Cotton Areas, approved in December 1982 in the amount of $23.5 million.

TUNISIA: IBRD—$27.7 million. About 7,700 farm families, among the poorest in the country, will benefit directly from a project that aims to rehabilitate forty-two oases in the Gabes governorate, expand three existing oases, and create a new one. Project components include replacement of wells and construction of piped-water distribution systems, orchard and crop reconversion and intensification, technical assistance, and credit to farmers. Total cost: $58.3 million.

TURKEY: IBRD—$255 million. Waterlogging on about 220,000 hectares of irrigated land and salinity on about 40,000 hectares will be eliminated, existing irrigated areas will be restored to full production, and further deterioration of soils and reduction in crop production prevented as a result of this drainage and on-farm development project. Approximately 97,000 farmers are to benefit initially, plus additional farmers operating land which, without the investments, would eventually become waterlogged. In addition, annual on-farm employment could increase by 7 million mandays. Total cost: $480.5 million.

WESTERN SAMOA: IDA—$2.5 million. High-priority public-sector investment subprojects—providing direct and indirect support for production, strengthening and diversifiying the country's economic base, enhancing the generation of new economic activities, and creating new employment opportunities—will be funded. Cofinancing is being provided by the AsDB ($4.7 million) and the UNDP ($250,000). Total cost: $9.8 million.

YEMEN ARAB REPUBLIC: IDA—$10 million. About 44,000 farm families are to benefit from a project that seeks to improve agricultural productivity and farm incomes in the Tihama region by propagating suitable technical packages and improving irrigation-water management and to strengthen development institutions to ensure sustainability of benefits envisaged under various agricultural projects in the area. Cofinancing is being arranged with the KFAED ($15 million) and the Netherlands ($9.4 million). Total cost: $47 million.

ZAMBIA: African Facility—$10 million. Supplemental finance will be forthcoming to help finance the Agricultural Rehabilitation Project, approved originally on January 29, 1985.

Development Finance Companies

CHILE: IBRD—$100 million. By establishing and financing the institutional framework through which corporate restructurings would be devised, negotiated, and implemented and by financing the purchase of capital goods and working capital necessary to maintain and increase production, the government will be helped to undertake a financial-restructuring program of selected industrial corporations. Total cost: $300 million.

CHINA: IBRD—$75 million; IDA—$25 million. The China Investment Bank (CIB) will be further strengthened through continuing Bank support for improved investment efficiency through imports of technology and the introduction of improved project-design and selection methodology. CIB subborrowers would be eighty state and collective enterprises, primarily in nineteen eastern provinces and municipalities.

ECUADOR: IBRD—$115 million. Funds will be provided to finance essential imports in support of a series of measures to liberalize policies in the trade, industrial, and financial sectors. In addition, finance will be provided to financial intermediaries for onlending to industrial enterprises to finance fixed assets and permanent working capital. A program of technical assistance is included. Total cost: $153 million.

FIJI: IBRD—$6.5 million. Funds will be provided to the Fiji Development Bank to help finance as many as 1,700 subprojects in the agricultural, industrial, and service sectors. Cofinancing is anticipated from the AsDB ($7 million) and the EIB ($2.5 million). Total cost: $40 million.

GHANA: IDA—$28.5 million; African Facility—$25 million. The first phase of the government's medium-term adjustment program, which includes important policy reforms designed to streamline Ghana's industrial capacity, will be supported.

HONDURAS: IBRD—$37.4 million. Credit to finance fixed assets and associated permanent working capital, free-standing permanent working capital, and consulting services will be made available for viable private-sector industrial enterprises. Technical assistance to participating financial intermediaries is included. Cofinancing ($700,000) is being provided by the UNDP. Total cost: $67.2 million.

INDIA: IBRD—$250 million. Support will be given to the government's policy reforms in the industrial sector to increase exports through two loans—one of $90 million to the government for financing credits to engineering ancillary firms, as well as for support to export-marketing and productivity programs, and the other ($160 million) to the Industrial Credit and Investment Corporation of India for the financing of foreign-exchange components of subloans for balancing, modernization, expansion, and new privately financed engineering projects. Total cost: $1,000 million.

JORDAN: IBRD—$15 million. A line of credit will be provided to the Cities and Villages Development Bank (CVDB), thereby supporting the government's efforts to improve living standards in the less-developed outer regions and facilitating the execution of municipal and village-development plans by funding well-appraised projects. Technical assistance to the CVDB is included. Total cost: $34.1 million.

MALAWI: IBRD—$7.8 million. An industrial-credit and agricultural-credit project seeks to build upon and further strengthen the institutional capabilities of the Investment and Development Bank of Malawi, assist in the diversification of its role in productive sectors, and expand its activities in the agricultural sector. The need for term financing by agricultural estates to increase productivity will also be met. Total cost: $14.4 million.

MOROCCO: IBRD—$200 million. The second phase of the government's economic-adjustment program, which comprises actions extending export promotion and reform of protection policies, rationalizing the public-investment program, improving investment planning and budgeting, and introducing financial-sector reform, will be supported.

PAKISTAN: IBRD—$148 million; IDA—$2 million. Funds will be channeled to seven participating financial institutions, to the Pakistan Banking Council, and to the Karachi and Lahore Stock Exchanges in support of the government's efforts to promote private industrial investment and strengthen financial markets. Technical assistance is included. Total cost: $300 million.

PAKISTAN: IBRD—$70 million. High-priority inputs for industry, and hence, for manufactured exports, will be financed through this project, designed to support the government's reform program in the industrial sector, especially the promotion of exports.

RWANDA: IDA—$9 million. Funds will be provided to the Rwandese Development Bank—the country's main instrument for developing the private sector—for onlending for well-conceived development projects, emphasizing those for small-scale enterprises (SSEs). The project also seeks to help improve the policy framework for SSEs and to help the government in its reform of the country's tariff system. Cofinancing is anticipated from the ADF ($5 million) and the EDF ($400,000). Total cost: $28.5 million.

SRI LANKA: IDA—$20 million. The foreign-exchange cost of new and balancing, modernizing, rehabilitation, and expansion investments of private-sector firms will be financed. Funds for the same purpose will also be provided to public-enterprise units to improve their efficiency. Technical assistance to participating development-finance institutions is included. Cofinancing is anticipated from the AsDB ($20 million) and suppliers' credits and other bilateral agencies ($12 million). Total cost: $94 million.

TURKEY: IBRD—$300 million. The government's financial-sector adjustment program—it aims at establishing an efficient and flexible system of resource mobilization and allocation that would respond rapidly to market forces and offer a wide variety of financial instruments to both borrowers and savers—will be supported.

ZAIRE: IDA—$20 million; African Facility—$60 million. Important policy reforms, designed to increase the efficiency and productivity of the industrial sector and to reorient the sector towards exports and a greater use of domestic inputs, will be supported.

ZAMBIA: IDA—$20 million; African Facility—$42 million. Through imports of spare parts, raw materials, intermediate goods, and other inputs and by providing technical assistance, equipment, and training, the capacity utilization and production levels of efficient industrial enterprises will be raised, thus increasing the supply of manufactured goods for domestic and export markets alike.

Education

BARBADOS: IBRD—$10 million. A project, covering 90 percent of the government's five-year investment plan in the education and training sector, seeks to improve the quality and cost effectiveness of primary and secondary education; improve the efficiency, quality, and industrial relevance of technical and vocational training; and strengthen the institutional capacity to manage and plan the education and training system. Cofinancing ($19 million) is being provided by the IDB. Total cost: $37.7 million.

BOTSWANA: IBRD—$26 million. As many as 20,000 primary-school places, 11,100 junior secondary-school places, and about 900 places in new vocational-training centers and a trade-testing center will be provided through a fourth education project that supports the government's education-reform program.

CAMEROON: IBRD—$30.1 million. The quality of primary and technical secondary education will be improved through increasing the number of qualified primary-school teachers, upgrading the practical skills of lower and upper secondary technical-school graduates, and improving the management of education. In addition, the relevance of the vocational-training system to the labor market will be increased through support for the development of a National Center for Adult Vocational Training and improvements to the management of vocational training. Total cost: $61.2 million.

CHINA: IDA—$120 million. Sixty provincial universities and the State Education Commission will be helped in their efforts to expand enrollment and improve the quality and management of higher-education programs. Total cost: $477 million.

INDONESIA: IBRD—$93 million. A nucleus of well-trained scientific and technical manpower will be developed through programs of study in science and technical fields, effective policies and procedures for the implementation and monitoring of overseas fellowship programs will be developed, and collaborative relationships between Indonesian and foreign universities and research institutions will be developed and strengthened. Total cost: $153.7 million.

INDONESIA: IBRD—$58.1 million. By financing consultant services, staff training, civil works, equipment, furniture, and project-related operating costs, support will be provided for the first phase of a long-term development program that would focus on institutional development, the formulation and implementation of new policies for management development and training by the Ministry of Manpower (MOM), and the upgrading of MOM's management and training system. Total cost: $91.1 million.

JORDAN: IBRD—$10.2 million. Though a program of construction and equipping of trade training centers and health institutes, as well as provision of fellowships for various training functions, current and projected shortages of skilled and semiskilled workers in the industrial and health sectors may be alleviated. Total cost: $18.3 million.

KENYA: IDA—$37.5 million. The equity and quality of Kenya's educational system are to be improved and institutional development promoted through provision of new primary teacher-training colleges; primary schools; equipment, specialist services, and training for the development of educational materials for delivery by mass media; provision of equipment; and technical assistance. Total cost: $56.1 million.

MALAYSIA: IBRD—$127 million. The government will be assisted in accelerating the implementation of policy reforms and institutional changes aimed at improving the quality of education and the efficiency of educational management, as well as at increasing access to better education. Total cost: $312.8 million.

MALAYSIA: IBRD—$73.3 million. Assistance will be provided to help complete the long-term investment program in technician and skilled-worker training begun under the first Industrial Training Project. The supply of technicians and skilled workers will be increased, the quality and management of training improved and strengthened, and manpower-development planning improved. Cofinancing ($3.1 million) is anticipated from CIDA. Total cost: $121 million.

MOROCCO: IBRD—$150 million. Part of a two-year phase of implementation of the government's education-sector reform program, the project includes a program of construction and equipping of schools, teacher training, foreign fellowships, and studies in support of new educational activities. Total cost: $1,829 million.

PAKISTAN: IDA—$40.2 million. The quality and capacity of the vocational-training system will be improved and expanded, and help will be provided in meeting the requirements for skilled and semiskilled manpower in the industrial and rural sectors. Cofinancing is being arranged with the EEC ($13.3 million), CIDA ($6.5 million), and the UNDP ($2.9 million). Total cost: $93.3 million.

RWANDA: IDA—$15.6 million. The quality and efficiency of the country's primary and postprimary education system will be helped through the supply and distribution of textbooks and other teaching materials, establishment of a self-sustaining textbook/teaching materials-replenishment scheme, and strengthening the management and planning capacity of the Ministry of Primary and Secondary Education and the Ministry of the Public Service and Professional Training. Assistance in alleviating shortages of critically needed manpower will be provided through construction of a technical secondary school and a national vocational-training center. Cofinancing is to be provided by the UNDP ($1.3 million). Total cost: $19 million.

SOLOMON ISLANDS: IDA—$5 million. The government will be assisted in its efforts to improve access to, and quality of, lower secondary education and strengthen educational management. Technical assistance and training of Ministry of Education and Training staff are included. Cofinancing is anticipated from ADAB (about $4.3 million). Total cost: $10 million.

SRI LANKA: IDA—$15 million. A second vocational-training project seeks to improve the efficiency of the construction industry through institutional-development, manpower-supply, and quality-improvement measures. Cofinancing ($1 million) is anticipated from the UNDP. Total cost: $24.5 million.

WESTERN AFRICA: IDA—$5.5 million. Help will be provided in establishing a regional institution for training and upgrading high-level and middle-level managerial staff of private and parapublic-sector enterprises in the six CEAO-member countries and of other neighboring West African countries, as well. Cofinancing ($1 million) is to be provided by the CEAO. Total cost: $6.5 million.

YEMEN ARAB REPUBLIC: IDA—$12.7 million. A technical-training project will assist in alleviating acute shortages of trained technicians and skilled workers by adding some 450 trained workers to the annual supply. The government will also be provided, for the first time, with the capability of training technical vocational instructors. Cofinancing ($7.2 million) is anticipated from the Federal Republic of Germany's GTZ. Total cost: $28.1 million.

Energy

ARGENTINA: IBRD—$116 million. Supplemental finance will be provided to help finance a refinery-conversion project, approved in July 1981 and for which a $200 million IBRD loan was made.

BANGLADESH: IDA—$79 million. Funds will be relent to the Rural Electrification Board to help expand the supply of electricity in rural areas and finance the installation of electricity-distribution networks in six new Rural Electrification Cooperatives areas and expansion of networks in five existing areas. Total cost: $110.6 million.

BANGLADESH: IDA—$56 million. The transmission and distribution system of the Bangladesh Power Development Board (BPDB) will be expanded and reinforced, system voltage will be stabilized, system reliability increased, power losses reduced, and the BPDB's financial operations strengthened. Cofinancing ($3 million) is being arranged with the UNDP. Total cost: $82.9 million.

BOLIVIA: IDA—$15 million. The Bolivian National Oil Company (YPBF) will be aided in its efforts to increase liquid hydrocarbon production. Cofinancing is anticipated from Argentina. Total cost: $47.9 million.

BRAZIL: IBRD—$500 million. Loan resources will help finance the country's 1986-89 power-sector rehabilitation. It will assist the government to provide to the sector, as equity capital, the resources required by the sector to carry out its investment program for 1986.

CHINA: IBRD—$225 million. Industrial growth in east China will be supported through the establishment of a base-load thermal power plant along the coast of Zhejiang province, using coal from Shanxi. Cofinancing, in the form either of commercial-bank loans and/or export credits ($156 million), is being sought. Total cost: $1,044.9 million.

CHINA: IBRD—$52 million. By introducing state-of-the-art dam-construction techniques, providing a link between the Yantan power station and south China using 500-kv transmission lines, and helping strengthen and update the Guangxi Electric Power Bureau's financial-planning and management practices, economic growth in south China by means of the cascade development of the Hongshui river will be supported. Total cost: $1,033.1 million.

CHINA: IBRD—$30 million. Assistance will be provided in the appraisal of the Bohai Oil Corporation's oil and gas condensate discovery in Liadong bay in northeast China and in the planning and financing of an optimum program for its development. In addition, local capabilities in all aspects of offshore petroleum operations will be supported, and China's position as a joint-venture partner in these activities will be strengthened. Total cost: $83.8 million.

COLOMBIA: IBRD—$171 million. Consisting mainly of the 1985-90 time slice of Empresa de Energía Eléctrica de Bogotá's (EEEB) distribution and subtransmission program, this project seeks to achieve greater efficiency in EEEB's operations and to extend electricity service to a larger segment of Bogota's population. Total cost: $389.6 million.

ECUADOR: IBRD—$8.5 million. Through a program of institutional development, evaluation studies of the current tariff structure and of ways to optimize power-system operations, training, and provision of equipment and vehicles, the overall performance of the Ecuadorian Electrification Institute will be improved. Total cost: $11.8 million.

ETHIOPIA: IDA—$62 million. The government will be helped to establish a least-cost expansion program for the power subsector and implement its highest-priority projects. Institution-building assistance to the Ethiopian Electric Light and Power Authority is included. In addition, integrated least-cost plans to expand the supply of household energy products (crop-residue briquettes and charcoal) and correct imbalances in their prices will be developed and implemented. Cofinancing is anticipated from DANIDA ($5.8 million). Total cost: $106.8 million.

GHANA: IDA—$28 million. Through rehabilitation works on the Electricity Corporation of Ghana's distribution network and the Volta River Authority's principal substations, more reliable electricity service will be restored. Technical assistance and training are included. Cofinancing ($10 million) is being arranged with the government of Italy. Total cost: $48.8 million.

GUATEMALA: IBRD—$81 million. A power-distribution project has been designed to help improve the power sector's efficiency and complete studies necessary to ensure sound decisions on expansion of power generation. Total cost: $133.2 million.

HUNGARY: IBRD—$64 million. Funds will be provided to increase the country's utilization of domestic coal, thus saving imported energy. In addition, institution-building assistance will be given to the Hungarian Electric Power Trust, and assistance in the transfer of modern technology will be made available. Total cost: $620 million.

INDIA: IBRD—$485 million. Assistance in meeting the electricity demand in the northern and western regions of the country will be provided through the installation of about 1,500 mW of thermal power-generating capacity, as well as associated transmission lines for connection to the transmission grid. Technical assistance to the National Thermal Power Corporation is included, as the installation involves the introduction of new technology—combined cycle operations—as well as the use of power generation. Total cost: $1,286 million.

INDONESIA: IBRD—$34 million. The utilization of natural gas in high-value uses in the domestic market will be accelerated by developing the infrastructure needed to distribute gas to industrial and commercial consumers currently using liquid fuels as a source of energy, and by building up the institutional capability of the National Gas Company to market and distribute gas actively. Bilateral aid for technical assistance ($3.8 million) and commercial bank loans ($10.4 million) are being sought. Total cost: $86 million.

JORDAN: IBRD—$27.5 million. A sixth power project consists of the supply and installation of equipment and material and associated engineering services for the implementation of high-priority parts of the 1986-90 national least-cost program for the power subsector. Total cost: $71.7 million.

KOREA, REPUBLIC OF: IBRD—$230 million. Through assistance in financing the transmission and distribution component of the Korea Electric Power Corporation (KEPCO)'s 1986-89 investment program, technical assistance, engineering services, and a program for strengthening KEPCO's research activities, the estimated growth of demand can be met reliably and efficiently. Total cost: $3,070.6 million.

PAKISTAN: IBRD—$90 million. The Water and Power Development Authority will be assisted in meeting electricity demand in the country by the addition of 200 mW of thermal capacity through improvements in the fuel efficiency of the combustion turbines being installed at Kot Addu. Total cost: $187.8 million.

PAPUA NEW GUINEA: IBRD—$28.5 million. A major hydroelectric-power development on the Ramu river, which will reduce the Electricity Commission's dependence on imported oil and replace it with indigenous hydro resources, will be supported. Technical assistance, engineering and consulting services, and training are included. Cofinancing is being arranged with the OECF ($38 million), the EIB ($16 million), and ADAB ($1 million). Total cost: $117.4 million.

PERU: IBRD—$13.5 million. The process of regionalization, by which nine regional utilities have been established to be in charge of all local electricity services, will be supported through a series of studies, consultancy services, and provision of maintenance, communications, and computing equipment. Total cost: $24.8 million.

SENEGAL: IDA—$20 million. Through construction of a diesel plant, transmission lines, and associated substations; rehabilitation of a steam plant, transmission lines, substations, and the distribution system (mainly in Dakar); technical assistance; implementation of an energy-conservation program; and provision of energy-related studies, the use of energy resources will be optimized. Cofinancing is anticipated from the CCCE ($28 million), the AfDB ($8 million), and BOAD ($5 million). Total cost: $84.1 million.

SUDAN: IDA—$30 million. Though rehabilitation, the supply of spare parts and additional facilities, and consultancy services, the utilization of existing power facilities will be made more efficient and power-supply reliability improved. Total cost: $40.2 million.

TANZANIA: IDA—$40 million. Through a program of rehabilitation, supply of equipment, and technical assistance, the country's power system will be restored to reasonable levels of reliability and service. In addition, funds will be provided to help improve the availability and production of household energy supplies by pilot activities in more efficient commercial charcoal and charcoal-stove production. Cofinancing is anticipated from Canada ($10.2 million), Norway ($8.3 million), the EIB ($6 million), Finland ($2.3 million), and others ($10.6 million). Total cost: $102.6 million.

THAILAND: IBRD—$33 million. A joint venture between the Petroleum Authority of Thailand (PTT)'s wholly owned subsidiary, PTT Exploration and Production Company Limited, and Thai Shell Exploration and Production Company Limited will be established, and its investment program up to 1988 financed. Institutional assistance to the PTT is included. Total cost: $432 million.

TURKEY: IBRD—$200 million. The country's indigenous energy resources will be developed through the financing of the 420-mW Kayraktepe hydropower station on the Goksu river. Technical assistance to the State Hydraulic Authority and the Ministry of Energy and Natural Resources is included. B-loan cofinancing, in the amount of $350 million (including IBRD participation totaling $52 million), is being arranged. Total cost: $716.4 million.

TURKEY: IBRD—$140 million. Through the supply of equipment, instruments, and materials such as capacitor banks, tools, and spare parts; training; and technical assistance, the efficiency and availability of the Turkish Electricity Authority's electric-power facilities will be upgraded and improved. Total cost: $162 million.

TURKEY: IBRD—$10 million. Two units at the Elbistan power station, a key thermal-power project in the country, will be financed, thus ensuring the station's adequate operating availability and efficient operation. Cofinancing is being arranged with the Federal Republic of Germany's KfW ($30.7 million), the EIB ($14.5 million), and the Export-Import Bank (U.S.)/Manufacturers Hanover Trust ($30 million). Total cost: $247.8 million.

URUGUAY: IBRD—$45.2 million. A power-rehabilitation project, which includes extensions to various transmission systems and the provision of consulting services, is designed to help meet Uruguay's power needs with lower fuel consumption, improved system reliability, and a higher degree of operational efficiency of installed capacity. Total cost: $138.1 million.

YEMEN ARAB REPUBLIC: IDA—$11.7 million. A fourth power project will extend electricity service to about 23,000 new consumers, ensure twenty-four hour supply, and improve the quality of service to more than 15,000 existing consumers. Technical assistance and training services will be provided to the Yemen General Electric Corporation. Cofinancing is anticipated from the AFESD ($14.5 million), the BITS ($11.1 million), and the IsDB ($10.5 million). Total cost: $58.9 million.

ZAIRE: IDA—$37 million. A second power project seeks to ensure reliability of supply to the main interconnected networks, make optimal use of the electric energy within the Zaire-Rwanda-Burundi interconnected system, and strengthen the institutional capacity of the Société Nationale d'Electricité. Cofinancing ($600,000) is being provided by the UNDP. Total cost: $48.4 million.

ZAMBIA: IDA—$3.1 million. A magnetic survey of the 1,700-kilometer Tazama pipeline between Dar es Salaam in Tanzania and Ndola in Zambia will be carried out to determine the extent of damage caused by corrosion. Initial measures to meet urgent operational and maintenance needs will be recommended, and a program prepared for the pipeline's rehabilitation. Cofinancing is being provided by the EIB ($370,000). Total cost: $4.1 million.

Industry

GUINEA: IDA—$3.9 million. Technical assistance will be provided to help the government manage its mining shareholdings, undertake geological work and exploration promotion, improve the mining sector's regulatory framework, and strengthen institutional efficiency through administrative reform. Total cost: $4.3 million.

HUNGARY: IBRD—$100 million. The restructuring of Hungarian industry will be supported to enable it to achieve international competitiveness. Support will be given to a program of industrial-policy and institutional reforms covering the entire sector, as well as to a program covering the plastics-processing subsector. Total cost: $317.1 million.

HUNGARY: IBRD—$25 million. Support will be given the National Bank of Hungary's energy-rationalization facility through provision of funds to finance about forty or fifty energy-saving subprojects and to purchase equipment to improve the monitoring of energy use and to carry out energy audits. Total cost: $74 million.

INDIA: IBRD—$302.2 million. A greenfield fertilizer-manufacturing plant, owned and operated by the Indian Farmers Fertiliser Cooperative Limited (IFFCO), will be built and commissioned; investments will be made at three existing IFFCO fertilizer plants; a study to develop an improved performance-evaluation and control system for use by the government for all publicly owned fertilizer plants will be undertaken; and fertilizer materials will be imported. Cofinancing is anticipated by the OECF, Italy, and Denmark. Total cost: $917.9 million.

INDIA: IBRD—$200 million. The cement industry will be helped to achieve a higher operating efficiency through modernization of its facilities (including conversion of six private-sector cement plants and one public-sector plant from wet to dry process) and small-scale rehabilitation and modernization investments at other cement plants. Training and technical assistance are included. Total cost: $469.8 million.

MADAGASCAR: African Facility—$20 million. Supplemental funds are being provided to help finance an industrial-assistance project originally approved on January 15, 1985.

MAURITANIA: IBRD—$20 million. Help will be provided to the Société Nationale Industrielle et Minière (SNIM) in implementing its rehabilitation program. The purchase of critical equipment and provision of technical assistance and training are included. Cofinancing is anticipated from the KFAED ($18.2 million), the OECF ($3.1 million), and the CCCE ($3 million). Total cost: $92.2 million.

ZAIRE: IBRD—$110 million. Part of the foreign-exchange costs of Gecamines's five-year rehabilitation program (1986-90), which aims at maintaining production capacity at its present level while raising productivity and reducing production costs, will be financed. Cofinancing is anticipated from the AfDB ($65 million), the EIB ($48 million), the CCCE ($28.6 million), and the EEC/SYSMIN ($27 million). Total cost: $702.7 million.

ZAIRE: IDA—$50 million. An eighth project in support of SOFIDE (Société Financière de Développement) represents a continuation of IDA support to this financial intermediary in its ongoing assistance to the productive sectors in the country, particularly private investments in manufacturing and agroindustries. Total cost: $140.3 million.

ZAMBIA: IDA—$10 million. The domestic supply of fertilizers will be improved through support for a package of policy, managerial, organizational, technical, and financial measures necessary to rehabilitate Nitrogen Chemicals of Zambia Ltd. to enable it to operate its facilities efficiently and more economically and provide the country with domestically produced fertilizer at internationally competitive prices. Cofinancing is being arranged with the Republic of Germany's KfW ($27.2 million) and the OECF ($26.7 million). Total cost: $83.8 million.

Nonproject

BANGLADESH: IDA—$200 million. Foreign exchange will be provided to help finance general imports.

BOLIVIA: IDA—$55 million. In support of the economic-stabilization and structural-reform programs initiated by the government in August 1985, quick-disbursing financing will be made available for priority equipment, spare parts, and other inputs needed in the mining, agriculture, industry, energy, power, and transport sectors.

BURUNDI: IDA—$15 million; African Facility—$16.2 million. Structural-adjustment financing will be provided in support of a government program to redirect the economy towards a path that will reduce the present dependence on coffee and lay the basis for sustained growth in the medium term, with greater reliance on market forces and a more outward orientation. Special joint financing is being provided by Japan ($11.1 million) and Switzerland ($7.7 million).

CHILE: IBRD—$250 million. The government's structural-adjustment program, designed to accelerate exports and domestic savings so as to permit a recovery of economic growth and employment while the country services its external debt, will be supported.

COTE D'IVOIRE: IBRD—$250 million. Essential imports will be financed under this third loan in support of the government's comprehensive program of structural adjustment that aims at policy changes to improve resource allocation, generate exports, reduce the rural-urban income gap, and reestablish financial equilibria.

EQUATORIAL GUINEA: IDA—$6 million; African Facility—$4 million. The country will be aided in its attempt to increase productive capacity and exports during a critical phase of the government's economic-rehabilitation program, which is aimed at restoring balance-of-payments and budgetary equilibria while allowing service of its external debt.

GHANA: African Facility—$27 million. Supplemental finance will be provided to the Second Reconstruction Imports Credit, approved on March 28, 1985. Special joint financing is anticipated from the United Kingdom ($7 million) and the Federal Republic of Germany ($6 million).

GUINEA: IDA—$25 million; African Facility—$17 million. Structural-adjustment support will be given the government's economic-recovery program—focusing on economic-liberalization measures and reform of public administration and public enterprises—thereby allowing economic activity to expand while current and future reform measures are being implemented.

GUINEA-BISSAU: African Facility—$5 million. A $10 million Reconstruction Import Program, approved on December 13, 1984, will be supplemented by this African Facility credit, to be disbursed in two tranches.

MALAWI: IDA—$30 million; African Facility—$40 million. A third structural-adjustment credit aims at the establishment of an estate-management training and extension service, provision of term credit for estates, measures aimed at export promotion and provision of export credit, a restructuring of the tax system, improved incentives and personnel administration for the civil service, and improved budgeting, policy formulation, planning, and public-investment programming. Cofinancing (special joint financing) is being arranged with the Federal Republic of Germany (KfW) and Japan (OECF). Bilateral assistance ($15 million) is being provided by USAID.

MEXICO: IBRD—$400 million. The government will be assisted in the rehabilitation and reconstruction of those urban centers damaged by the earthquake of September 1985. In addition, the project will assist in improving construction standards and planning through regulatory instruments at the municipal, state, and national levels to protect urban infrastructure and superstructure from future earthquake tremors. Total cost: $571.4 million.

NIGER: IDA—$20 million; African Facility—$40 million. The first phase of the government's structural-adjustment program, which aims at increasing the efficiency of resource use and strengthening the country's resource base for future economic development, as well as improving the public-finance position and the balance of payments, will be supported.

SENEGAL: IDA—$20 million; African Facility—$44 million. The first phase of the government's medium-term adjustment program will be supported; this phase, covering the period 1985-87, consists of a comprehensive action program of policies and measures aimed at accelerating growth in production and employment and at strengthening public-sector management. Special joint financing ($6 million) will be furnished, on a grant basis, by Switzerland.

TOGO: African Facility—$10 million. Supplemental funds will be provided to help finance a second structural-adjustment credit, approved on May 30, 1985.

ZAMBIA: IDA—$50 million. The minimum level of imports needed to sustain the country's recovery program will be financed, thereby keeping up the momentum of policy and institutional reforms. Technical assistance is included.

Population, Health, and Nutrition

BANGLADESH: IDA—$78 million. A third population project seeks to reduce fertility and infant and maternal mortality by providing support to the government's family-planning and maternal-child health program. Efforts to stimulate additional demand for family planning will be assisted, and essential and affordable health care to the rural population extended. Cofinancing is anticipated from the Federal Republic of Germany ($28.7 million), Norway ($23.6 million), Canada ($23.5 million), the United Kingdom ($10.3 million), Australia ($7.2 million), and the Netherlands ($6.1 million). Total cost: $199.2 million.

BRAZIL: IBRD—$59.5 million. The health of the rural poor in four states of the northeast will be improved, and the efficiency of providing basic health services in those same states enhanced. Institution-building and training components are included. Total cost: $129.7 million.

CHINA: IBRD—$15 million; IDA—$65 million. A rural-health and preventive-medicine project seeks to strengthen the Ministry of Public Health's efforts to improve rural health care in the poorer counties in five provinces; improve efficiency, coverage, and quality of the national immunization program against the main childhood diseases; initiate improved drug quality control; and develop new preventive strategies for communicable and chronic diseases and health-care financing systems in rural areas. Total cost: $177.4 million.

COLOMBIA: IBRD—$36.5 million. Access to basic health services, including family planning, will be improved for 3.7 million people living in the poorest areas (primarily along the Pacific coast), and 250 communities will be provided access to piped water supply and waste-disposal facilities. In addition, the rural water-supply subsector will be provided technical assistance, and systemic changes in the organization and provision of health services through decentralization of service delivery and integration of health activities at the lowest level will be introduced. Suppliers' credits, totaling $9 million, are being sought. Total cost: $75.8 million.

COTE D'IVOIRE: IBRD—$22.2 million. Improvements will be made in the country's health system through manpower development (nursing schools and field-training programs) and management-assistance measures that support the strengthening of various Directorates in the Ministry of Public Health and Population. Cofinancing is to be provided by USAID/US Bureau of the Census ($200,000). Total cost: $29.7 million.

GHANA: IDA—$15 million. Through the supply of essential equipment and supplies, instructional materials, civil works, studies, technical assistance, and training, the first steps will be taken in the long-term rehabilitation of the country's health and education sectors. Total cost: $16 million.

INDIA: IDA—$51 million. A fourth population project in the country has as its major objective a reduction of fertility and infant, child, and maternal mortality in West Bengal state. Project components include service delivery, demand generation, training, monitoring and evaluation, and project management. Total cost: $89.9 million.

INDONESIA: IBRD—$33.4 million. A second nutrition and community-health project seeks to strengthen the coordination and management of five community-health programs aimed at significantly reducing infant, child, and maternal mortality in eleven priority provinces; further develop the country's nutrition-surveillance capability; and improve nutrition-manpower development at the paramedical and graduate levels. Total cost: $57.7 million.

NIGER: IDA—$27.8 million. By supporting the government's reform program in the health sector, this first IDA-assisted project in the health sector will help correct imbalances in the allocation of resources, ease financing constraints, increase the availability of essential drugs, reinforce planning and program execution in the Ministry of Public Health and Social Affairs, and improve donor coordination. Priority health services and programs will also be strengthened. Total cost: $29.3 million.

RWANDA: IDA—$10.8 million. Family-planning services will be made available in all health facilities as part of the country's maternal and child-health (MCH) program, the coverage and quality of MCH services will be increased and improved, and institutional-strengthening assistance furnished to the Ministry of Health and Social Affairs. Training of MCH staff is included. Cofinancing is being arranged with WHO ($725,000). Total cost: $14.5 million.

SIERRA LEONE: IDA—$5.3 million. A health and population project is designed to strengthen the Ministry of Health's capacity for planning, management, coordination, and monitoring; improve basic health and family-planning services; improve resource mobilization and use in the health sector; and help develop population policy and programs for activities that will generate demand for family planning. Total cost: $5.7 million.

Small-scale Enterprises

CHILE: IBRD—$40 million. Funds will be provided to the Production Development Corporation (CORFO), which will then onlend the proceeds, either directly or through financial intermediaries, to small and medium-scale industrial enterprises and participate in equity investments under a risk-capital fund. Total cost: $75 million.

COTE D'IVOIRE: IBRD—$30 million. In support of a program of major industrial-policy reform, a line of credit and a package of technical assistance will be provided that aims at facilitating the adjustment of potentially viable existing enterprises to the reformed policy environment. Total cost: $49.3 million.

ECUADOR: IBRD—$30 million. In support of employment-intensive and efficient industrial development, funds will be onlent by the National Finance Corporation (CFN) to small-scale enterprises involved in manufacturing, agroindustry, fisheries, tourism, and industry-related and marketing activities. Total cost: $94 million.

INDONESIA: IBRD—$64.5 million. The country's effort to increase nonoil exports by making available more long-term credit for export-oriented investments will be assisted. In addition, the policy and institutional framework needed for export development will be strengthened, and individual exporting firms will be provided technical assistance and training. Total cost: $111.6 million.

NEPAL: IDA—$10 million. Cottage and small industries will be aided through provision of term finance, and the public and private agencies that provide marketing, raw-material supply, and training to these industries will be strengthened, thus supporting the government's objectives of developing efficient industries and export growth and increasing output, export earnings, and employment in small and cottage industries. Cofinancing ($1.8 million) is anticipated from the UNDP. Total cost: $17.3 million.

TURKEY: IBRD—$100 million. Funds will be channeled through Sinai Yatirim ve Kredi Bankasi and Halk Bankasi for relending to eligible subborrowers in the small and medium-scale industrial sector. Technical assistance is included.

Technical Assistance

ARGENTINA: IBRD—$18.5 million. A public-sector management technical-assistance loan seeks to assist government efforts to develop and strengthen the tools needed for coherent economic policies and decision making, reduce the public-sector deficit, increase domestic-resource mobilization, improve the efficiency of public-sector investment, strengthen the performance of, and restructure, public-sector enterprises, and improve export and industrial policies and procedures. Total cost: $31.1 million.

BOTSWANA: IBRD—$7.6 million. A program of technical assistance, covering the fields of regional development, local-government training, and urban-sector management, has been designed to help promote the economic diversification of the town of Selebi-Phikwe and its environs so as to lessen gradually their dependence on the nearby copper/nickel mine operated by BCL Ltd. Total cost: $12 million.

BRAZIL: IBRD—$29 million. A public-sector management project is designed to strengthen public-sector planning and management capabilities at the federal government level in the areas of information, research, investment planning, budgeting, program implementation, and operational control, including the supervision of state enterprises. Total cost: $58.5 million.

CHINA: IDA—$20 million. A second technical-cooperation project will assist the government to prepare projects that are expected to be financed by the IBRD or IDA and to help develop capacity for preparing and implementing investment projects and administering technical assistance. Total cost: $27 million.

KENYA: IDA—$11.5 million. Public-sector institutions will be strengthened in their ability to deliver key services and formulate agricultural policy through a project designed to build their capacity to manage resources, implement programs and projects, and analyze agricultural-policy issues. Cofinancing is being arranged with CIDA ($2.2 million), the UNDP ($1.6 million), SIDA ($400,000), and USAID ($300,000). Total cost: $20.7 million.

KENYA: IDA—$6 million. Petroleum exploration will be accelerated by helping the government to strengthen its technical capability to negotiate production-sharing agreements and supervise petroleum exploration, establish the information necessary to identify and open up new prospective areas for exploration, and promote and offer prospective acreage to interested oil companies and subsequently negotiate contracts and monitor the companies' activities. Total cost: $9.6 million.

MADAGASCAR: IDA—$10.3 million. The management and operation of public and private enterprises will be modernized and the implementation of policies geared to the revitalization of the economy supported through the training of highly qualified accountants, auditors, and managers, and through technical assistance to, and training of, those responsible for procurement. Total cost: $13.1 million.

MADAGASCAR: IDA—$10 million. By strengthening programs for major institutions responsible for agricultural policy and services, the process of institutional reform and development in the agricultural sector, started under an earlier credit, will be continued. Cofinancing ($500,000) is anticipated from USAID. Total cost: $12.8 million.

NIGERIA: IBRD—$5 million. Technical assistance will be provided to strengthen the institutional framework for industrial policy and to undertake studies aimed at assisting in restructuring the country's industrial sector. Cofinancing, in the amount of $1.6 million, is being sought from the EEC and UNDP/UNIDO. Total cost: $8.6 million.

YEMEN ARAB REPUBLIC: IDA—$12 million. Technical assistance and consultancy services will be provided to help strengthen the newly created Ministry of Oil and Mineral Resources and develop its institutional capacity to manage the country's recently discovered oil and gas resources. Cofinancing is being arranged with USAID ($2.1 million) and the Netherlands ($1.1 million). Total cost: $17 million.

ZAMBIA: IDA—$8 million. Assistance will be provided to help increase the government's capacity to carry out macroeconomic analysis, implement improvements in planning and budgeting systems, make resource allocation more responsive to policies and objectives, and improve management and accounting skills and the ability, speed, and accuracy of essential management information. Cofinancing is being provided by Ireland ($1 million). Total cost: $9.4 million.

Telecommunications

COTE D'IVOIRE: IBRD—$24.5 million. Through physical, institutional, and financial rehabilitation, the Office National des Télécommunications will be strengthened to enable it to manage the telecommunications sector effectively. Cofinancing is being arranged with the CCCE ($17.2 million) and the EIB ($8.7 million). Total cost: $116.7 million.

LAO PEOPLE'S DEMOCRATIC REPUBLIC: IDA—$3.9 million. Part of the investment program—emphasizing system rehabilitation and management improvement—for the posts and telecommunications sector during the five-year period, 1986-90, will be financed. Cofinancing ($1.2 million) has been arranged with the UNDP. Total cost: $7.8 million.

SENEGAL: IDA—$22 million. A second telecommunications project aims at improving operational efficiency and maintenance, as well as increasing system utilization through rehabilitation of existing equipment and network expansion. Cofinancing is anticipated from the CCCE ($20.8 million), the AfDB ($12.6 million), and BOAD ($4.2 million). Total cost: $156.9 million.

Transportation

CHINA: IBRD—$160 million; IDA—$70 million. The government's objectives of increasing railway capacity and improving railway operations and efficiency will be supported through the upgrading and electrification of track, increasing the capacity of the Xi'an Railway Signalling Factory, introducing mechanized track maintenance on a pilot basis, and supporting the continuation of a traffic-costing study. Total cost: $577.5 million.

CHINA: IBRD—$130 million. Capacity at the Tianjin port will be increased, technical assistance and training will be provided for port personnel, and a Tianjin Port Development Center for training, research, and development studies will be established and equipped. Total cost: $282 million.

COLOMBIA: IBRD—$62 million. This subsector operation supporting the National Rural Roads Fund's 1986-92 investment and maintenance program comprises construction, maintenance of rural roads, improvements to minor waterways, purchases of equipment, technical assistance for institutional upgrading, and the preparation of a study on departmental road maintenance. Total cost: $181.8 million.

COLOMBIA: IBRD—$42.8 million. This first Bank operation in the port subsector of the country seeks to strengthen the managerial, financial, administrative, and operational capabilities of the Empresa Puertos de Colombia S.A. and to upgrade port capacity by restoring port installations and increasing port productivity. Total cost: $60 million.

CYPRUS: IBRD—$20 million. Through provision of funds for road rehabilitation and strengthening, periodic maintenance, procurement of equipment, and consultancy services, a transport planning and policy framework will be established, a sustainable and cost-effective highway-maintenance system implemented, priority highways upgraded, and highway safety further improved. Cofinancing is anticipated from the KFAED ($10.6 million). Total cost: $73.3 million.

DOMINICAN REPUBLIC: IBRD—$35.8 million. A third road-reconstruction project includes completion of road-reconstruction works initiated under the second project, technical assistance and training, construction and improvement of about 100 kilometers of rural roads, and acquisition of equipment and material. Total cost: $44.7 million.

ETHIOPIA: IDA—$5.5 million. Part of the original Phase I of the Assab port development, designed to provide for a modest increase in port capacity, will be financed. Preparatory work for a major port expansion under Phase II will also be carried out. Total cost: $8.5 million.

THE GAMBIA: IDA—$5.8 million. Efforts of the Ministry of Works and Communications in carrying out its four-and-one-half-year road-maintenance program will be supported. Cofinancing is anticipated from the ADF ($4.5 million), the EEC ($2 million), the UNDP ($700,000), and UNSO ($600,000). Total cost: $16.4 million.

GHANA: IDA—$24.5 million. The ports of Tema and Takoradi will be rehabilitated and modernized, and institutional assistance provided to the Ghana Ports and Harbours Authority. Cofinancing is being arranged with the OECF ($29.2 million), the SFD ($13.2 million), and the EEC ($8.6 million). Total cost: $95.8 million.

GHANA: African Facility—$10 million. Supplementary funds will be provided to help finance a road-rehabilitation and maintenance project approved in June 1985 in the amount of $40 million.

INDONESIA: IBRD—$300 million. A highway-maintenance and betterment project seeks to improve highway maintenance, restore and upgrade parts of the existing national and provincial roads network and its bridges, improve highway planning and management, particularly at the provincial level, revise roads and road-transport regulations, and prepare and implement highway-safety measures. Total cost: $520 million.

KOREA, REPUBLIC OF: IBRD—$141 million. Capacity at the port of Pusan will increase through the construction of additional specialized container berths, while congestion in the city will be reduced by providing an on-dock storage area to replace those in the city. Technical assistance to the Korea Maritime and Port Administration is included. Total cost: $328.3 million.

KOREA, REPUBLIC OF: IBRD—$67 million. Transport efficiency and capacity of rail services in the Seoul-Busan corridor will be increased through assistance (goods and equipment, as well as technical assistance) to the Korean National Railways. Total cost: $178.3 million.

MADAGASCAR: IDA—$12 million. By financing priority items of the 1987-89 investment plan of the Madagascar National Railways (RNCFM), the railways will be able to continue to provide essential services to the economy at current traffic levels. In addition, facilities of the RNCFM and the Toamasina Port Authority, damaged by a recent cyclone, will be repaired and rehabilitated. Total cost: $16.9 million.

MALAYSIA: IBRD—$18.8 million. The Kelang Port Authority (LPK)'s objectives of increasing port capacity and improving its operations and efficiency will be supported, and LPK's technical and managerial capabilities will be further developed. Technical assistance is included, as is a pilot railway component designed to assist the Malayan Railway in the handling of containers. Total cost: $34.9 million.

MALI: IDA—$48.6 million. A fifth highway project will provide funding for spare parts, fuel, construction materials and labor, as well as for new equipment, consultants' services, and civil works, to carry out a road-maintenance and rehabilitation program, an institution-building program, and reconstruction of the Bamako-Bougouni road. Cofinancing is being arranged with the ADF ($10.8 million), the SDC ($4 million), and the FAC ($500,000). Total cost: $73.4 million.

MOROCCO: IBRD—$22 million. The operational performance of the ports at Casablanca and Mohammedia will be improved, and through a technical-assistance component, port activities will be integrated into the country's effort to promote exports and improve the management and financial viability of the major public enterprise in the port sector. Total cost: $41 million.

NIGER: IDA—$15 million; African Facility—$15 million. The government will be assisted in implementing its transport-sector strategy that aims at redirecting public expenditures to highest-priority activities, increasing user cost recovery, and consolidating the institution building begun under earlier IDA projects. Cofinancing is being provided by the EDF ($39.4 million); Japan ($20 million); the ADF ($16.8 million); the CCCE ($7.8 million); and the UNDP ($500,000). Further cofinancing ($10.9 million) is being sought. Total cost: $212.9 million.

NIGERIA: IBRD—$20.9 million. Through technical assistance and training to the Nigerian Ports Authority and the Nigerian Railway Corporation; provision of computer, workshop, and training equipment, as well as spare parts; and technical assistance and consulting services to the Federal Ministry of Transport and Aviation, the performance of key transport parastatals will be improved and the government assisted in its efforts to reform them. Total cost: $30.3 million.

OMAN: IBRD—$30 million. A third highway-maintenance project, which covers three years of the current five-year maintenance program of the Ministry of Communications, aims to assist institution-building efforts in highway maintenance, project evaluation, highway safety, and pavement-management systems. Training is included. Total cost: $192.5 million.

PHILIPPINES: IBRD—$82 million. A second rural-roads project will continue the Bank's efforts to alleviate poverty in rural areas by providing farmers with access roads; providing the infrastructure needed to support land-settlement efforts; facilitating provision of health care and other services to the rural population; and strengthening institution-building efforts. Total cost: $122.2 million.

RWANDA: IDA—$11 million; African Facility—$15 million. A sixth highway project, which is a part of the government's current four-year road-maintenance and construction program, seeks to lower road transport-system costs through a reduction of vehicle-operating costs, deferred costly road reconstruction, and improved road safety. Cofinancing is anticipated from BADEA ($7.6 million), the WFP ($1.9 million), the UNDP ($1 million), and France ($400,000). Total cost: $59.1 million.

TANZANIA: IDA—$50 million. A program to help reduce transport constraints facing the Tanzanian economy will be initiated by providing for road and equipment rehabilitation, assistance to the trucking industry, technical assistance, and training. Cofinancing is being arranged with the AfDB ($19.4 million), Norway ($6.9 million), and Denmark ($2 million). Total cost: $107.7 million.

VANUATU: IDA—$2 million. A group of high-priority public-sector investment subprojects in the transport and education sectors will be financed. Cofinancing ($3 million) is being provided by the AsDB. Total cost: $6.4 million.

YUGOSLAVIA: IBRD—$121.5 million. Implementation of balanced road-investment and maintenance programs will be assisted, and institution-building efforts will be extended through financing a four-year time slice of the investment plans of the Road Organizations of Slovenia, Croatia, Serbia, and Bosnia-Herzegovina. Total cost: $1,659.5 million.

ZAIRE: African Facility—$30 million. Supplemental funds will be supplied to help finance the Sixth Highway Project, approved by the Executive Directors on June 13, 1985.

Urban Development

BRAZIL: IBRD—$100 million. The physical and economic rehabilitation of flood-damaged urban municipalities in the northeast region will be assisted, and the planning capacity at the regional, state, and municipal levels for flood protection and control strengthened. Cofinancing is being arranged with the UNDP ($500,000). Total cost: $208.6 million.

BRAZIL: IBRD—$55 million. A line of credit will be provided to the municipalities of the Salvador Metropolitan Region (SMR) to finance priority investments in its development plan—upgrading of low-income communities, infrastructure, municipal services, and productive activities. Total cost: $151 million.

BRAZIL: IBRD—$24.5 million. A line of credit will be provided to participating municipalities in the state of Santa Catarina for financing investments in urban infrastructure, community facilities, equipment, and technical assistance. Total cost: $70 million.

INDIA: IDA—$62 million. Fundamental improvements will be sought in the planning, management, and financing of urban growth in Gujarat state, and serious deficits in urban shelter, infrastructure, and services in the participating cities will be reduced. Total cost: $130.5 million.

INDONESIA: IBRD—$275 million. A credit line to the Bank Tabungan Negara (BTN), to be used to finance mortgage-lending commitments for almost 200,000 housing units, will be established. Total cost: $1,208.7 million.

KOREA, REPUBLIC OF: IBRD—$150 million. Funds will be provided to finance the foreign-exchange cost of a four-year time slice of the Korea Land Development Corporation's (KLDC) programs to develop urban land that could provide housing for about 1 million people, more than half of whom would be in the lower half of the income-distribution scale. Institutional support for the KLDC is included. Total cost: $1,849 million.

MALI: IDA—$28 million. A second urban project will help remove some of the major citywide infrastructure constraints to the efficient functioning of Bamako and facilitate private-sector housing and construction activities. Institutional assistance to the District of Bamako and the Ministry of Interior is included. Cofinancing ($750,000) is being arranged with the FAC. Total cost: $34.5 million.

MEXICO: IBRD—$150 million. Subprojects for the construction of serviced sites and progressive construction units in rapidly growing medium-sized cities will be financed. As many as 142,300 families will be settled in serviced lots, of which about 15,200 would include starter-dwelling units. Total cost: $300 million.

MEXICO: IBRD—$40 million. Federal and state municipal-development agencies will be strengthened through provision of financial resources and effective training programs. Municipalities' organizational, administrative, and financial-management systems and performance will be strengthened, and municipalities will be helped in expanding and upgrading urban infrastructure. Total cost: $80 million.

NIGERIA: IBRD—$72 million. The primary stormdrainage network and solid-waste disposal services of the Lagos metropolitan area will be expanded and strengthened to ameliorate wasteful and costly flooding problems. Technical assistance and training will also be provided to strengthen the industrial capacity for solid-waste management and to improve local and state government resource mobilization. Cofinancing ($11.6 million) in the form of suppliers' credits is being sought. Total cost: $164.3 million.

NIGERIA: IBRD—$53 million. Some 87,000 people in Imo state, 80 percent of whom have incomes below the relative urban poverty threshold, will directly benefit from an urban-development project that aims at providing affordable shelter, infrastructure, and related urban services. Total cost: $85 million.

PAKISTAN: IDA—$70 million. Through a series of subsectoral interventions, the feasibility of new approaches to provide services to the urban poor will be demonstrated, and basic urban services will be improved. The project includes institutional and financial strengthening and improvement in resource mobilization and cost-recovery techniques. Cofinancing is being arranged with the AsDB. Total cost: $148.6 million.

PORTUGAL: IBRD—$25 million. Low-cost, affordable serviced plots will be provided, new housing units constructed, and existing dwellings upgraded through the National Housing Institute (INH), thus increasing the housing stock serving the low-income segment of the urban population. Technical assistance to the INH is included. Total cost: $56.6 million.

SRI LANKA: IDA—$13 million. Through provision of technical assistance, training, and studies; demonstration municipal civil works; aerial surveys and mapping; and equipment, vehicles, and supplies, the government's sector-policy adjustment process will be supported, and the capacity of the Ministry of Local Government, Housing, and Construction for improving the managerial, financial, and service-delivery performance of local urban authorities, including those in Colombo, strengthened. Total cost: $20.4 million.

Water Supply and Sewerage

ARGENTINA: IBRD—$60 million. The government will be assisted in rehabilitating old, poorly maintained water and sewerage installations, extending water service to new urban areas, and strengthening sector planning, management, and finances. Total cost: $120.4 million.

BENIN: IDA—$10 million. A second water-supply project seeks to support the government's objective of enhancing the economic performance of the sector through improved investment planning and the institution of sound commercial and cost-recovery policies. Cofinancing is being arranged with the CCCE ($10 million), the IsDB ($4.5 million), and the OPEC Special Fund ($2.7 million). Total cost: $33 million.

BURUNDI: IDA—$9.5 million. Safe water will be made available to about 160,000 people living in scattered rural settlements, and improvements in health will be made through a rural water-supply project that includes the rehabilitation and extension of rural aqueducts, strengthening the organization of the Department of Rural Water Resources and Electrification (DHER), and training for DHER staff. Total cost: $10.9 million.

CHILE: IBRD—$60 million. About 830,000 people in Santiago, 80 percent of whom are poor, will benefit from a water-supply and sewerage project (which includes a pollution-abatement component). Total cost: $121 million.

CHILE: IBRD—$6 million. Facilities in Valparaiso, damaged in the March 3, 1985, earthquake, will be reconstructed. Total cost: $10.8 million.

COLOMBIA: IBRD—$24 million. Programs to rehabilitate and extend water supply, sewerage, and solid waste-management facilities in Barranquilla, the country's fourth largest city, will be supported. Institution-building assistance to the Barranquilla Municipal Companies is included. Total cost: $41.6 million.

INDIA: IDA—$41 million. Piped water will be provided to seven rural areas in Kerala state that currently depend on distant or unsafe sources of supply. An improved supply of water will also be provided to one municipal area (Quilon). In addition, technical assistance for personnel management of water supply will be furnished, and pilot low-cost sanitation programs introduced for both urban and rural areas. Total cost: $85.2 million.

INDONESIA: IBRD—$43.3 million. About 1.2 million people living throughout East Java province may benefit from a second water-supply project that includes provision of low-cost water production and distribution to about seventy-five small and medium-sized towns and the expansion and rehabilitation of the water-supply system in Surabaya. Technical assistance, as well as institution-building assistance, is included. Cofinancing is anticipated from ADAB ($1.5 million) and the Netherlands ($1 million). Total cost: $80.4 million.

JORDAN: IBRD—$50 million. Water mains will be extended and rehabilitated; trunk and collection sewers, as well as sewage-treatment works, constructed and extended; a service reservoir and two pumping stations constructed; equipment furnished; and consultancy services furnished to the Water Authority of Jordan. Total cost: $96.4 million.

KOREA, REPUBLIC OF: IBRD—$38 million. Funds will be provided to help finance two water-supply components: the Namgang regional system (for thirteen municipalities in Kyeongnam province) and the Taegu water system. Through the project, water services will be improved for about 2 million people, and water will be provided to more than 500,000 additional people by 1991. Cofinancing is being arranged with the AsDB ($4 million). Total cost: $122.3 million.

MALAYSIA: IBRD—$62 million. Water-supply infrastructure in three of Johor state's eight districts will be expanded, thus improving service for 1 million people and expanding service for 370,000 additional people by 1990. Total cost: $124.7 million.

MEXICO: IBRD—$25 million. A solid waste-management pilot project will finance the development, testing, and evaluation of replicable techniques for the delivery of services in about eight medium-sized municipalities and one metropolitan area. In addition, a national component aims at helping define subsector policies and options for effective delivery of services, developing plans to address subsector constraints, strengthening institutions, undertaking plan preparation and prefeasibility studies in twenty-six selected cities, and preparing follow-up solid-waste management projects. Total cost: $50 million.

PHILIPPINES: IBRD—$69 million. Through project components designed to help improve and expand the water supply in the Metropolitan Waterworks and Sewerage System (MWSS) service area, the MWSS will be aided in optimizing the utilization of existing infrastructure and production capacity. The level of internal cash generation and financial performance will thus be significantly improved. Total cost: $96.3 million.

SRI LANKA: IDA—$37 million. By rehabilitating and augmenting water supply, sewerage, sanitation, and drainage systems in the Amparai, Anuradhapura, and Colombo areas, public health will be improved and sector management upgraded. Technical assistance to the National Water Supply and Drainage Board is included. Total cost: $64.8 million.

SYRIAN ARAB REPUBLIC: IBRD—$70 million. As many as 1.7 million people are expected to benefit directly from a project that supports the government's objectives of providing adequate sewage-treatment facilities in major urban areas in order to improve health and environmental conditions. Technical assistance and training are included. Cofinancing ($12 million) is being provided by the EIB. Total cost: $211.6 million.

Table 5-1. **Projects Approved for IBRD and IDA Assistance in Fiscal 1986, by Region**
(amounts in millions of US dollars)

	IBRD loans		IDA credits		Total	
Region and country	Number	Amount	Number	Amount	Number	Amount
Eastern and Southern Africa						
Botswana	2	33.6	—	—	2	33.6
Burundi	—	—	3	37.3	3	37.3
Ethiopia	—	—	2	67.5	2	67.5
Kenya	—	—	4	75.0	4	75.0
Madagascar	—	—	4	52.3	4	52.3
Malawi	2	24.5	2	41.6	4	66.1
Mauritius	1	30.0	—	—	1	30.0
Rwanda	—	—	5	59.1	5	59.1
Somalia	—	—	2	34.3	2	34.3
Sudan	—	—	3	62.6	3	62.6
Tanzania	—	—	2	90.0	2	90.0
Zaire	1	110.0	3	107.0	4	217.0
Zambia	—	—	5	91.1	5	91.1
Total	6	198.1	35	717.8	41	915.9
Western Africa						
Benin	—	—	1	11.9	1	11.9
Cameroon	1	30.1	—	—	1	30.1
Central African Republic	—	—	1	11.9	1	11.9
Chad	—	—	1	15.0	1	15.0
Côte d'Ivoire	5	340.1	—	—	5	340.1
Equatorial Guinea	—	—	1	6.0	1	6.0
Gambia, The	—	—	1	5.8	1	5.8
Ghana	—	—	4	96.0	4	96.0
Guinea	—	—	4	43.0	4	43.0
Mali	—	—	3	82.9	3	82.9
Mauritania	1	20.0	1	7.6	2	27.6
Niger	—	—	3	62.8	3	62.8
Nigeria	5	312.9	—	—	5	312.9
Senegal	—	—	4	66.9	4	66.9
Sierra Leone	—	—	1	5.3	1	5.3
Togo	—	—	—	6.9	0	6.9
Western Africa region	—	—	1	5.5	1	5.5
Total	12	703.1	26	427.5	38	1,130.6
East Asia and Pacific						
China	7	687.0	4	450.0	11	1,137.0
Fiji	1	6.5	—	—	1	6.5
Indonesia	11	1,132.3	—	—	11	1,132.3
Korea, Republic of	5	626.0	—	—	5	626.0
Lao People's Dem. Rep.	—	—	1	3.9	1	3.9
Malaysia	5	331.1	—	—	5	331.1
Papua New Guinea	3	74.9	—	—	3	74.9
Philippines	2	151.0	—	—	2	151.0
Solomon Islands	—	—	1	5.0	1	5.0
Thailand	2	93.0	—	—	2	93.0
Vanuatu	—	—	1	2.0	1	2.0
Western Samoa	—	—	1	2.5	1	2.5
Total	36	3,101.8	8	463.4	44	3,565.2

(continued)

Table 5-1 *(continued)*

Region and country	IBRD loans		IDA credits		Total	
	Number	Amount	Number	Amount	Number	Amount
South Asia						
Bangladesh	—	—	6	463.0	6	463.0
Burma	—	—	1	30.0	1	30.0
India	6	1,743.2	6	625.1	12	2,368.3
Nepal	—	—	2	34.5	2	34.5
Pakistan	4	473.0	3	177.2	7	650.2
Sri Lanka	—	—	4	85.0	4	85.0
Total	10	2,216.2	22	1,414.8	32	3,631.0
Europe, Middle East, and North Africa						
Cyprus	1	20.0	—	—	1	20.0
Egypt, Arab Republic of	1	70.0	—	—	1	70.0
Hungary	3	189.0	—	—	3	189.0
Jordan	4	102.7	—	—	4	102.7
Morocco	5	538.0	—	—	5	538.0
Oman	1	30.0	—	—	1	30.0
Portugal	1	25.0	—	—	1	25.0
Syrian Arab Republic	2	77.5	—	—	2	77.5
Tunisia	1	27.7	—	—	1	27.7
Turkey	6	1,057.0	—	—	6	1,057.0
Yemen Arab Republic	—	—	4	46.4	4	46.4
Yugoslavia	1	121.5	—	—	1	121.5
Total	26	2,258.4	4	46.4	30	2,304.8
Latin America and the Caribbean						
Argentina	3	544.5	—	—	3	544.5
Barbados	1	10.0	—	—	1	10.0
Bolivia	—	—	2	70.0	2	70.0
Brazil	11	1,620.0	—	—	1	1,620.0
Chile	4	456.0	—	—	4	456.0
Colombia	7	700.3	—	—	7	700.3
Dominican Republic	1	35.8	—	—	1	35.8
Ecuador	4	253.5	—	—	4	253.5
Guatemala	1	81.0	—	—	1	81.0
Honduras	1	37.4	—	—	1	37.4
Mexico	6	904.0	—	—	6	904.0
Peru	1	13.5	—	—	1	13.5
Uruguay	1	45.2	—	—	1	45.2
Total	41	4,701.2	2	70.0	43	4,771.2
Grand total	131	13,178.8	97	3,139.9	228	16,318.7

NOTE: Supplements, as well as B-loans, are included in the amounts, but are not counted as separate lending operations. Joint IBRD/IDA operations are counted only once, as IBRD operations.

Table 5-2. **Projects Approved for IBRD and IDA Assistance in Fiscal 1986, by Sector**
(millions of US dollars)

Sector[a]	IBRD	IDA	Total
Agriculture and Rural Development			
Argentina—Agriculture sector loan	350.0	—	350.0
Bangladesh—Fishing	—	22.0	22.0
Bangladesh—Forestry	—	28.0	28.0
Benin—Area development[b]	—	1.9	1.9
Brazil—Agriculture sector loan	500.0	—	500.0
Brazil—Area development	92.0	—	92.0
Brazil—Irrigation and drainage	57.0	—	57.0
Brazil—Irrigation and drainage	48.0	—	48.0
Brazil—Research and extension	155.0	—	155.0
Burma—Agroindustry	—	30.0	30.0
Burundi—Forestry	—	12.8	12.8
Central African Republic—Livestock	—	11.9	11.9
Chad—Area development	—	15.0	15.0
China—Agriculture credit	—	90.0	90.0
China—Fishing	—	60.0	60.0
Colombia—Agriculture sector loan	250.0	—	250.0
Colombia—Irrigation and drainage	114.0	—	114.0
Côte d'Ivoire—Perennial crops	13.4	—	13.4
Ecuador—Agriculture sector loan	100.0	—	100.0
Egypt, Arab Republic of—Irrigation and drainage	70.0	—	70.0
Guinea—Agriculture credit	—	7.5	7.5
Guinea—Area development	—	6.6	6.6
India—Agriculture credit	375.0	—	375.0
India—Irrigation and drainage	131.0	140.0	271.0
India—Irrigation and drainage	—	99.0	99.0
India—Irrigation and drainage	—	160.0	160.0
India—Research and extension	—	72.1	72.1
Indonesia—Agriculture credit	33.0	—	33.0
Indonesia—Irrigation and drainage	166.0	—	166.0
Indonesia—Livestock	32.0	—	32.0
Kenya—Agriculture sector loan	—	20.0	20.0
Madagascar—Irrigation and drainage	—	20.0	20.0
Malawi—Area development	—	11.6	11.6
Malawi—Forestry	16.7	—	16.7
Malaysia—Agriculture credit	50.0	—	50.0
Mali—Forestry	—	6.3	6.3
Mauritania—Livestock	—	7.6	7.6
Mauritius—Agroindustry	30.0	—	30.0
Mexico—Agriculture credit	180.0	—	180.0
Mexico—Area development	109.0	—	109.0
Morocco—Agriculture credit	120.0	—	120.0
Morocco—Irrigation and drainage	46.0	—	46.0
Nepal—Irrigation and drainage	—	24.5	24.5
Nigeria—Area development	162.0	—	162.0
Pakistan—Agriculture credit	165.0	55.0	220.0
Pakistan—Irrigation and drainage	—	10.0	10.0
Papua New Guinea—Agriculture credit	18.8	—	18.8
Papua New Guinea—Perennial crops	27.6	—	27.6
Rwanda—Area development	—	12.7	12.7
Senegal—Irrigation and drainage	—	4.9	4.9

(continued)

Table 5-2 *(continued)*

Sector[a]	IBRD	IDA	Total
Agriculture and Rural Development *(continued)*			
Somalia—Area development	—	30.0	30.0
Somalia—Livestock	—	4.3	4.3
Sudan—Area development	—	10.6	10.6
Sudan—Irrigation and drainage	—	22.0	22.0
Syrian Arab Republic—Research and extension	7.5	—	7.5
Thailand—Perennial crops	60.0	—	60.0
Togo—Area development[b]	—	6.9	6.9
Tunisia—Irrigation and drainage	27.7	—	27.7
Turkey—Irrigation and drainage	255.0	—	255.0
Western Samoa—Agriculture credit	—	2.5	2.5
Yemen Arab Republic—Irrigation and drainage	—	10.0	10.0
Total	3,761.7	1,015.7	4,777.4
Development Finance Companies			
Chile	100.0	—	100.0
China	75.0	25.0	100.0
Ecuador	115.0	—	115.0
Fiji	6.5	—	6.5
Ghana	—	28.5	28.5
Honduras	37.4	—	37.4
India	250.0	—	250.0
Jordan	15.0	—	15.0
Malawi	7.8	—	7.8
Morocco	200.0	—	200.0
Pakistan	148.0	2.0	150.0
Pakistan	70.0	—	70.0
Rwanda	—	9.0	9.0
Sri Lanka	—	20.0	20.0
Turkey	300.0	—	300.0
Zaire	—	20.0	20.0
Zambia	—	20.0	20.0
Total	1,324.7	124.5	1,449.2
Education			
Barbados	10.0	—	10.0
Botswana	26.0	—	26.0
Cameroon	30.1	—	30.1
China	—	120.0	120.0
Indonesia	58.1	—	58.1
Indonesia	93.0	—	93.0
Jordan	10.2	—	10.2
Kenya	—	37.5	37.5
Malaysia	73.3	—	73.3
Malaysia	127.0	—	127.0
Morocco	150.0	—	150.0
Pakistan	—	40.2	40.2
Rwanda	—	15.6	15.6
Solomon Islands	—	5.0	5.0
Sri Lanka	—	15.0	15.0
Western Africa region	—	5.5	5.5
Yemen Arab Republic	—	12.7	12.7
Total	577.7	251.5	829.2

Table 5-2 *(continued)*

Sector[a]	IBRD	IDA	Total
Energy			
Oil, Gas, and Coal			
Argentina[b]	116.0	—	116.0
Bolivia	—	15.0	15.0
China	30.0	—	30.0
Indonesia	34.0	—	34.0
Thailand	33.0	—	33.0
Zambia	—	3.1	3.1
Total	213.0	18.1	231.1
Power			
Bangladesh	—	79.0	79.0
Bangladesh	—	56.0	56.0
Brazil	500.0	—	500.0
China	225.0	—	225.0
China	52.0	—	52.0
Colombia	171.0	—	171.0
Ecuador	8.5	—	8.5
Ethiopia	—	62.0	62.0
Ghana	—	28.0	28.0
Guatemala	81.0	—	81.0
Hungary	64.0	—	64.0
India	485.0	—	485.0
Jordan	27.5	—	27.5
Korea, Republic of	230.0	—	230.0
Pakistan	90.0	—	90.0
Papua New Guinea	28.5	—	28.5
Peru	13.5	—	13.5
Senegal	—	20.0	20.0
Sudan	—	30.0	30.0
Tanzania	—	40.0	40.0
Turkey	200.0	—	200.0
Turkey[c]	52.0	—	52.0
Turkey	10.0	—	10.0
Turkey	140.0	—	140.0
Uruguay	45.2	—	45.2
Yemen Arab Republic	—	11.7	11.7
Zaire	—	37.0	37.0
Total	2,423.2	363.7	2,786.9
Industry			
Guinea—Engineering	—	3.9	3.9
Hungary—Industry sector loan	100.0	—	100.0
Hungary—Industry sector loan	25.0	—	25.0
India—Fertilizer and other chemicals	302.2	—	302.2
India—Industry sector loan	200.0	—	200.0
Mauritania—Mining, other extractive	20.0	—	20.0
Zaire—Industry sector loan	—	50.0	50.0
Zaire—Mining, other extractive	110.0	—	110.0
Zambia—Fertilizer and other chemicals	—	10.0	10.0
Total	757.2	63.9	821.1

(continued)

Table 5-2 *(continued)*

Sector[a]	IBRD	IDA	Total
Nonproject			
Bangladesh	—	200.0	200.0
Bolivia	—	55.0	55.0
Burundi	—	15.0	15.0
Chile	250.0	—	250.0
Côte d'Ivoire	250.0	—	250.0
Equatorial Guinea	—	6.0	6.0
Guinea	—	25.0	25.0
Malawi	—	30.0	30.0
Mexico	400.0	—	400.0
Niger	—	20.0	20.0
Senegal	—	20.0	20.0
Zambia	—	50.0	50.0
Total	900.0	421.0	1,321.0
Population, Health, and Nutrition			
Bangladesh	—	78.0	78.0
Brazil	59.5	—	59.5
China	15.0	65.0	80.0
Colombia	36.5	—	36.5
Côte d'Ivoire	22.2	—	22.2
Ghana	—	15.0	15.0
India	—	51.0	51.0
Indonesia	33.4	—	33.4
Niger	—	27.8	27.8
Rwanda	—	10.8	10.8
Sierra Leone	—	5.3	5.3
Total	166.6	252.9	419.5
Small-scale Enterprises			
Chile	40.0	—	40.0
Côte d'Ivoire	30.0	—	30.0
Ecuador	30.0	—	30.0
Indonesia	64.5	—	64.5
Nepal	—	10.0	10.0
Turkey	100.0	—	100.0
Total	264.5	10.0	274.5
Technical Assistance			
Argentina	18.5	—	18.5
Botswana	7.6	—	7.6
Brazil	29.0	—	29.0
China	—	20.0	20.0
Kenya	—	11.5	11.5
Kenya	—	6.0	6.0
Madagascar	—	10.0	10.0
Madagascar	—	10.3	10.3
Nigeria	5.0	—	5.0
Yemen Arab Republic	—	12.0	12.0
Zambia	—	8.0	8.0
Total	60.1	77.8	137.9

Table 5-2 *(continued)*

Sector[a]	IBRD	IDA	Total
Telecommunications			
Côte d'Ivoire	24.5	—	24.5
Lao People's Dem. Rep.	—	3.9	3.9
Senegal	—	22.0	22.0
Total	24.5	25.9	50.4
Transportation			
Chile—Highways	—	—	—
China—Ports and waterways	130.0	—	130.0
China—Railways	160.0	70.0	230.0
Colombia—Highways	62.0	—	62.0
Colombia—Ports and waterways	42.8	—	42.8
Cyprus—Highways	20.0	—	20.0
Dominican Republic—Highways	35.8	—	35.8
Ethiopia—Ports and waterways	—	5.5	5.5
Gambia, The—Highways	—	5.8	5.8
Ghana—Ports and waterways	—	24.5	24.5
Indonesia—Highways	300.0	—	300.0
Korea, Republic of—Ports and waterways	141.0	—	141.0
Korea, Republic of—Railways	67.0	—	67.0
Madagascar—Railways	—	12.0	12.0
Malaysia—Ports and waterways	18.8	—	18.8
Mali—Highways	—	48.6	48.6
Morocco—Ports and waterways	22.0	—	22.0
Niger—Highways	—	15.0	15.0
Nigeria—Railways	20.9	—	20.9
Oman—Highways	30.0	—	30.0
Philippines—Highways	82.0	—	82.0
Rwanda—Highways	—	11.0	11.0
Tanzania—Highways	—	50.0	50.0
Vanuatu—Multipurpose credit	—	2.0	2.0
Yugoslavia—Highways	121.5	—	121.5
Total	1,253.8	244.4	1,498.2
Urban Development			
Brazil	55.0	—	55.0
Brazil	24.5	—	24.5
Brazil	100.0	—	100.0
India	—	62.0	62.0
Indonesia	275.0	—	275.0
Korea, Republic of	150.0	—	150.0
Mali	—	28.0	28.0
Mexico	40.0	—	40.0
Mexico	150.0	—	150.0
Nigeria	53.0	—	53.0
Nigeria	72.0	—	72.0
Pakistan	—	70.0	70.0
Portugal	25.0	—	25.0
Sri Lanka	—	13.0	13.0
Total	944.5	173.0	1,117.5

(continued)

Table 5-2 *(continued)*

Sector[a]	IBRD	IDA	Total
Water Supply and Sewerage			
Argentina	60.0	—	60.0
Benin	—	10.0	10.0
Burundi	—	9.5	9.5
Chile	60.0	—	60.0
Chile	6.0	—	6.0
Colombia	24.0	—	24.0
India	—	41.0	41.0
Indonesia	43.3	—	43.3
Jordan	50.0	—	50.0
Korea, Republic of	38.0	—	38.0
Malaysia	62.0	—	62.0
Mexico	25.0	—	25.0
Philippines	69.0	—	69.0
Sri Lanka	—	37.0	37.0
Syrian Arab Republic	70.0	—	70.0
Total	507.3	97.5	604.8
Grand Total	13,178.8	3,139.9	16,318.7

NOTE: For additional details, see Tables 5-3 and 5-4.

a. Many projects include activity in more than one sector or subsector.

b. Supplementary financing to a previous loan, and not counted as a separate operation.

c. B-loan applied to an existing project, not counted as a separate operation.

Table 5-3. Statement of IBRD Loans Approved during Fiscal Year 1986

Borrower or guarantor / Purpose	Date of approval	Maturities	Principal amount (US$ millions)
Argentina			
Water Supply and Sewerage: Water Supply Project	Dec. 10, 1985	1989/2000	60.0
Agriculture and Rural Development: Agricultural Sector	Apr. 3, 1986	1989/2001	350.0
Technical Assistance: Public-Sector Management Project	Jun. 3, 1986	1990/2001	18.5
Argentina (Guarantor)			
Energy: Refinery Conversion Project—Yacimientos Petrolíferos Fiscales	May 20, 1986	1989/1994	116.0
Barbados			
Education: Second Education and Training Project	May 6, 1986	1989/2001	10.0
Botswana			
Education: Fourth Education Project	Dec. 17, 1985	1990/2003	26.0
Technical Assistance: Selebi-Phikwe Technical Assistance Project	May 15, 1986	1991/2003	7.6
Brazil			
Urban Development: Northeast Urban Flood Reconstruction Project	Dec. 19, 1985	1989/2001	100.0
Urban Development: Salvador Metropolitan Development Project	Apr. 22, 1986	1989/2001	55.0
Agriculture and Rural Development: Northeast Irrigation Engineering and Technical Assistance Project	Apr. 22, 1986	1990/2001	48.0
Agriculture and Rural Development: Second Agricultural Extension Project	Apr. 22, 1986	1990/2001	155.0
Population, Health, and Nutrition: Northeast Basic Health Services Project	May 22, 1986	1990/2001	59.5
Agriculture and Rural Development: Fifth Northeast Rural Development Project	Jun. 12, 1986	1989/2001	92.0
Agriculture and Rural Development: Upper and Middle São Francisco Irrigation Project	Jun. 12, 1986	1990/2001	57.0
Energy: Electric Power Sector Loan	Jun. 19, 1986	1990/2001	500.0
Technical Assistance: Public Sector Management Project	Jun. 19, 1986	1990/2001	29.0
Agriculture and Rural Development: Credit and Marketing Reform Project	Jun. 26, 1986	1990/2001	500.0
Brazil (Guarantor)			
Urban Development: Santa Catarina Small Towns Improvement Project—The State of Santa Catarina	Sep. 19, 1985	1989/2000	24.5
Cameroon			
Education: Educational and Vocational Training Project	Apr. 29, 1986	1991/2006	30.1
Chile			
Development Finance Companies: Industrial Finance Restructuring Project	Jul. 16, 1985	1989/2000	100.0
Nonproject: Structural Adjustment Loan	Oct. 22, 1985	1989/2000	250.0
Chile (Guarantor)			
Small-scale Enterprises: Small and Medium-scale Industrial Enterprises Project—Corporación de Fomento de la Producción	Aug. 27, 1985	1989/2000	40.0
Water Supply and Sewerage: Valparaiso Water Supply Reconstruction Project—Empresa de Obras Sanitarias de la V Región	Feb. 11, 1986	1989/2001	6.0
Water Supply and Sewerage: Second Santiago Water Supply and Sewerage Project—Empresa Metropolitana de Obras Sanitarias	Feb. 11, 1986	1989/2001	60.0

(continued)

Table 5-3 (continued)

Borrower or guarantor Purpose	Date of approval	Maturities	Principal amount (US$ millions)
China			
Development Finance Companies: Third Industrial Credit	Mar. 4, 1986	1991/2005	75.0
Transportation: Third Railway Project	Apr. 15, 1986	1992/2006	160.0
Transportation: Tianjin Port Project	May 6, 1986	1991/2006	130.0
Energy: Technical Assistance Project	May 29, 1986	1992/2006	30.0
Energy: Yantan Hydroelectric Project	May 29, 1986	1992/2006	52.0
Energy: Beilungang Thermal Power Project	May 29, 1986	1992/2006	225.0
Population, Health, and Nutrition: Rural Health and Preventive Medicine Project	Jun. 19, 1986	1991/2006	15.0
Colombia			
Population, Health, and Nutrition: Health Services Integration Project	Jul. 30, 1985	1990/2002	36.5
Agriculture and Rural Development: Trade and Agricultural Policy Project	Apr. 15, 1986	1990/2003	250.0
Colombia (Guarantor)			
Water Supply and Sewerage: Barranquilla Water Supply Project—Empresas Públicas Municipales de Barranquilla	Nov. 26, 1985	1990/2002	24.0
Transportation: Ports Rehabilitation Project—Empresa Puertos de Colombia, S.A.	Nov. 26, 1985	1990/2003	42.8
Energy: Bogota Power Distribution II Project—Empresa de Energía Eléctrica de Bogotá	Nov. 26, 1985	1990/2002	171.0
Transportation: Rural Transport Sector Project—Fondo Nacional de Caminos Vecinales	Mar. 25, 1986	1990/2003	62.0
Agriculture and Rural Development: Irrigation Rehabilitation II Project—Instituto Colombiano de Hidrología, Meteorología y Adecuación de Tierras	Mar. 25, 1986	1990/2003	114.0
Côte d'Ivoire			
Small-scale Enterprises: Industrial Finance and Development Project	Sep. 10, 1985	1991/2005	30.0
Population, Health, and Nutrition: Health and Demographic Project	Sep. 19, 1985	1991/2005	22.2
Agriculture and Rural Development: Fifth Oil Palm Development Project	Oct. 22, 1985	1991/2005	13.4
Telecommunications: Second Telecommunications Project	May 15, 1986	1991/2006	24.5
Nonproject: Third Structural Adjustment Loan	Jun. 3, 1986	1992/2006	250.0
Cyprus			
Transportation: Fourth Highway Project	Apr. 29, 1986	1989/2001	20.0
Dominican Republic			
Transportation: Third Road Reconstruction Project	Jul. 23, 1985	1989/2002	35.8
Ecuador			
Agriculture and Rural Development: Agricultural Sector Loan	Oct. 22, 1985	1990/2003	100.0
Small-scale Enterprises: Third Small-scale Enterprise Credit Project	Mar. 27, 1986	1990/2003	30.0
Development Finance Companies: Industrial Finance Project	Mar. 27, 1986	1990/2003	115.0
Ecuador (Guarantor)			
Energy: Power Sector Improvement Project—Instituto Ecuatoriano de Electrificación	Jun. 3, 1986	1991/2003	8.5
Egypt, Arab Republic of			
Agriculture and Rural Development: Channel Maintenance Project	Jun. 26, 1986	1992/2006	70.0
Fiji			
Development Finance Companies: Fiji Development Bank Project	Jul. 2, 1985	1988/2000	6.5

Table 5-3 *(continued)*

Borrower or guarantor Purpose	Date of approval	Maturities	Principal amount (US$ millions)
Guatemala (Guarantor)			
Energy: Power Distribution Project—Instituto Nacional de Electrificación	Jun. 23, 1986	1992/2001	81.0
Honduras			
Development Finance Companies: Third Industrial Credit	May 29, 1986	1992/2006	37.4
Hungary			
Energy: Power Project	May 20, 1986	1990/2001	64.0
Hungary (Guarantor)			
Industry: Industrial Restructuring Project—National Bank of Hungary	May 27, 1986	1990/2001	100.0
Industry: Second Industrial Energy Conservation Project—National Bank of Hungary	May 29, 1986	1990/2001	25.0
India			
Development Finance Companies: Export of Engineering Products	Oct. 29, 1985	1991/2005	90.0
Agriculture and Rural Development: NABARD Credit	Feb. 25, 1986	1991/2006	375.0
Industry: Cement Industry Project	Mar. 20, 1986	1991/2006	165.0
Agriculture and Rural Development: Second Andhra Pradesh Irrigation Project	Mar. 20, 1986	1991/2006	131.0
Energy: Combined Cycle Power Project	Apr. 1, 1986	1991/2006	485.0
Industry: Cooperative Fertilizer Industry Project	Jun. 26, 1986	1992/2006	150.2
India (Guarantor)			
Development Finance Companies: Export of Engineering Products—The Industrial Credit and Investment Corporation of India	Oct. 29, 1985	1991/2005	160.0
Industry: Cement Industry Project—The Industrial Credit and Investment Corporation of India	Mar. 20, 1986	1991/2006	35.0
Industry: Cooperative Fertilizer Industry—Indian Farmers' Fertilizer Cooperatives	Jun. 26, 1986	1992/2006	152.0
Indonesia			
Education: Science and Technology Training Project	Jul. 2, 1985	1991/2005	93.0
Agriculture and Rural Development: Smallholder Cattle Development Project	Oct. 22, 1985	1991/2005	32.0
Water Supply and Sewerage: Second East Java Water Supply Project	Nov. 12, 1985	1991/2006	43.3
Population, Health, and Nutrition: Second Nutrition and Community Health Project	Nov. 26, 1985	1991/2006	33.4
Agriculture and Rural Development: Nusa Tenggara Agricultural Support Project	Dec. 3, 1985	1991/2006	33.0
Agriculture and Rural Development: Central and Western Java Provincial Irrigation Project	Jan. 23, 1986	1991/2006	166.0
Energy: Gas Distribution Project	May 6, 1986	1992/2006	34.0
Small-scale Enterprises: Export Development Project	May 27, 1986	1991/2006	64.5
Education: Manpower Development and Training Project	May 29, 1986	1991/2006	58.1
Transportation: Highway Maintenance and Betterment Project	Jun. 12, 1986	1992/2006	300.0
Urban Development: Housing Sector Loan	Jun. 23, 1986	1992/2006	275.0
Jordan			
Development Finance Companies: Second Cities and Villages Development Project	Aug. 27, 1985	1989/2000	15.0
Education: Manpower Development Project	Nov. 12, 1985	1989/2000	10.2

(continued)

Table 5-3 (continued)

Borrower or guarantor Purpose	Date of approval	Maturities	Principal amount (US$ millions)
Jordan *(continued)*			
Water Supply and Sewerage: Water Supply and Sewerage Project	May 15, 1986	1990/2001	50.0
Energy: Sixth Power Project	May 29, 1986	1990/2001	27.5
Korea, Republic of			
Transportation: Seoul-Busan Corridor Project	Jul. 2, 1985	1989/2000	67.0
Water Supply and Sewerage: Namgang and Taegu Water Supply Project	Aug. 27, 1985	1989/2000	38.0
Transportation: Pusan Port Project	Jun. 23, 1986	1989/2001	141.0
Korea, Republic of (Guarantor)			
Energy: Second Power Project—Korea Electric Power Corporation	Mar. 27, 1986	1989/2000	230.0
Urban Development: Urban Land Development Project—Korea Land Development Corporation	May 29, 1986	1989/2001	150.0
Malawi			
Development Finance Companies: Industrial and Agricultural Credit	Dec. 19, 1985	1990/2001	7.8
Agriculture and Rural Development: Second Wood-Energy Project	Mar. 25, 1986	1991/2006	16.7
Malaysia			
Education: Second Industrial Training Project	Jul. 2, 1985	1989/2000	73.3
Agriculture and Rural Development: Land-Settlement Infrastructure Project	Dec. 10, 1985	1989/2000	50.0
Water Supply and Sewerage: Johor Water Supply Project	Feb. 25, 1986	1989/2001	62.0
Transportation: Port Kelang Project	Apr. 29, 1986	1989/2001	2.1
Education: Primary and Secondary Education Sector Project	Apr. 29, 1986	1989/2001	127.0
Malaysia (Guarantor)			
Transportation: Port Kelang Project—Kelang Port Authority	Apr. 29, 1986	1989/2001	16.7
Mauritania (Guarantor)			
Industry: SNIM Rehabilitation Project—Société Nationale Industrielle et Minière	Dec. 17, 1985	1989/2000	20.0
Mauritius			
Agriculture and Rural Development: Sugar Industry Project	Jun. 26, 1986	1991/2003	30.0
Mexico (Guarantor)			
Agriculture and Rural Development: Agricultural Credit—Nacional Financiera S.A.	Jul. 23, 1985	1989/2000	180.0
Urban Development: Low-Income Housing Project—Banco Nacional de Obras y Servicios Públicos	Aug. 27, 1985	1989/2000	150.0
Agriculture and Rural Development: Second Tropical Agricultural Project (Proderith II)—Nacional Financiera, S.N.C. (NAFINSA)	Mar. 4, 1986	1989/2001	109.0
Water Supply and Sewerage: Solid Waste Management Pilot Project—Banco Nacional de Obras y Servicios Públicos	Mar. 25, 1986	1989/2001	25.0
Urban Development: Municipal Strengthening Project—Banco Nacional de Obras y Servicios Públicos	Mar. 25, 1986	1989/2001	40.0
Nonproject: Earthquake Rehabilitation and Reconstruction Project—Banco Nacional de Obras y Servicios Públicos	Mar. 25, 1986	1989/2001	400.0
Morocco			
Development Finance Companies: Second Industry and Trade Adjustment Loan	Jul. 16, 1985	1990/2005	200.0
Agriculture and Rural Development: Large-scale Irrigation Improvement Project	Feb. 25, 1986	1991/2006	46.0
Education: Education Sector Reform Program	Mar. 20, 1986	1991/2006	150.0

Table 5-3 (continued)

Borrower or guarantor Purpose	Date of approval	Maturities	Principal amount (US$ millions)
Morocco (Guarantor)			
Transportation: Ports of Casablanca and Mohammedia Project—Office d'Exploitation des Ports	Feb. 25, 1986	1991/2006	22.0
Agriculture and Rural Development: Sixth Agricultural Credit—National Bank for Agricultural Credit	Jun. 26, 1986	1992/2006	120.0
Nigeria			
Urban Development: Second Urban Development Project (Imo State)	Jul. 23, 1985	1990/2005	53.0
Small-scale Enterprises: Industry Technical Assistance Project	Sep. 10, 1985	1991/2005	5.0
Urban Development: Lagos Solid Waste and Storm-drainage Project	Sep. 19, 1985	1991/2005	72.0
Transportation: Transport Parastatals Project	Jun. 26, 1986	1991/2006	20.9
Agriculture and Rural Development: Multistate Agricultural Development Project	Jun. 26, 1986	1991/2006	162.0
Oman			
Transportation: Third Highway Maintenance Project	Oct. 29, 1985	1989/2000	30.0
Pakistan			
Development Finance Companies: Second Industrial Investment Credit	Jan. 7, 1986	1991/2006	148.0
Agriculture and Rural Development: Sixth Agricultural Development Bank Project	May 15, 1986	1991/2006	165.0
Development Finance Companies: Export Development Project	May 27, 1986	1991/2006	70.0
Pakistan (Guarantor)			
Energy: Kot Addu Combined Cycle Power Project—Water and Power Development Authority	May 22, 1986	1991/2006	90.0
Papua New Guinea			
Agriculture and Rural Development: Nucleus Estate and Smallholder Project	Jul. 23, 1985	1992/2002	27.6
Agriculture and Rural Development: Third Agricultural Credit	Sep. 19, 1985	1993/2001	18.8
Energy: Yonki Hydroelectric Power Development Project	Jun. 19, 1986	1991/2006	28.5
Peru (Guarantor)			
Energy: Power Engineering II Project—Empresa Electricidad del Perú	Jul. 2, 1985	1989/2002	13.5
Philippines			
Water Supply and Sewerage: Metropolitan Manila Water Distribution Project	Apr. 3, 1986	1991/2006	69.0
Transportation: Second Rural Roads Improvement Project	Jun. 10, 1986	1992/2006	82.0
Portugal			
Urban Development: Housing Finance Project	Dec. 3, 1985	1989/2000	25.0
Syrian Arab Republic			
Agriculture and Rural Development: National Agricultural Extension Project	Sep. 19, 1985	1989/2000	7.5
Water Supply and Sewerage: Aleppo Sewerage Project	May 13, 1986	1989/2001	70.0
Thailand			
Agriculture and Rural Development: Third Rubber Replanting Project	May 13, 1986	1991/2003	60.0
Thailand (Guarantor)			
Energy: Sirikit Petroleum Project—Petroleum Authority of Thailand	Dec. 3, 1985	1991/2000	33.0

(continued)

Table 5-3 *(continued)*

Borrower or guarantor Purpose	Date of approval	Maturities	Principal amount (US$ millions)
Tunisia			
Agriculture and Rural Development: Gabes Irrigation Project .	Jul. 16, 1985	1989/2002	27.7
Turkey			
Small-scale Enterprises: Small and Medium-scale Industries Project.	Jan. 7, 1986	1989/2001	100.0
Energy: Kayraktepe Hydropower Project	Feb. 25, 1986	1990/2003	200.0
Agriculture and Rural Development: Drainage and On-farm Development Project	Mar. 20, 1986	1990/2003	255.0
Energy: Kayraktepe Hydropower Project	Mar. 28, 1986	1996/1998	19.0
Energy: Kayraktepe Hydropower Project	Apr. 3, 1986	1997/1998	33.0
Development Finance Companies: Financial Sector Adjustment Loan	Jun. 10, 1986	1990/2003	300.0
Turkey (Guarantor)			
Energy: Power System Operation Assistance Project—Turkiye Elektrik Kurumu	Jul. 2, 1985	1990/2002	140.0
Energy: Elbistan Operations Maintenance Assistance Project—Turkiye Elektrik Kurumu	Feb. 4, 1986	1990/2003	10.0
Uruguay (Guarantor)			
Energy: Power Sector Rehabilitation Project—Administración Nacional de Usinas y Tras	Sep. 19, 1985	1989/2000	45.2
Yugoslavia (Guarantor)			
Transportation: Highway Sector Project—The Road Organizations of Slovenia, Croatia, Serbia, and Bosnia-Herzegovina	Jun. 10, 1986	1989/2001	121.5
Zaire (Guarantor)			
Industry: Gecamines Rehabilitation Project—Gécamines/Exploitation	Apr. 29, 1986	1989/2001	110.0
Total of loans to or guaranteed by members			13,178.8
International Finance Corporation			
International Finance Corporation (IFC)	Aug. 29, 1985	1991/2001	150.0
Total of loans to IFC			150.0
Grand total			13,328.8

Note: All loans approved in fiscal year 1986 are at variable interest rates.

Table 5-4. Statement of IDA Credits Approved during Fiscal Year 1986

Country Purpose	Date of approval	Maturities	Principal amount (millions) SDR	US$ equivalents
Bangladesh				
Agriculture and Rural Development: Second Forestry Project	Nov. 12, 1985	1996/2035	27.1	28.0
Energy: Second Rural Electrification Project	Nov. 12, 1985	1996/2035	76.4	79.0
Agriculture and Rural Development: Shrimp Culture	Jan. 14, 1986	1996/2035	20.6	22.0
Population, Health, and Nutrition: Third Population and Family Health Project	Jan. 14, 1986	1996/2035	75.4	78.0
Energy: Power Transportation and Distribution	Jan. 14, 1986	1996/2035	52.3	56.0
Nonproject: Thirteenth Imports Program	Feb. 4, 1986	1996/2036	186.7	200.0
Benin				
Agriculture and Rural Development: Borgou Province Rural Development Project	Apr. 1, 1986	1991/2030	1.8	1.9
Water Supply and Sewerage: Second Water Supply Project	Jun. 30, 1986	1996/2036	8.6	10.0
Bolivia				
Nonproject: Reconstruction Import Credit	May 20, 1986	1996/2036	48.4	55.0
Energy: Vuelta Grande Gas Recycling Project	Jun. 23, 1986	1996/2036	12.8	15.0
Burma				
Agriculture and Rural Development: Grain Storage and Processing Project	May 29, 1986	1996/2036	26.4	30.0
Burundi				
Agriculture and Rural Development: Second Forestry Project	Jul. 16, 1985	1995/2035	13.0	12.8
Water Supply and Sewerage: Rural Water Supply Project	Sep. 10, 1985	1996/2035	9.6	9.5
Nonproject: Structural Adjustment Credit	May 22, 1986	1996/2036	13.2	15.0
Central African Republic				
Agriculture and Rural Development: National Livestock Project	Apr. 15, 1986	1996/2036	10.3	11.9
Chad				
Agriculture and Rural Development: Emergency Cotton Program	Jun. 23, 1986	1996/2036	12.8	15.0
China				
Agriculture and Rural Development: Second Rural Credit Project	Dec. 17, 1985	1996/2035	84.0	90.0
Development Finance Companies: Third Industrial Credit Project	Mar. 4, 1986	1996/2035	22.8	25.0
Technical Assistance: Second Technical Cooperation Project	Mar. 13, 1986	1996/2036	18.0	20.0
Education: Provincial Universities Project	Mar. 25, 1986	1996/2036	108.0	120.0
Transportation: Third Railway Project	Apr. 15, 1986	1996/2036	63.0	70.0
Agriculture and Rural Development: Freshwater Fisheries Project	May 6, 1986	1996/2036	52.0	60.0
Population, Health, and Nutrition: Rural Health and Preventive Medicine Project	Jun. 19, 1986	1996/2036	57.2	65.0
Equatorial Guinea				
Nonproject: Rehabilitation Import Project	May 8, 1986	1996/2036	5.4	6.0

(continued)

Table 5-4 *(continued)*

Country Purpose	Date of approval	Maturities	Principal amount (millions) SDR	US$ equivalents
Ethiopia				
Transportation: Port Engineering and Construction Project	Apr. 1, 1986	1996/2036	5.0	5.5
Energy: Energy Project	May 20, 1986	1996/2036	53.7	62.0
Gambia, The				
Transportation: Second Highway Maintenance Project	Apr. 15, 1986	1996/2036	5.3	5.8
Ghana				
Energy: Power System Rehabilitation Project	Sep. 19, 1985	1996/2035	27.0	28.0
Population, Health, and Nutrition: Health and Education Rehabilitation Project	Jan. 23, 1986	1996/2035	13.8	15.0
Development Finance Companies: Industrial Sector Adjustment Credit	Mar. 27, 1986	1996/2036	25.7	28.5
Transportation: Ports Rehabilitation Project	Mar. 27, 1986	1996/2036	22.4	24.5
Guinea				
Agriculture and Rural Development: Agricultural Services Project	Nov. 26, 1985	1996/2035	7.6	7.5
Agriculture and Rural Development: Gueckedou Agricultural Development Project	Nov. 26, 1985	1996/2035	6.7	6.6
Industry: Mineral Sector Management Project	Nov. 26, 1985	1996/2035	3.7	3.9
Nonproject: Structural Adjustment Program	Feb. 11, 1986	1996/2035	22.9	25.0
India				
Agriculture and Rural Development: West Bengal Minor Irrigation Project	Jul. 2, 1985	1995/2035	101.0	99.0
Water Supply and Sewerage: Kerala Water Supply and Sanitation Project	Jul. 16, 1985	1996/2035	42.7	41.0
Agriculture and Rural Development: Maharashtra Composite Irrigation III Project	Jul. 16, 1985	1995/2035	164.2	160.0
Population, Health, and Nutrition: Fourth Population Project	Jul. 23, 1985	1995/2035	51.5	51.0
Agriculture and Rural Development: Second National Agricultural Research Project	Oct. 22, 1985	1996/2035	69.6	72.1
Urban Development: Gujarat Urban Development Project	Dec. 17, 1985	1996/2035	58.5	62.0
Agriculture and Rural Development: Second Andhra Pradesh Irrigation Project	Mar. 20, 1986	1996/2035	127.5	140.0
Kenya				
Education: Sixth Education Project	Mar. 27, 1986	1996/2036	35.0	37.5
Technical Assistance: Petroleum Exploration Technical Assistance Project	Mar. 27, 1986	1996/2036	5.5	6.0
Technical Assistance: Agricultural Sector Management Project	Jun. 23, 1986	1996/2036	10.2	11.5
Agriculture and Rural Development: Agricultural Sector Adjustment Program	Jun. 23, 1986	1996/2036	17.6	20.0
Lao People's Democratic Republic				
Telecommunications: Telecommunications Rehabilitation and Technical Assistance Project	Apr. 22, 1986	1996/2036	3.5	3.9
Madagascar				
Technical Assistance: Accounting and Management Training Project	Feb. 25, 1986	1996/2035	9.5	10.3
Agriculture and Rural Development: Agricultural Sector Adjustment	May 8, 1986	1996/2036	19.0	20.0

Table 5-4 *(continued)*

Country Purpose	Date of approval	Maturities	Principal amount (millions) SDR	US$ equivalents
Transportation: Third Railway Project	May 8, 1986	1996/2035	10.4	12.0
Technical Assistance: Second Agricultural Institutions Development Project	Jun. 10, 1986	1996/2036	8.7	10.0
Malawi				
Agriculture and Rural Development: Agricultural Extension and Planning Support Project	Sep. 19, 1985	1995/2035	11.7	11.6
Nonproject: Third Structural Adjustment Program	Dec. 19, 1985	1996/2035	28.0	30.0
Mali				
Transportation: Fifth Highway Project	Sep. 19, 1985	1995/2035	50.7	48.6
Agriculture and Rural Development: Second Forestry Project	Jan. 23, 1986	1996/2035	5.9	6.3
Urban Development: Second Urban Project	Apr. 1, 1986	1996/2036	25.2	28.0
Mauritania				
Agriculture and Rural Development: Second Livestock Project	Feb. 4, 1986	1996/2035	7.2	7.6
Nepal				
Small-scale Enterprises: Second Cottage and Small Industries Project	May 13, 1986	1996/2036	8.7	10.0
Agriculture and Rural Development: Narayani III Irrigation Project	Jun. 19, 1986	1996/2036	21.6	24.5
Niger				
Nonproject: Structural Adjustment Program	Feb. 18, 1986	1996/2035	18.3	20.0
Population, Health, and Nutrition: Health Project	Mar. 20, 1986	1996/2035	25.1	27.8
Transportation: Transport Sector Project	May 27, 1986	1996/2036	13.0	15.0
Pakistan				
Development Finance Companies: Second Industrial Investment Credit	Jan. 7, 1986	1996/2035	2.0	2.0
Urban Development: Karachi Special Development Project	Jan. 14, 1986	1996/2035	65.4	70.0
Education: Second Vocational Training	Mar. 25, 1986	1996/2036	36.6	40.2
Agriculture and Rural Development: SCARP Transition Pilot Project	May 8, 1986	1996/2036	8.7	10.0
Agriculture and Rural Development: Sixth Agricultural Development Bank Project	May 15, 1986	1996/2036	47.6	55.0
Rwanda				
Transportation: Sixth Highway Project	Dec. 10, 1985	1996/2035	10.7	11.0
Development Finance Companies: Fourth Rwandese Development Bank Project	Jan. 14, 1986	1996/2035	8.5	9.0
Agriculture and Rural Development: Gitarama Agricultural Production and MINAGRI Development Project	Mar. 20, 1986	1996/2035	11.7	12.7
Population, Health, and Nutrition: Family Health Project	Apr. 1, 1986	1996/2035	9.8	10.8
Education: Third Education Project	Apr. 15, 1986	1996/2035	13.5	15.6
Senegal				
Agriculture and Rural Development: Irrigation Technical Assistance Project	Oct. 29, 1985	1996/2035	4.7	4.9
Education: CESAG Project	Nov. 26, 1985	1996/2035	5.5	5.5
Nonproject: Second Structural Adjustment Program	Feb. 4, 1986	1996/2036	18.3	20.0

(continued)

Table 5-4 (continued)

Country Purpose	Date of approval	Maturities	Principal amount (millions) SDR	US$ equivalents
Senegal *(continued)*				
Energy: First Energy Sector Rehabilitation Project	Jun. 10, 1986	1996/2035	18.3	20.0
Telecommunications: Second Telecommunications Project	Jun. 19, 1986	1996/2036	19.4	22.0
Sierra Leone				
Population, Health, and Nutrition: Health and Population Project	May 13, 1986	1996/2036	4.6	5.3
Solomon Islands				
Education: Secondary Education Project	Apr. 29, 1986	1996/2036	4.5	5.0
Somalia				
Agriculture and Rural Development: Livestock Health Services Project	Jan. 14, 1986	1996/2035	4.1	4.3
Agriculture and Rural Development: Agriculture Sector Adjustment Program	Jun. 19, 1986	1996/2036	26.4	30.0
Sri Lanka				
Development Finance Companies: Second Industrial Development Project	May 8, 1986	1996/2036	17.4	20.0
Education: Second Vocational Training Project	May 13, 1986	1996/2036	13.0	15.0
Urban Development: Municipal Management Project	May 13, 1986	1996/2036	11.3	13.0
Water Supply and Sewerage: Water Supply and Sanitation Rehabilitation Project	May 15, 1986	1996/2036	32.1	37.0
Sudan				
Energy: Power Rehabilitation Project	Aug. 27, 1985	1996/2035	30.3	30.0
Agriculture and Rural Development: Western Savannah Project (Phase II)	Dec. 3, 1985	1996/2035	10.2	10.6
Agriculture and Rural Development: Agricultural Extension and Training Project	Dec. 3, 1985	1996/2035	20.8	22.0
Tanzania				
Transportation: Sixth Highway Rehabilitation Project	May 6, 1986	1996/2036	43.3	50.0
Energy: Power Rehabilitation Project	May 6, 1986	1996/2036	34.7	40.0
Togo				
Agriculture and Rural Development: Second Rural Development Project	Apr. 1, 1986	1993/2032	6.3	6.9
Vanuatu				
Transportation: Multiproject Credit	Mar. 20, 1986	1996/2036	1.9	2.0
Western Samoa				
Agriculture and Rural Development: Multiproject Credit	Feb. 4, 1986	1996/2035	2.3	2.5
Yemen Arab Republic				
Education: Technical-training Project	Dec. 19, 1985	1996/2035	12.0	12.7
Agriculture and Rural Development: Fifth Tihama Regional Agricultural Development Project	Mar. 20, 1986	1996/2036	9.0	10.0
Technical Assistance: Technical Assistance to the Petroleum Sector Project	May 15, 1986	1996/2036	10.6	12.0
Energy: Fourth Power Project	May 15, 1986	1996/2036	10.9	11.7
Zaire				
Industry: Eighth Development Finance Company	Apr. 29, 1986	1996/2036	43.3	50.0

Table 5-4 *(continued)*

Country Purpose	Date of approval	Maturities	Principal amount (millions) SDR	US$ equivalents
Industry: Industrial Sector Adjustment	Jun. 10, 1986	1996/2036	17.6	20.0
Energy: Second Power Project.................	Jun. 19, 1986	1990/2036	10.9	11.7
Zambia				
Energy: Tazama Pipeline Rehabilitation Project...	Sep. 19, 1985	1996/2035	3.0	3.1
Development Finance Companies: Industrial Sector Reorientation Project.................	Oct. 22, 1985	1995/2035	20.1	20.0
Industry: Fertilizer Industry Restructuring Project.	Feb. 25, 1986	1996/2036	9.7	10.0
Technical Assistance: Second Technical Assistance Project..................................	Apr. 1, 1986	1996/2035	7.3	8.0
Nonproject: Recovery Program................	Jun. 26, 1986	1996/2036	42.6	50.0
Total..................................			2,890.3	3,139.9

NOTE: Starting with the sixth replenishment of IDA, credits are expressed in special drawing rights (SDR). The US-dollar equivalent of the original principal amount of credits denominated in SDRs is shown at the rate approved by the Executive Board. All credits approved in fiscal 1986 have a service charge of 0.75 percent and a commitment charge of 0.5 percent on the unwithdrawn balance.

Table 5-5. IBRD and IDA Cumulative Lending Operations, by Major Purpose and Region, June 30, 1986
(millions of US dollars)

	IBRD loans to borrowers, by region[b]						
Purpose[a]	Eastern and Southern Africa	Western Africa	East Asia and Pacific	South Asia	Europe, Middle East, and North Africa	Latin America and the Caribbean	Total
Agriculture and Rural Development							
Agriculture credit	30.0	253.5	553.3	740.0	1,732.3	1,487.9	4,797.0
Agriculture sector loan	5.6	9.0	204.3	26.3	499.7	1,585.7	2,330.6
Agroindustry	30.0	—	177.0	—	828.3	822.9	1,858.2
Area development	155.5	1,095.9	1,245.4	197.0	914.5	2,281.6	5,889.9
Fisheries	—	—	68.2	14.0	48.0	16.2	146.4
Forestry	86.7	97.3	15.0	—	213.5	22.0	434.5
Irrigation and drainage	78.2	32.0	2,805.4	621.5	2,249.6	1,624.3	7,411.0
Livestock	22.5	32.6	80.0	48.0	226.0	991.0	1,400.1
Perennial crops	57.4	459.2	1,218.0	—	108.0	89.0	1,931.6
Research and extension	13.1	—	318.1	25.0	99.4	518.0	973.6
Total	479.0	1,979.5	6,684.7	1,671.8	6,919.3	9,438.6	27,172.9
Development Finance Companies	332.7	239.3	2,729.0	1,594.2	3,998.4	2,863.1	11,756.7
Education	183.1	185.7	2,094.9	—	1,412.4	905.5	4,781.6
Energy							
Oil, Gas, and Coal	35.7	131.5	1,330.0	2,282.5	1,015.5	923.8	5,719.0
Power	997.1	571.0	4,978.3	3,671.6	3,904.5	8,793.2	22,915.7
Total	1,032.8	702.5	6,308.3	5,954.1	4,920.0	9,717.0	28,634.7
Industry							
Engineering	—	—	10.0	—	11.0	9.5	30.5
Fertilizer and other chemicals	—	—	290.9	1,325.3	603.9	583.5	2,803.6
Industry sector loan	—	0.6	372.4	200.0	1,026.7	101.5	1,701.2
Iron and steel	—	20.0	—	189.0	512.8	667.0	1,388.8
Mining, other extractive	322.5	211.0	—	—	181.2	532.5	1,247.2
Paper and pulp	36.4	12.0	5.5	104.2	259.1	20.0	437.2
Textiles	63.0	—	157.4	—	307.3	—	527.7
Total	421.9	243.6	836.2	1,818.5	2,902.0	1,914.0	8,136.2
Nonproject	412.9	760.7	1,879.3	60.0	3,075.9[c]	1,643.6	7,832.4
Population, Health, and Nutrition	11.0	56.2	309.9	—	70.9	260.8	708.8
Small-scale Enterprises	—	170.7	800.0	—	426.0	1,595.6	2,992.3
Technical Assistance	13.6	92.0	13.0	—	8.8	131.3	258.7
Telecommunications	198.9	86.3	385.9	267.5	450.8	463.3	1,852.7
Tourism	17.0	37.5	25.0	—	96.6	187.5	363.6
Transportation							
Airlines and airports	49.0	10.0	9.2	5.6	7.0	218.5	299.3
Highways	455.3	939.4	3,183.7	263.9	2,403.3	4,224.5	11,470.1
Pipelines	—	—	—	37.0	57.5	23.3	117.8
Ports and waterways	91.1	194.8	1,116.1	359.8	1,397.8	398.1	3,557.7
Railways	490.2	204.7	1,430.4	1,035.8	852.5	1,838.5	5,852.1
Transportation sector loan	36.6	25.0	261.2	—	167.0	47.8	537.6
Total	1,122.2	1,373.9	6,000.6	1,702.1	4,885.1	6,750.7	21,834.6
Urban Development	126.0	257.8	1,406.4	49.1	416.2	1,590.1	3,845.6
Water Supply and Sewerage	161.2	367.5	1,133.4	—	1,960.8	2,304.9	5,927.8
Total	4,512.3	6,553.2	30,606.6	13,177.3	31,543.2	39,766.0	126,098.6

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

b. Except for the total amount shown in footnote d, no account is taken of cancellations and refundings subsequent to original commitment. Amounts of cancellations and refundings are shown by country and purpose in the Statement of Loans and Development Credits. IBRD loans of $1,817.7 million to IFC are excluded.

IDA credits to borrowers, by region							
Eastern and Southern Africa	Western Africa	East Asia and Pacific	South Asia	Europe, Middle East, and North Africa	Latin America and the Caribbean	Total	Total IBRD and IDA
219.5	63.6	211.2	1,772.9	104.2	23.5	2,394.9	7,193.9
107.9	4.5	117.7	150.0	—	—	380.1	2,710.7
293.5	—	—	434.9	63.0	15.0	806.4	2,664.6
691.7	534.9	192.3	707.0	105.7	51.1	2,282.7	8,172.6
45.6	1.3	70.0	77.7	54.1	—	248.7	395.1
132.6	60.6	47.3	556.0	—	12.8	809.3	1,243.8
483.2	172.1	346.2	4,589.5	405.7	18.5	6,015.2	13,426.2
210.5	119.5	10.6	90.6	49.5	67.5	548.2	1,948.3
150.6	156.5	266.8	181.0	15.0	3.2	773.1	2,704.7
71.3	19.5	100.5	584.8	6.0	—	782.1	1,755.7
2,406.4	1,132.5	1,362.6	9,144.4	803.2	191.6	15,040.7	42,215.6
334.9	104.8	153.5	308.5	101.0	27.2	1,029.9	12,786.6
751.5	329.1	750.3	455.7	284.0	67.6	2,638.2	7,419.8
175.7	92.6	3.0	292.7	74.0	33.0	671.0	6,390.0
469.9	193.5	126.0	3,072.3	273.1	155.9	4,290.7	27,206.4
645.6	286.1	129.0	3,365.0	347.1	188.9	4,961.7	33,596.4
4.3	3.9	—	—	—	—	8.2	38.7
14.0	21.0	35.0	904.0	21.4	—	995.4	3,799.0
50.0	6.9	—	—	18.7	—	75.6	1,776.8
—	—	—	—	—	—	—	1,388.8
13.5	7.4	—	16.0	—	7.5	44.4	1,291.6
50.0	—	—	—	—	—	50.0	487.2
20.0	—	—	104.7	7.0	—	131.7	659.4
151.8	39.2	35.0	1,024.7	47.1	7.5	1,305.3	9,441.5
657.5	376.2	—	2,986.6	35.0	77.0	4,132.3	11,964.7
58.9	106.4	236.3	363.2	57.7	—	822.5	1,531.3
19.2	63.5	56.5	246.5	2.3	—	388.0	3,380.3
197.8	159.3	55.0	93.5	23.6	—	529.2	787.9
141.6	66.6	16.7	826.2	83.0	—	1,134.1	2,986.8
14.0	4.0	16.0	4.2	48.5	—	86.7	450.3
9.0	5.0	—	—	2.5	—	16.5	315.8
1,188.4	810.7	152.4	315.4	169.5	147.3	2,783.7	14,253.8
—	—	—	—	—	—	—	117.8
175.7	135.0	19.9	293.3	9.2	16.0	649.1	4,206.8
170.0	129.6	110.0	1,034.2	38.5	8.0	1,490.3	7,342.4
15.0	—	2.0	103.8	—	—	120.8	656.4
1,558.1	1,080.3	284.3	1,746.7	219.7	171.3	5,060.4	26,893.0
152.3	116.4	—	715.0	50.3	75.0	1,109.0	4,954.6
235.1	123.3	106.4	911.4	199.1	18.6	1,583.9	7,511.7
7,314.7	3,987.7	3,201.6	22,191.6	2,301.6	824.7	39,822.0	165,920.6[d]

c. Includes $497 million in European reconstruction loans made before 1952.

d. Cancellations, terminations, and refundings amount to $6,170.0 million for the IBRD and $1,088.2 million for IDA, totaling $7,258.2 million. This amount includes $46.1 million of loans and $175.8 million of credits made to Pakistan in earlier years for development projects in its former eastern wing, now Bangladesh. The loans and credits were reactivated, in revised form, as commitments to Bangladesh.

Table 5-6. IBRD and IDA Cumulative Lending Operations, by Borrower or Guarantor, June 30, 1986
(amounts in millions of US dollars)

	IBRD loans		IDA credits		Total	
Borrower or guarantor	Number	Amount	Number	Amount	Number	Amount
Afghanistan	—	—	20	230.1	20	230.1
Algeria	28	1,881.0	—	—	28	1,881.0
Argentina	27	2,642.8	—	—	27	2,642.8
Australia	7	417.7	—	—	7	417.7
Austria	9	106.4	—	—	9	106.4
Bahamas	3	22.8	—	—	3	22.8
Bangladesh[a]	1	46.1	107	3,668.6	108	3,714.7
Barbados	8	70.2	—	—	8	70.2
Belgium	4	76.0	—	—	4	76.0
Belize	1	5.3	—	—	1	5.3
Benin	—	—	22	225.5	22	225.5
Bhutan	—	—	3	17.5	3	17.5
Bolivia	14	299.3	16	174.8	30	474.1
Botswana	19	265.8	6	15.8	25	281.6
Brazil	149	13,084.6	—	—	149	13,084.6
Burkina Faso[b,c]	—	1.9	28	315.5	28	317.4
Burma	3	33.4	28	727.0	31	760.4
Burundi	1	4.8	27	251.0	28	255.8
Cameroon	35	748.5	15	253.0	50	1,001.5
Cape Verde	—	—	2	11.2	2	11.2
Caribbean region[d]	2	43.0	1	14.0	3	57.0
Central African Republic	—	—	11	99.1	11	99.1
Chad[b]	—	—	14	93.5	14	93.5
Chile	35	1,348.2	—	19.0	35	1,367.2
China	25	2,525.7	16	1,626.2	41	4,151.9
Colombia	116	5,551.1	—	19.5	116	5,570.6
Comoros	—	—	7	32.6	7	32.6
Congo, People's Republic of the	6	111.7	8	74.6	14	186.3
Costa Rica	30	490.9	—	5.5	30	496.4
Côte d'Ivoire[c,e]	49	1,820.4	1	7.5	50	1,827.9
Cyprus	25	266.8	—	—	25	266.8
Denmark	3	85.0	—	—	3	85.0
Djibouti	—	—	5	25.4	5	25.4
Dominica	—	—	1	5.0	1	5.0
Dominican Republic	17	337.9	3	22.0	20	359.9
East African Community[f]	10	244.8	—	—	10	244.8
Eastern and Southern Africa region[g]	—	—	1	45.0	1	45.0
Ecuador	38	953.9	5	36.9	43	990.8
Egypt, Arab Republic of	45	2,820.3	26	981.2	71	3,801.5
El Salvador	18	216.1	2	25.6	20	241.7
Equatorial Guinea	—	—	5	25.7	5	25.7
Ethiopia	12	108.6	38	838.6	50	947.2
Fiji	9	90.2	—	—	9	90.2
Finland	18	316.8	—	—	18	316.8
France	1	250.0	—	—	1	250.0

Borrower or guarantor	IBRD loans Number	IBRD loans Amount	IDA credits Number	IDA credits Amount	Total Number	Total Amount
Gabon[h]	6	69.3	—	—	6	69.3
Gambia, The	—	—	13	62.1	13	62.1
Ghana[c]	9	207.0	29	624.3	38	831.3
Greece	17	490.8	—	—	17	490.8
Grenada	—	—	1	5.0	1	5.0
Guatemala	17	471.6	—	—	17	471.6
Guinea	3	75.2	21	262.2	24	337.4
Guinea-Bissau	—	—	7	68.9	7	68.9
Guyana	12	80.0	4	47.3	16	127.3
Haiti	1	2.6	21	256.4	22	259.0
Honduras	29	547.9	5	83.2	34	631.1
Hungary	10	991.9	—	—	10	991.9
Iceland	10	47.1	—	—	10	47.1
India	97	10,691.9	170	13,828.2	267	24,520.1
Indonesia	111	9,123.4	46	931.8	157	10,055.2
Iran, Islamic Republic of	33	1,210.7	—	—	33	1,210.7
Iraq	6	156.2	—	—	6	156.2
Ireland	8	152.5	—	—	8	152.5
Israel	11	284.5	—	—	11	284.5
Italy	8	399.6	—	—	8	399.6
Jamaica	40	706.1	—	—	40	706.1
Japan	31	862.9	—	—	31	862.9
Jordan	22	555.0	15	85.3	37	640.3
Kenya	46	1,200.0	35	777.8	81	1,977.8
Korea, Republic of	82	6,431.0	6	110.8	88	6,541.8
Lao People's Dem. Rep.	—	—	6	57.1	6	57.1
Lebanon	4	116.6	—	—	4	116.6
Lesotho	—	—	15	98.9	15	98.9
Liberia	21	156.0	14	114.5	35	270.5
Luxembourg	1	12.0	—	—	1	12.0
Madagascar[i]	5	32.9	34	545.6	39	578.5
Malawi	9	124.1	34	489.3	43	613.4
Malaysia	66	2,100.9	—	—	66	2,100.9
Maldives	—	—	2	8.2	2	8.2
Mali[b,c]	—	1.9	33	421.3	33	423.3
Malta[j]	1	7.5	—	—	1	7.5
Mauritania[b]	3	146.0	20	123.7	23	269.7
Mauritius	18	218.7	4	20.2	22	238.9
Mexico	94	8,818.1	—	—	94	8,818.1
Morocco	70	3,255.9	3	50.8	73	3,306.7
Mozambique	—	—	1	45.0	1	45.0
Nepal	—	—	43	631.8	43	631.8
Netherlands	8	244.0	—	—	8	244.0
New Zealand	6	126.8	—	—	6	126.8
Nicaragua	27	233.6	4	60.0	31	293.6

(continued)

Table 5-6 *(continued)*

Borrower or guarantor	IBRD loans		IDA credits		Total	
	Number	Amount	Number	Amount	Number	Amount
Niger[b]	—	—	26	305.9	26	305.9
Nigeria	60	3,005.6	2	35.5	62	3,041.1
Norway	6	145.0	—	—	6	145.0
Oman	9	130.0	—	—	9	130.0
Pakistan[k]	55	2,135.2	72	2,443.7	127	4,578.9
Panama	30	596.3	—	—	30	596.3
Papua New Guinea	17	279.0	9	113.2	26	392.2
Paraguay	27	458.1	6	45.5	33	503.6
Peru	60	1,711.9	—	—	60	1,711.9
Philippines	96	4,466.7	3	122.2	99	4,588.9
Portugal	28	1,106.0	—	—	28	1,106.0
Romania	33	2,184.3	—	—	33	2,184.3
Rwanda	—	—	29	293.8	29	293.8
São Tomé and Principe	—	—	1	5.0	1	5.0
Senegal[b,c]	19	164.9	37	439.5	56	604.4
Seychelles	1	6.2	—	—	1	6.2
Sierra Leone	4	18.7	12	116.1	16	134.8
Singapore	14	181.3	—	—	14	181.3
Solomon Islands	—	—	5	17.0	5	17.0
Somalia	—	—	30	281.8	30	281.8
South Africa	11	241.8	—	—	11	241.8
Spain	12	478.7	—	—	12	478.7
Sri Lanka	12	210.7	39	866.6	51	1,077.3
St. Vincent and the Grenadines	—	—	1	5.0	1	5.0
Sudan	8	166.0	39	973.0	47	1,139.0

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. Includes $46.1 million in IBRD amount and one IBRD loan, as well as $175.8 million in IDA credits, which replace commitments originally made to Pakistan.

b. One IDA project, in fiscal year 1974, for drought relief, is shared by the following countries: Burkina Faso—$2 million; Chad—$2 million; Mali—$2.5 million; Mauritania—$2.5 million; Niger—$2 million; Senegal—$3 million. The amounts are included in each country's total, but the operation is counted only once, against Senegal.

c. One IBRD loan of $7.5 million, in fiscal year 1954, is shared in amounts of $1.875 million each by Burkina Faso, Côte d'Ivoire, Mali, and Senegal, but is counted as one operation, against Côte d'Ivoire. One IBRD loan, of $23 million, in fiscal year 1978, is guaranteed by Burkina Faso and Côte d'Ivoire, but is counted as one operation, against Côte d'Ivoire.

d. One IBRD loan of $20 million in fiscal year 1976 and one IBRD loan of $23 million and one IDA credit of $7 million in fiscal year 1980 were made for the benefit of the following IBRD/IDA members—Bahamas, Barbados, Grenada, Guyana, and Jamaica—and for the benefit of the territories of the United Kingdom's Associated States and Dependencies in the Caribbean Region. The members are severally liable as guarantors to the extent of subloans made in their territories. One IDA credit of $7 million in fiscal year 1983 was made for the benefit of the following IDA members—Dominica, Grenada, St. Lucia, and St. Vincent and the Grenadines—and for the benefit of the United Kingdom's then Associated State St. Christopher-Nevis and the United Kingdom Dependency, Montserrat; Antigua and Barbuda would become eligible after admission to IDA membership. The members are severally liable for the credit to the extent of subloans made in their territories, while Montserrat is eligible to borrow as a Dependency of the United Kingdom.

e. Of the one IBRD project, of $60 million, in fiscal year 1976, $49.5 million has been lent to Ciments de l'Afrique de l'Ouest (CIMAO) and is jointly guaranteed by Côte d'Ivoire, Ghana, and Togo. The remaining amount of $10.5 million has been assigned in equal shares to each of the three countries. The operation is counted only once, against Togo. Two IDA credits in fiscal year 1983—one of $9.3 million to Ghana and one of $5.7 million to Togo—for the restructuring of CIMAO are counted as one operation, against Togo.

f. Jointly guaranteed by Kenya, Tanzania, and Uganda.

g. The credit is shared equally, in amounts of $15 million each, by Burundi, Rwanda, and Zaire.

Borrower or guarantor	IBRD loans		IDA credits		Total	
	Number	Amount	Number	Amount	Number	Amount
Swaziland	11	75.8	2	7.8	13	83.6
Syrian Arab Republic	17	613.2	3	47.3	20	660.5
Tanzania	18	318.2	57	923.3	75	1,241.5
Thailand	85	3,671.6	6	125.1	91	3,796.7
Togo[c]	1	20.0	21	250.6	22	270.6
Trinidad and Tobago	13	124.8	—	—	13	124.8
Tunisia	67	1,515.5	5	74.6	72	1,590.1
Turkey	83	6,996.4	10	178.5	93	7,174.9
Uganda	1	8.4	23	561.7	24	570.1
Uruguay	24	565.6	—	—	24	565.6
Vanuatu	—	—	2	4.0	2	4.0
Venezuela	13	383.3	—	—	13	383.3
Viet Nam	—	—	1	60.0	1	60.0
Western Africa region[l]	1	6.1	3	52.5	4	58.6
Western Samoa	—	—	5	18.9	5	18.9
Yemen Arab Republic	—	—	46	463.9	46	463.9
Yemen, People's Democratic Rep. of	—	—	27	189.9	27	189.9
Yugoslavia	82	4,646.7	—	—	82	4,646.7
Zaire	7	330.0	42	760.5	49	1,090.5
Zambia[m]	28	679.1	16	273.7	44	952.8
Zimbabwe[m,n]	14	487.1	3	53.9	17	541.0
Other[o]	14	329.4	4	15.3	18	344.7
Total	2,691	126,098.6	1,591	39,822.0	4,282	165,920.6

h. One IBRD loan of $35 million, in fiscal year 1959, is jointly guaranteed by People's Republic of the Congo, France, and Gabon.

i. The IDA credits include an amount of $45 million for the Sixth Highway Project approved in fiscal year 1983. In fiscal year 1984, $20 million of this amount was transferred to the Special Fund administered by the International Development Association.

j. IBRD loan made to Malta with the guarantee of the United Kingdom before Malta's independence from the United Kingdom. The loan has been repaid.

k. Excludes $46.1 million in IBRD amount and one IBRD loan, as well as $175.8 million in IDA amount and nineteen IDA credits, which were replaced by commitments made to Bangladesh.

l. One loan of $6.1 million and one credit of $14 million in fiscal year 1983, counted as one operation, and one credit of $3 million in fiscal year 1980 are to the Banque Ouest Africaine de Développement (BOAD), the regional development bank of the Union Monétaire Ouest Africaine (UMOA), which is a monetary union of six francophone states—Burkina Faso, Benin, Côte d'Ivoire, Niger, Senegal, and Togo. One credit of $30 million in fiscal year 1984 is shared in equal parts by Benin and Togo, and is counted as one operation. One credit of $5.5 million in fiscal year 1986 helped establish an institution to train middle-level and high-level managerial staff of private and parapublic-sector enterprises in the six member states of the West African Economic Community (CEAO) and other neighboring countries, as well. The borrower was Senegal, which passed the proceeds of the credit on to the CEAO.

m. Includes one IBRD loan of $80 million, made in fiscal year 1956 to Northern Rhodesia (now Zambia) and Southern Rhodesia (now Zimbabwe), at the time of the Central African Federation and before independence, and one IBRD loan of $7.7 million, made in 1965 to (Southern) Rhodesia and newly independent Zambia. Both loans were assigned in equal shares to Zambia and (Southern) Rhodesia, but are now counted only once, against Zimbabwe. The loans are guaranteed by the United Kingdom, Zambia, and Zimbabwe.

n. Includes three IBRD loans, made in 1952, 1958, and 1960 and totaling $43.1 million, to (Southern) Rhodesia (now Zimbabwe). The loans were guaranteed by the United Kingdom and have been repaid.

o. 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).

Table 5-7. Trends in Lending, IBRD and IDA, Fiscal Years 1984–86
(millions of US dollars)

	1984			1985			1986		
Sector	IBRD	IDA	Total	IBRD	IDA	Total	IBRD	IDA	Total
Agriculture and Rural Development	2,071.5	1,401.4	3,472.9	2,389.6	1,359.7	3,749.3	3,761.7	1,015.7	4,777.4
Development Finance Companies	762.3	156.0	918.3	506.1	59.3	565.3	1,324.7	124.5	1,449.2
Education	491.2	202.6	693.8	514.9	412.9	927.8	577.7	251.5	829.2
Energy									
Oil, Gas, and Coal	749.4	115.0	864.4	1,193.7	137.7	1,331.4	213.0	18.1	231.1
Power	2,264.4	385.0	2,649.4	2,171.6	78.7	2,250.3	2,423.2	363.7	2,786.9
Industry	494.2	96.6	590.8	635.0	9.0	644.0	757.2	63.9	821.1
Nonproject	1,026.9	351.0	1,377.9	435.0	194.2	629.2	900.0	421.0	1,321.0
Population, Health, and Nutrition	68.5	174.5	243.0	160.9	30.1	191.0	166.6	252.9	419.5
Small-scale Enterprises	597.6	75.0	672.6	553.1	7.5	560.6	264.5	10.0	274.5
Technical Assistance	14.5	120.5	135.0	42.5	67.2	109.7	60.1	77.8	137.9
Telecommunications	166.5	—	166.5	59.6	62.0	121.6	24.5	25.9	50.4
Transportation	2,243.4	353.5	2,596.9	1,866.9	271.8	2,138.7	1,253.8	244.4	1,498.2
Urban Development	447.0	53.0	500.0	204.6	180.0	384.6	944.5	173.0	1,117.5
Water Supply and Sewerage	549.9	90.9	640.8	622.8	158.0	780.8	507.3	97.5	604.8
Total	11,947.3	3,575.0	15,522.3	11,356.3	3,028.1	14,384.3	13,178.8	3,139.9	16,318.7

Table 5-8. Trends in Lending, IBRD and IDA, Fiscal Years 1984–86
(percentages)

	1984			1985			1986		
Sector	IBRD	IDA	Total	IBRD	IDA	Total	IBRD	IDA	Total
Agriculture and Rural Development	17.3	39.2	22.4	21.0	44.9	26.1	28.5	32.3	29.3
Development Finance Companies	6.4	4.4	5.9	4.5	2.0	3.9	10.1	4.0	8.9
Education	4.1	5.7	4.5	4.5	13.6	6.5	4.4	8.0	5.1
Energy									
Oil, Gas, and Coal	6.3	3.2	5.6	10.5	4.5	9.3	1.6	0.6	1.4
Power	19.0	10.8	17.1	19.1	2.6	15.6	18.4	11.6	17.1
Industry	4.1	2.7	3.8	5.6	0.3	4.5	5.7	2.0	5.0
Nonproject	8.6	9.8	8.9	3.8	6.4	4.4	6.8	13.4	8.1
Population, Health, and Nutrition	0.6	4.9	1.6	1.4	1.0	1.3	1.3	8.1	2.6
Small-scale Enterprises	5.0	2.1	4.3	4.9	0.2	3.9	2.0	0.3	1.7
Technical Assistance	0.1	3.4	0.9	0.4	2.2	0.8	0.5	2.5	0.8
Telecommunications	1.4	—	1.1	0.5	2.0	0.8	0.2	0.8	0.3
Transportation	18.8	9.9	16.7	16.4	9.0	14.9	9.5	7.8	9.2
Urban Development	3.7	1.5	3.2	1.8	5.9	2.7	7.2	5.5	6.8
Water Supply and Sewerage	4.6	2.5	4.1	5.5	5.2	5.4	3.8	3.1	3.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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

Financial Statements of the International Bank for Reconstruction and Development

Balance Sheets

Appendix A

June 30, 1986 and June 30, 1985
Expressed in thousands of US dollars—see Notes to Financial Statements, Appendix G

Assets		1986	1985*
DUE FROM BANKS			
Unrestricted currencies (including interest-bearing demand deposits $56,855—1986, $39,299—1985)	$ 80,831		$ 66,900
Currencies subject to restrictions—Note A	404,426		289,425
		$ 485,257	356,325
INVESTMENTS—Note B			
Obligations of governments and their instrumentalities	17,412,766		16,714,853
Time deposits and other obligations of banks and financial institutions	3,486,679		3,061,942
		20,899,445	19,776,795
CASH COLLATERAL INVESTED—Note B		995,512	5,608,017
RECEIVABLES ON ACCOUNT OF SUBSCRIBED CAPITAL (Subject to restrictions—Note A)			
Nonnegotiable, non-interest-bearing demand obligations	1,491,867		1,174,326
Amounts required to maintain value of currency holdings	85		205
		1,491,952	1,174,531
RECEIVABLES—OTHER			
Receivable for investment securities sold	414,625		4,053,816
Accrued income on loans	1,675,466		1,054,958
Accrued interest on investments	252,356		239,777
Net receivable from currency swaps—Note D	—		695,219
		2,342,447	6,043,770
LOANS OUTSTANDING (see Appendix D and Appendix G—Note C)			
Total loans	104,942,299		81,583,042
Less loans approved but not yet effective	11,357,300		10,939,600
Less undisbursed balance of effective loans	32,521,462		29,261,364
		61,063,537	41,382,078
OTHER ASSETS			
Land and buildings (less accumulated depreciation of $27,320—1986, $24,932—1985)	224,430		200,279
Unamortized issuance costs of borrowings	490,388		318,050
Notional amounts required to maintain value of currency holdings—Note A	1,049,151		798,806
Miscellaneous	943,463		314,823
		2,707,432	1,631,958
		$89,985,582	$75,973,474

Liabilities, Capital and Reserves		1986	1985*
LIABILITIES			
Accrued charges on borrowings		$ 2,165,860	$ 1,478,751
Notional amounts required to maintain value of currency holdings—Note A		335,612	325,095
Accounts payable and other liabilities		341,599	293,615
Payable for investment securities purchased		1,333,915	6,537,171
Payable for cash collateral received		995,512	5,608,017
Net payable from currency swaps—Note D		1,130,839	—
Due to International Development Association and Special Facility for Sub-Saharan Africa—Note G		674,920	1,142,339
Short-term borrowings (see Appendix E)		3,948,102	3,436,457
Medium- and long-term borrowings (see Appendix E)		65,846,654	46,791,482
ACCUMULATED PROVISIONS FOR LOAN LOSSES—Note F		37,200	—
CAPITAL AND RESERVES (SDRs in thousands)			
Capital stock (see Appendix F and Appendix G—Note A)			
Authorized capital (SDR 78,650,000—1986 and 1985)			
Subscribed capital (SDR 65,836,400—1986, SDR 58,947,600—1985)	$77,526,969		58,846,269
Less uncalled portion of subscriptions (SDR 60,157,884—1986, SDR 53,795,776—1985)	70,840,119		53,703,301
		6,686,850	5,142,968
Payments on account of pending subscriptions (see Appendix F)		34,954	60,712
Special reserve—Note E		292,538	292,538
General reserve (see Appendix B)			
Accumulated net income	5,720,414		4,883,287
Cumulative translation adjustments	(802,844)		(1,156,085)
		4,917,570	3,727,202
Accumulated net income—unallocated (see Appendix B)		1,243,457	1,137,127
		$89,985,582	$75,973,474

*Reclassified for comparative purposes.

Statements of Income

Appendix B

For the fiscal years ended June 30, 1986 and June 30, 1985
Expressed in thousands of US dollars—see Notes to Financial Statements, Appendix G

	1986	1985
Income		
Income from loans:		
Interest	$4,416,750	$3,238,737
Commitment charges	251,597	239,144
Front-end fees	1,353	10,062
Income from investments—Note B	2,121,129	2,019,138
Other income—Note F	24,035	21,671
Total income	6,814,864	5,528,752
Expenses		
Borrowing expenses:		
Interest on borrowings—Note D	5,018,178	3,932,867
Amortization of issuance costs	81,537	59,903
Administrative expenses—Note F	384,555	354,820
Provision for loan losses—Note F	37,200	—
Other expenses	7,212	4,970
Total expenses	5,528,682	4,352,560
Operating Income	1,286,182	1,176,192
Contributions to special programs—Note F	42,725	39,065
Net Income	$1,243,457	$1,137,127

Statements of Accumulated Net Income—Unallocated

For the fiscal years ended June 30, 1986 and June 30, 1985
Expressed in thousands of US dollars—see Notes to Financial Statements, Appendix G

	1986	1985
Accumulated net income—unallocated at beginning of fiscal year	$1,137,127	$ 600,039
Allocation to General Reserve—Note E	(837,127)	(500,039)
Transfer to International Development Association—Notes E and G	(150,000)	(100,000)
Transfer to Special Facility for Sub-Saharan Africa—Notes E and G	(150,000)	—
Net income for fiscal year	1,243,457	1,137,127
Accumulated net income—unallocated at end of fiscal year—Note E	1,243,457	$1,137,127

Statements of Changes in General Reserve

For the fiscal years ended June 30, 1986 and June 30, 1985
Expressed in thousands of US dollars—see Notes to Financial Statements, Appendix G

		1986	1985
Accumulated Net Income			
Balance at beginning of fiscal year	$4,883,287		$4,383,248
Allocation of portion of accumulated net income	837,127		500,039
		$5,720,414	4,883,287
Cumulative Translation Adjustments			
Balance at beginning of fiscal year	(1,156,085)		(933,724)
Translation adjustments for fiscal year	353,241		(222,361)
		(802,844)	(1,156,085)
Balance at End of Fiscal Year		$4,917,570	$3,727,202

Statements of Changes in Financial Position

Appendix C

For the fiscal years ended June 30, 1986 and June 30, 1985
Expressed in thousands of US dollars—see Notes to Financial Statements, Appendix G

		1986	1985*
Lending activities:			
Disbursements	$ 8,346,701		$ 8,868,687
Repayments	(3,869,804)		(2,975,014)
Sales	(251,123)		(329)
Adjustments of loans outstanding as a result of net currency appreciations (depreciations)	15,455,685		(2,351,654)
Total financial resources used in lending activities		$19,681,459	3,541,690
Financial resources for lending activities were provided by (applied to):			
Operations:			
Net income	1,243,457		1,137,127
Noncash items (accrued income on loans and investments, accrued charges on borrowings and administrative expenses, provision for loan losses, depreciation, amortization of discounts, premiums, and issuance costs)	379,622		317,993
Financial resources provided by operations	1,623,079		1,455,120
Transfers to International Development Association and Special Facility for Sub-Saharan Africa	(300,000)		(100,000)
		1,323,079	1,355,120
Financing activities:			
Medium- and long-term borrowings:			
New issues	9,947,374		10,309,613
Retirements	(4,851,153)		(3,947,680)
Adjustments of medium- and long-term borrowings as a result of net currency appreciations (depreciations)	13,683,435		(1,883,604)
Adjustment of currency swaps as a result of net currency appreciations (depreciations)	1,841,419		(299,240)
		20,621,075	4,179,089
Increase in short-term borrowings		511,645	714,990
Capital:			
New subscriptions (65,836 shares—1986 and 46,322 shares—1985)	635,375		402,645
Adjustments as a result of appreciation (depreciation) of the SDR in terms of the US dollar	908,507		(228,101)
Increase in amounts required to maintain the value of currency holdings	(239,708)		(55,036)
Increase in restricted currencies and receivables	(432,542)		(20,192)
		871,632	99,316
Other activities:			
Change in nonearning assets and liabilities:			
(Decrease) increase in payable to International Development Association and Special Facility for Sub-Saharan Africa	(467,419)		95,000
Other, net	(831,148)		(188,141)
		(1,298,567)	(93,141)
Translation adjustments		353,241	(222,361)
Total financial resources provided		22,382,105	6,033,013
Increase in cash and liquid investments		2,700,646	2,491,323
Cash and liquid investments, beginning of year		17,360,340	14,869,017
Cash and liquid investments, end of year		$20,060,986	$17,360,340
Composed of:			
Investments		$20,899,445	$19,776,795
Unrestricted currencies		80,831	66,900
Net payable for investment securities purchased		(919,290)	(2,483,355)
		$20,060,986	$17,360,340

* Reclassified for comparative purposes.

Summary Statement of Loans

Appendix D

June 30, 1986 and June 30, 1985
Expressed in thousands of US dollars—see Notes to Financial Statements, Appendix G

	June 30, 1986				
Borrower or guarantor[a]	Total loans	Loans approved but not yet effective[b]	Undisbursed loans[c]	Loans outstanding	Percentage of total loans outstanding
Algeria	$ 1,245,861	$ 262,000	$ 410,768	$ 573,093	0.94
Argentina[d]	2,124,572	608,500	684,287	831,785	1.36
Australia	39,038	—	—	39,038	0.06
Bahamas	18,822	—	5,932	12,890	0.02
Bahamas, Barbados, Grenada, Guyana, Jamaica, Trinidad and Tobago, and United Kingdom[e]	40,381	—	3,578	36,803	0.06
Bangladesh	59,077	—	—	59,077	0.10
Barbados	65,002	10,000	19,103	35,899	0.06
Belize	6,734	—	208	6,526	0.01
Bolivia[d]	239,277	—	11,306	227,971	0.37
Botswana	231,526	7,600	84,577	139,349	0.23
Brazil	11,398,927	1,636,300	3,626,479	6,136,148	10.05
Cameroon	684,940	30,100	293,340	361,500	0.59
Chile	1,184,414	66,000	399,813	718,601	1.18
China	2,606,854	687,000	1,164,844	755,010	1.24
Colombia	4,710,030	347,000	1,394,199	2,968,831	4.86
Congo, People's Republic of the	82,459	—	10,479	71,980	0.12
Costa Rica	415,643	—	24,655	390,988	0.64
Côte d'Ivoire[f]	1,710,646	317,900	254,366	1,138,380	1.86
Côte d'Ivoire, Ghana, and Togo[g]	25,246	—	—	25,246	0.04
Côte d'Ivoire and Senegal[h]	6,202	—	5,554	648	—
Cyprus	193,577	20,000	80,190	93,387	0.15
Dominican Republic	293,302	41,600	81,444	170,258	0.28
Ecuador	709,282	159,500	191,874	357,908	0.59
Egypt, Arab Republic of	2,525,639	728,300	569,376	1,227,963	2.01
El Salvador	144,102	—	11,657	132,445	0.22
Ethiopia	52,586	—	—	52,586	0.09
Fiji	72,003	—	6,500	65,503	0.11
Finland	5,118	—	—	5,118	0.01
Gabon	11,697	—	—	11,697	0.02
Ghana	129,052	—	—	129,052	0.21
Greece	155,449	—	—	155,449	0.25
Guatemala	408,047	81,000	70,902	256,145	0.42
Guinea	60,609	—	—	60,609	0.10
Guyana	72,983	—	329	72,654	0.12
Honduras	524,734	37,400	59,295	428,039	0.70
Hungary	1,071,929	189,000	382,805	500,124	0.82
Iceland	17,981	—	—	17,981	0.03
India	9,044,652	1,493,200	4,932,687	2,618,765	4.29
Indonesia	8,915,522	897,600	3,588,124	4,429,798	7.25
Iran, Islamic Republic of	343,550	—	—	343,550	0.56
Iraq	60,078	—	—	60,078	0.10
Ireland	50,313	—	—	50,313	0.08
Israel	59,254	—	—	59,254	0.10
Jamaica	625,950	—	91,909	534,041	0.87
Japan	121,052	—	—	121,052	0.20
Jordan	563,293	77,500	257,444	228,349	0.37
Kenya[i]	1,112,888	32,600	222,445	857,843	1.40
Kenya, Tanzania, and Uganda[g]	7,539	—	—	7,539	0.01
Korea, Republic of	5,684,481	632,000	1,000,982	4,051,499	6.63
Lebanon	40,486	—	1,586	38,900	0.06

Borrower or guarantor[a]	Total loans	Loans approved but not yet effective[b]	Undisbursed loans[c]	Loans outstanding	Percentage of total loans outstanding
	June 30, 1986				
Liberia	$ 129,510	$ —	$ 13,333	$ 116,177	0.19
Madagascar	29,780	—	—	29,780	0.05
Malawi	124,522	24,500	21,785	78,237	0.13
Malaysia	1,606,283	207,800	586,390	812,093	1.33
Mauritania	76,721	—	14,971	61,750	0.10
Mauritius	202,696	30,000	37,278	135,418	0.22
Mexico	7,211,538	574,000	1,963,672	4,673,866	7.65
Morocco	2,731,512	366,400	803,710	1,561,402	2.56
New Zealand	152	—	—	152	—
Nicaragua	187,395	—	1,384	186,011	0.30
Nigeria	2,784,441	212,900	924,605	1,646,936	2.70
Norway	5,427	—	—	5,427	0.01
Oman	112,523	30,000	42,035	40,488	0.07
Pakistan	1,553,148	325,000	721,970	506,178	0.83
Panama	512,433	—	154,792	357,641	0.59
Papua New Guinea	224,043	47,300	121,207	55,536	0.09
Paraguay	423,535	—	135,534	288,001	0.47
Peru	1,411,247	17,500	546,307	847,440	1.39
Philippines	3,804,426	151,000	883,178	2,770,248	4.54
Portugal	763,333	91,000	256,405	415,928	0.68
Romania	1,845,392	—	5,106	1,840,286	3.01
Senegal	116,328	—	14,695	101,633	0.17
Seychelles	6,620	—	2,960	3,660	0.01
Sierra Leone	9,089	—	—	9,089	0.01
Singapore	63,801	—	—	63,801	0.10
Spain	85,978	—	—	85,978	0.14
Sri Lanka	140,193	50,100	23,089	67,004	0.11
Sudan	44,735	—	—	44,735	0.07
Swaziland	61,923	—	12,793	49,130	0.08
Syrian Arab Republic	504,989	77,500	67,667	359,822	0.59
Tanzania[i]	295,096	—	10,570	284,526	0.47
Thailand	3,273,676	60,000	690,667	2,523,009	4.13
Togo	2,026	—	—	2,026	—
Trinidad and Tobago	36,861	—	—	36,861	0.06
Tunisia	1,289,004	22,000	609,948	657,056	1.08
Turkey	6,622,619	255,000	2,244,598	4,123,021	6.75
Uganda[i]	41,033	—	—	41,033	0.07
United Kingdom	564	—	—	564	—
Uruguay	374,951	49,200	125,566	200,185	0.33
Venezuela	34,988	—	—	34,988	0.06
Yugoslavia	3,603,927	284,000	725,157	2,594,770	4.25
Zaire	157,359	110,000	—	47,359	0.08
Zambia	464,199	—	43,630	420,569	0.69
Zimbabwe	445,150	10,000	189,229	245,921	0.40
Subtotal members[d]	103,387,965	11,357,300	31,937,268	60,093,397	
International Finance Corporation[d]	1,421,739	—	584,194	837,545	1.37
Other[k]	132,595	—	—	132,595	0.22
Total—June 30, 1986	$104,942,299	$11,357,300	$32,521,462	$61,063,537	100.00
Total—June 30, 1985	$ 81,583,042	$10,939,600	$29,261,364	$41,382,078	

(continued)

Summary Statement of Loans *(continued)* Appendix D

June 30, 1986 and June 30, 1985
See Notes to Financial Statements, Appendix G

NOTES

a. In some instances loans were made, with the guarantee of a member, in territories which at the time were included in that member's membership but which subsequently became independent and members of the IBRD. In order to avoid double counting, liabilities for these loans are shown under the name of the original member (whose guarantee continues unaffected). These loans are shown below together with an indication of the member under whose name they are listed.

GUARANTORS Borrowers	US$ thousands 1986	1985
AUSTRALIA		
Papua New Guinea	25,594	26,908
UNITED KINGDOM		
Swaziland	187	473
Zambia and Zimbabwe*	377	666

*Loans made for joint benefit of territories listed.

Loans made to the International Finance Corporation are not guaranteed by members.

b. Loan agreements totaling $6,229,200,000 ($4,897,800,000—1985) have been signed, but the loans do not become effective and disbursements thereunder do not start until the borrowers and guarantors, if any, take certain actions and furnish certain documents to the IBRD, and loans totaling $5,128,100,000 ($6,041,800,000—1985) have been approved by the IBRD but the related agreements have not been signed.

c. These amounts include grant participations of $3,059,000 ($5,550,000—1985). The grant participations represent participations on a grant basis taken in a number of loans under the terms of an aid cooperation agreement between a member country and the IBRD. Of the undisbursed balance, the IBRD has entered into irrevocable commitments to disburse $557,301,000 ($32,462,000—1985).

d. One loan equivalent to $5,676,000 ($6,674,000—1985) is shown under Bolivia (Guarantor) but is also guaranteed by Argentina.

e. Loans made to the Caribbean Development Bank for the benefit of the territories of the members listed (in the case of the United Kingdom, the territories are those of its Associated States and Dependencies in the Caribbean region). The members will be severally liable as guarantors to the extent of subloans made in their territories.

f. One loan equivalent to $14,399,000 ($11,903,000—1985) is shown under Côte d'Ivoire (Guarantor) but is also partially guaranteed by Burkina Faso.

g. Members are jointly and severally liable.

h. Loan made to the West African Development Bank for the benefit of the territories of the members listed. The members will be severally liable as guarantors to the extent of subloans made in their territories.

i. Includes portions of loans made to corporations of the East African Community.

j. Represents portions of loans made to corporations of the East African Community.

k. Represents loans made at a time when the authorities on Taiwan represented China in the IBRD (prior to May 15, 1980).

Summary of Currencies Repayable on Loans Outstanding

Currencies	1986	1985	Currencies	1986	1985
Australian dollars	$ 61,789	$ 52,983	Mexican pesos	$ 1,748	$ 4,286
Austrian schillings	368,601	259,977	Netherlands guilders	4,814,310	2,845,149
Belgian francs	144,273	96,969	New Zealand dollars	3	—
Brazilian cruzados	1,805	2,212	Nicaraguan cordobas	7	71
Burmese kyats	1,064	1,020	Norwegian kroner	22,983	20,024
Canadian dollars	158,628	161,348	Portuguese escudos	5,911	4,820
Danish kroner	36,717	24,836	Pounds sterling	435,091	384,080
Deutsche mark	13,831,218	9,109,702	Rials Omani	765	852
European currency units	53,743	40,481	Saudi Arabian riyals	135,982	147,514
Finnish markkaa	34,905	23,386	Singapore dollars	9,327	8,813
French francs	136,603	92,909	South African rand	52,931	20,878
Ghanaian cedis	34	66	Spanish pesetas	21,512	17,316
Greek drachmas	1,024	1,088	Sri Lanka rupees	29	29
Icelandic kronur	863	567	Sudanese pounds	215	266
Indian rupees	66,053	67,327	Swedish kronor	44,540	36,430
Iranian rials	42,696	36,607	Swiss francs	17,485,550	10,742,375
Iraqi dinars	4,967	4,970	Tunisian dinars	715	695
Irish pounds	13,552	8,213	United Arab Emirates dirhams	25,437	19,806
Italian lire	94,844	62,171	United States dollars	5,886,199	6,735,808
Japanese yen	16,507,597	9,759,189	United States dollars/Swiss franc linked	109,700	100,000
Kuwaiti dinars	262,451	273,684			
Lebanese pounds	442	1,034	Venezuelan bolivares	7,234	10,189
Libyan dinars	88,716	121,930			
Luxembourg francs	31,831	23,375			
Malaysian ringgit	58,932	56,633	Loans outstanding	$61,063,537	$41,382,078

Maturity Structure of Loans*

Periods	June 30, 1986
July 1, 1986 to June 30, 1987	$ 4,641,699
July 1, 1987 to June 30, 1988	5,393,996
July 1, 1988 to June 30, 1989	6,133,380
July 1, 1989 to June 30, 1990	6,625,265
July 1, 1990 to June 30, 1991	6,912,059
July 1, 1991 to June 30, 1996	31,913,856
July 1, 1996 to June 30, 2001	18,222,713
July 1, 2001 to June 30, 2006	3,790,430
July 1, 2006 to June 30, 2010	3,025
Undetermined**	9,948,576
Total	$93,584,999

*Includes undisbursed balance of effective loans.

**Represents cancellations, prepayments, and exchange adjustments that have not been allocated to specific maturities.

Summary Statements of Borrowings

Appendix E

June 30, 1986 and June 30, 1985
Expressed in thousands of US dollars—see Notes to Financial Statements, Appendix G

Medium- and Long-term Borrowings and Currency Swaps

	Medium- and long-term borrowings				Currency swap agreements[a]					
	Principal outstanding		Weighted average cost (%)	Due dates at June 30, 1986	Payable (receivable)		Weighted average cost (return, %)	Due dates at June 30, 1986	Net currency obligations	
Currencies	June 30, 1986[b]	June 30, 1985[b]	June 30, 1986		June 30, 1986	June 30, 1985	June 30, 1986		June 30, 1986	June 30, 1985
Australian dollars	$ 50,790	$ —	13.83	1991	$ (50,248)	—	(14.52)	1987–91	$ 542	$ —
Austrian schillings	304,571	172,719	8.65	1987–94	85,652	61,672	7.72	1986–88		
					(143,203)	(57,143)	(8.07)	1986–94	247,020	177,248
Belgian francs	336,022	151,842	11.04	1986–95	(237,733)	(77,536)	(11.04)	1986–95	98,289	74,306
Canadian dollars	757,741[c]	667,543	10.92	1986–2083	(369,204)	(298,815)	(11.52)	1986–2000	388,537	368,728
Danish kroner	88,253	18,273	10.40	1992	(86,877)	(17,955)	(10.40)	1986–92	1,376	318
Deutsche mark	11,847,470	7,857,467	7.84	1986–2016	1,514,395	923,352	7.51	1986–2000	13,361,865	8,780,819
European currency units	934,203	338,077	9.42	1988–2001	(330,099)	(107,297)	(9.67)	1986–95	604,104	230,780
French francs	175,426	4,830	10.60	1987–97	(168,726)	—	(11.05)	1986–97	6,700	4,830
Italian lire	107,992	61,001	12.64	1986–92	(64,175)	(49,743)	(13.60)	1987–92	43,817	11,258
Japanese yen	16,355,576	9,565,009	7.91	1986–2006	268,039	98,922	6.91	1986–95	16,623,615	9,663,931
Kuwaiti dinars	181,873	205,893	9.45	1986–92	—	—	—	—	181,873	205,893
Libyan dinars	78,139	101,333	12.00	1990	—	—	—	—	78,139	101,333
Luxembourg francs	73,435	32,495	9.40	1989–96	(21,830)	(15,939)	(9.57)	1987–90	51,605	16,556
Netherlands guilders	4,229,984	2,635,942	8.82	1986–2006	613,106	228,433	7.54	1986–96	4,843,090	2,864,375
Norwegian kroner	79,777	39,777	10.81	1986–95	—	—	—	—	79,777	39,777
Pounds sterling	1,466,027	1,252,362	11.94	1986–2010	153,028	129,508	10.66	1987–88		
					(72,436)	(63,400)	(10.24)	1986–93	1,546,619	1,318,470
Swedish kronor	10,188	9,382	6.43	1986–92	—	—	—	—	10,188	9,382
Swiss francs	11,285,201	7,465,810	6.16	1986–2016[d]	5,367,766	2,853,004	6.31	1986–2001	16,652,967	10,318,814
United Arab Emirates dirhams	24,517	32,689	8.02	1987–89	—	—	—	—	24,517	32,689
United States dollars	17,426,569[e]	15,133,454	10.92	1986–2026	(5,326,616)	(4,302,282)	(12.27)	1986–2001	12,099,953	11,831,172
United States dollars/ Swiss franc linked	109,700	100,000	6.92	1989	—	—	—	—	109,700	100,000
Venezuelan bolivares	591	1,489	7.44	1986–87	—	—	—	—	591	1,489
Principal at face value	65,924,045	46,847,387	8.65[f]							
Less net unamortized discounts and premiums	77,391	55,905								
Total	$65,846,654	$46,791,482								

a. See Appendix G—Note D.

b. Includes zero coupon borrowings which have been recorded at their discounted values. The aggregate face amounts and discounted values of these borrowings (in US dollar equivalents) were:

	Aggregate face amount		Discounted value	
Currency	June 30, 1986	June 30, 1985	June 30, 1986	June 30, 1985
Deutsche mark	909,670,000	—	139,201,000	—
Swiss francs	334,113,000	—	64,870,000	—
U.S. dollars	1,844,000,000	1,380,000,000	342,317,000	300,000,000

c. Includes Can$200,000,000 (US equivalent $144,227,000) of variable interest rate borrowings.

d. Includes SwF250,000,000 with a perpetual maturity. This issue is subject to call by the IBRD on April 25, 2016 and every five years thereafter.

e. Includes $1,200,000,000 of variable rate borrowings and $190,785,000 borrowed from the Interest Subsidy Fund. The Interest Subsidy Fund, which obtained its resources from voluntary contributions from member governments, was established to subsidize the interest payments to the IBRD on selected loans made to poorer developing countries. In addition, the IBRD has entered into interest rate swap agreements with respect to notional principal amounts aggregating $258,500,000 under which it is obligated to make interest payments on a variable rate basis in exchange for fixed rate payments.

f. The weighted average cost of medium- and long-term borrowings outstanding at June 30, 1986, after adjustment for swap activities, was 8.09%.

Maturity Structure of Medium- and Long-term Borrowings Outstanding

Periods	June 30, 1986
July 1, 1986 to June 30, 1987	$ 7,235,962
July 1, 1987 to June 30, 1988	7,021,369
July 1, 1988 to June 30, 1989	6,377,130
July 1, 1989 to June 30, 1990	6,967,254
July 1, 1990 to June 30, 1991	5,251,021
July 1, 1991 to June 30, 1996	23,819,994
July 1, 1996 to June 30, 2001	5,320,559
July 1, 2001 to June 30, 2006	1,534,537
July 1, 2006 to June 30, 2011	297,257
Thereafter	2,098,962
Total	$65,924,045

Short-term Borrowings

	Principal outstanding		Weighted average cost (%)
Currency: US dollars	June 30, 1986	June 30, 1985	June 30, 1986
Discount Notes			
Principal outstanding at face value	$2,499,250	$2,207,350	
Less unamortized discounts	25,453	20,893	
Subtotal	2,473,797	2,186,457	6.80
Central Bank Facility	1,474,305	1,250,000	7.13
Total	$3,948,102	$3,436,457	6.92

Statement of Subscriptions to Capital Stock and Voting Power

Appendix F

June 30, 1986 and June 30, 1985
Expressed in thousands of units of currency—see Notes to Financial Statements, Appendix G

	June 30, 1986								
	Subscriptions			Amounts paid in (Note A)		Amounts subject to call (Note A)		Voting power	
Members	Shares	Percentage of total	Expressed in special drawing rights (SDR)	Expressed in special drawing rights (SDR)	Expressed in current US dollars	Expressed in special drawing rights (SDR)	Expressed in current US dollars	Number of votes	Percentage of total
Afghanistan	300	0.05	30.000	3.000	$ 3.533	27.000	$ 31.794	550	0.08
Algeria	4.755	0.72	475.500	39.605	46.638	435.895	513.297	5.005	0.72
Antigua and Barbuda	20	*	2.000	200	235	1.800	2.120	270	0.04
Argentina	8.471	1.29	847.100	73.410	86.445	773.690	911.074	8.721	1.25
Australia	12.737	1.93	1.273.700	109.777	129.270	1.163.923	1.370.601	12.987	1.87
Austria	5.469	0.83	546.900	45.882	54.029	501.018	589.984	5.719	0.82
Bahamas	171	0.03	17.100	1.710	2.014	15.390	18.123	421	0.06
Bahrain	566	0.09	56.600	2.777	3.270	53.823	63.380	816	0.12
Bangladesh	2.655	0.40	265.500	21.143	24.897	244.357	287.747	2.905	0.42
Barbados	519	0.08	51.900	2.365	2.785	49.535	58.331	769	0.11
Belgium	15.266	2.32	1.526.600	131.971	155.405	1.394.629	1.642.273	15.516	2.23
Belize	39	0.01	3.900	390	459	3.510	4.133	289	0.04
Benin	100	0.02	10.000	1.000	1.178	9.000	10.598	350	0.05
Bhutan	9	*	900	90	106	810	954	259	0.04
Bolivia	264	0.04	26.400	2.640	3.109	23.760	27.979	514	0.07
Botswana	331	0.05	33.100	715	842	32.385	38.136	581	0.08
Brazil	10.794	1.64	1.079.400	92.582	109.022	986.818	1.162.047	11.044	1.59
Burkina Faso	100	0.02	10.000	1.000	1.178	9.000	10.598	350	0.05
Burma	1.394	0.21	139.400	10.057	11.843	129.343	152.310	1.644	0.24
Burundi	150	0.02	15.000	1.500	1.766	13.500	15.897	400	0.06
Cameroon	200	0.36	20.000	2.000	2.355	18.000	21.196	450	0.06
Canada	21.782	3.31	2.178.200	189.295	222.908	1.988.905	2.342.075	22.032	3.17
Cape Verde	16	*	1.600	160	188	1.440	1.696	266	0.04
Central African Republic	100	0.02	10.000	1.000	1.178	9.000	10.598	350	0.05
Chad	100	0.02	10.000	1.000	1.178	9.000	10.598	350	0.05
Chile	2.375	0.36	237.500	19.037	22.417	218.463	257.255	2.625	0.38
China	23.482	3.57	2.348.200	204.240	240.507	2.143.960	2.524.663	23.732	3.41
Colombia	3.499	0.53	349.900	28.531	33.597	321.369	378.434	3.749	0.54
Comoros	16	*	1.600	160	188	1.440	1.696	266	0.04
Congo, People's Rep. of the	496	0.08	49.600	2.168	2.553	47.432	55.855	746	0.11
Costa Rica	131	0.02	13.100	1.310	1.543	11.790	13.884	381	0.05
Côte d'Ivoire	834	0.13	83.400	5.840	6.877	77.560	91.332	1.084	0.16
Cyprus	788	0.12	78.800	4.730	5.570	74.070	87.223	1.038	0.15
Denmark	5.753	0.87	575.300	48.354	56.940	526.946	620.516	6.003	0.86
Djibouti	31	*	3.100	310	365	2.790	3.285	281	0.04
Dominica	16	*	1.600	160	188	1.440	1.696	266	0.04
Dominican Republic	589	0.09	58.900	2.980	3.509	55.920	65.850	839	0.12
Ecuador	962	0.15	96.200	6.260	7.372	89.940	105.911	1.212	0.17
Egypt, Arab Republic of	3.444	0.52	344.400	28.080	33.066	316.320	372.489	3.694	0.53
El Salvador	141	0.02	14.100	1.410	1.660	12.690	14.943	391	0.06

	June 30, 1986								
	Subscriptions			Amounts paid in (Note A)		Amounts subject to call (Note A)		Voting power	
Members	Shares	Percentage of total	Expressed in special drawing rights (SDR)	Expressed in special drawing rights (SDR)	Expressed in current US dollars	Expressed in special drawing rights (SDR)	Expressed in current US dollars	Number of votes	Percentage of total
Equatorial Guinea	64	0.01	6,400	640	$ 754	5,760	$ 6,783	314	0.05
Ethiopia	533	0.08	53,300	2,488	2,930	50,812	59,835	783	0.11
Fiji	509	0.08	50,900	2,310	2,720	48,590	57,218	759	0.11
Finland	4,804	0.73	480,400	40,019	47,125	440,381	518,579	5,054	0.73
France	36,604	5.56	3,660,400	319,503	376,237	3,340,897	3,934,140	36,854	5.30
Gabon	120	0.02	12,000	1,200	1,413	10,800	12,718	370	0.05
Gambia, The	53	0.01	5,300	530	624	4,770	5,617	303	0.04
Germany, Federal Republic of	34,347	5.22	3,434,700	299,757	352,985	3,134,943	3,691,615	34,597	4.97
Ghana	856	0.13	85,600	8,560	10,080	77,040	90,720	1,106	0.16
Greece	945	0.14	94,500	9,450	11,128	85,050	100,152	1,195	0.17
Grenada[a]	17	*	1,700	170	200	1,530	1,802	267	0.04
Guatemala	167	0.03	16,700	1,670	1,967	15,030	17,699	417	0.06
Guinea	713	0.11	71,300	4,070	4,793	67,230	79,168	963	0.14
Guinea-Bissau	27	*	2,700	270	318	2,430	2,862	277	0.04
Guyana[a]	579	0.09	57,900	2,895	3,409	55,005	64,772	829	0.12
Haiti	589	0.09	58,900	2,977	3,506	55,923	65,853	839	0.12
Honduras	110	0.02	11,000	1,097	1,292	9,903	11,661	360	0.05
Hungary[a]	4,203	0.64	420,300	34,753	40,924	385,547	454,009	4,453	0.64
Iceland	680	0.10	68,000	3,780	4,451	64,220	75,624	930	0.14
India	23,835	3.62	2,383,500	206,261	242,887	2,177,239	2,563,851	24,085	3.46
Indonesia	7,777	1.18	777,700	66,173	77,923	711,527	837,873	8,027	1.15
Iran, Islamic Republic of	10,929	1.66	1,092,900	94,205	110,933	998,695	1,176,033	11,179	1.61
Iraq	956	0.15	95,600	9,560	11,258	86,040	101,318	1,206	0.17
Ireland	2,958	0.45	295,800	23,796	28,021	272,004	320,304	3,208	0.46
Israel	1,108	0.17	110,800	11,080	13,047	99,720	117,427	1,358	0.20
Italy	19,842	3.01	1,984,200	172,240	202,825	1,811,960	2,133,710	20,092	2.89
Jamaica	446	0.07	44,600	4,460	5,252	40,140	47,268	696	0.10
Japan	40,830	6.20	4,083,000	356,478	419,778	3,726,522	4,388,241	41,080	5.90
Jordan	233	0.04	23,300	2,330	2,744	20,970	24,694	483	0.07
Kampuchea, Democratic	214	0.03	21,400	2,140	2,520	19,260	22,680	464	0.07
Kenya	1,315	0.20	131,500	9,363	11,026	122,137	143,825	1,565	0.21
Korea, Republic of	3,379	0.51	337,900	27,490	32,371	310,410	365,530	3,629	0.52
Kuwait	6,451	0.98	645,100	54,515	64,195	590,585	695,455	6,701	0.96
Lao People's Dem. Rep.	100	0.02	10,000	1,000	1,178	9,000	10,598	350	0.05
Lebanon	90	0.01	9,000	900	1,060	8,100	9,538	340	0.05
Lesotho	362	0.05	36,200	985	1,160	35,215	41,468	612	0.09
Liberia	213	0.03	21,300	2,130	2,508	19,170	22,574	463	0.07
Libya	1,951	0.30	195,100	19,510	22,974	175,590	206,770	2,201	0.32
Luxembourg[a]	825	0.13	82,500	5,055	5,953	77,445	91,197	1,075	0.15
Madagascar	219	0.03	21,900	2,190	2,579	19,710	23,210	469	0.07

(continued)

Statement of Subscriptions to Capital Stock and Voting Power *(continued)*

Appendix F

June 30, 1986 and June 30, 1985
Expressed in thousands of units of currency—see Notes to Financial Statements, Appendix G

	June 30, 1986								
	Subscriptions			Amounts paid in (Note A)		Amounts subject to call (Note A)		Voting power	
Members	Shares	Percentage of total	Expressed in special drawing rights (SDR)	Expressed in special drawing rights (SDR)	Expressed in current US dollars	Expressed in special drawing rights (SDR)	Expressed in current US dollars	Number of votes	Percentage of total
Malawi	182	0.03	18.200	1,820	$ 2,143	16.380	$ 19.289	432	0.06
Malaysia	4.627	0.70	462,700	38.464	45.294	424.236	499.568	4.877	0.70
Maldives	262	0.04	26.200	105	124	26.095	30.729	512	0.07
Mali	173	0.03	17.300	1.730	2.037	15.570	18.335	423	0.06
Malta	566	0.09	56.600	2.777	3.270	53.823	63.380	816	0.12
Mauritania	100	0.02	10.000	1.000	1.178	9.000	10.598	350	0.05
Mauritius	678	0.10	67.800	3.763	4.431	64.037	75.408	928	0.13
Mexico	6.360	0.97	636.000	53.715	63.253	582.285	685.681	6.610	0.95
Morocco	2.612	0.40	261.200	20.765	24.452	240.435	283.129	2.862	0.41
Mozambique	272	0.04	27.200	2.720	3.203	24.480	28.827	522	0.08
Nepal	533	0.08	53.300	2.488	2.930	50.812	59.835	783	0.11
Netherlands	15.117	2.30	1.511.700	130.700	153.908	1.381.000	1.626.224	15.367	2.21
New Zealand	3.608	0.55	360.800	29.903	35.213	330.897	389.654	3.858	0.55
Nicaragua	91	0.01	9.100	910	1.072	8.190	9.644	341	0.05
Niger	100	0.02	10.000	1.000	1.178	9.000	10.598	350	0.05
Nigeria	2.941	0.45	294.100	29.410	34.632	264.690	311.691	3.191	0.46
Norway	5.352	0.81	535.200	47.022	55.372	488.178	574.864	5.602	0.81
Oman	622	0.09	62.200	3.270	3.851	58.930	69.394	872	0.13
Pakistan	5.127	0.78	512.700	42.875	50.488	469.825	553.252	5.377	0.77
Panama	216	0.03	21.600	2.160	2.544	19.440	22.892	466	0.07
Papua New Guinea	246	0.04	24.600	2.460	2.897	22.140	26.071	496	0.07
Paraguay	386	0.06	38.600	1.195	1.407	37.405	44.047	636	0.09
Peru	938	0.14	93.800	9.380	11.046	84.420	99.410	1.188	0.17
Philippines	3.598	0.55	359.800	29.398	34.618	330.402	389.071	3.848	0.55
Poland	249	0.04	24.900	2.490	2.932	22,410	26.389	499	0.07
Portugal	2.400	0.36	240.000	19.435	22.886	220.565	259.731	2.650	0.38
Qatar	1.096	0.17	109.600	7.431	8.750	102.169	120.311	1.346	0.19
Romania	2.001	0.30	200.100	20.010	23.563	180.090	212.069	2.251	0.32
Rwanda	587	0.09	58.700	2.963	3.489	55.737	65.634	837	0.12
St.Christopher and Nevis	25	*	2.500	250	294	2.250	2.650	275	0.04
St.Lucia	29	*	2.900	290	341	2.610	3.073	279	0.04
St.Vincent and the Grenadines	13	*	1.300	130	153	1.170	1.378	263	0.04
São Tomé and Principe	14	*	1.400	140	165	1.260	1.484	264	0.04
Saudi Arabia	22.383	3.40	2.238.300	194.577	229.128	2.043.723	2.406.627	22.633	3.25
Senegal	362	0.05	36.200	3.620	4.263	32.580	38.365	612	0.09
Seychelles	11	*	1.100	110	130	990	1.166	261	0.04
Sierra Leone	150	0.02	15.000	1.500	1.766	13.500	15.897	400	0.06
Singapore	320	0.05	32.000	3.200	3.768	28.800	33.914	570	0.08
Solomon Islands	283	0.04	28.300	290	341	28.010	32.984	533	0.08
Somalia	189	0.03	18.900	1.890	2.226	17.010	20.030	439	0.06

	June 30, 1986								
	Subscriptions			Amounts paid in (Note A)		Amounts subject to call (Note A)		Voting power	
Members	Shares	Percentage of total	Expressed in special drawing rights (SDR)	Expressed in special drawing rights (SDR)	Expressed in current US dollars	Expressed in special drawing rights (SDR)	Expressed in current US dollars	Number of votes	Percentage of total
South Africa	6,954	1.06	695,400	58,938	$ 69,404	636,462	$ 749,479	7,204	1.04
Spain	10,294	1.56	1,029,400	88,156	103,810	941,244	1,108,381	10,544	1.52
Sri Lanka[a]	2,110	0.32	211,000	16,353	19,257	194,647	229,210	2,360	0.34
Sudan	600	0.09	60,000	6,000	7,065	54,000	63,589	850	0.12
Suriname	162	0.02	16,200	1,620	1,908	14,580	17,169	412	0.06
Swaziland	440	0.07	44,000	1,670	1,967	42,330	49,847	690	0.10
Sweden	7,367	1.12	736,700	62,568	73,678	674,132	793,838	7,617	1.09
Syrian Arab Republic	1,233	0.19	123,300	8,642	10,177	114,658	135,018	1,483	0.21
Tanzania[a]	350	0.05	35,000	3,500	4,121	31,500	37,093	600	0.09
Thailand	3,111	0.47	311,100	25,152	29,618	285,948	336,724	3,361	0.48
Togo[a]	150	0.02	15,000	1,500	1,766	13,500	15,897	400	0.06
Tonga	277	0.04	27,700	238	280	27,462	32,338	527	0.08
Trinidad and Tobago	667	0.10	66,700	6,670	7,854	60,030	70,690	917	0.13
Tunisia	373	0.06	37,300	3,730	4,392	33,570	39,531	623	0.09
Turkey	3,679	0.56	367,900	30,134	35,485	337,766	397,743	3,929	0.56
Uganda	333	0.05	33,300	3,330	3,921	29,970	35,292	583	0.08
United Arab Emirates	2,385	0.36	238,500	18,770	22,103	219,730	258,747	2,635	0.38
United Kingdom	38,947	5.92	3,894,700	355,889	419,084	3,538,811	4,167,198	39,197	5.63
United States	138,098	20.98	13,809,800	1,228,197	1,446,288	12,581,603	14,815,718	138,348	19.88
Uruguay	1,578	0.24	157,800	11,675	13,748	146,125	172,072	1,828	0.26
Vanuatu	323	0.05	32,300	643	757	31,657	37,278	573	0.08
Venezuela	7,560	1.15	756,000	64,265	75,677	691,735	814,566	7,810	1.12
Viet Nam	543	0.08	54,300	5,430	6,394	48,870	57,548	793	0.11
Western Samoa	282	0.04	28,200	282	332	27,918	32,875	532	0.08
Yemen Arab Republic	455	0.07	45,500	1,802	2,122	43,698	51,457	705	0.10
Yemen, People's Dem. Rep. of[a]	336	0.05	33,600	3,360	3,957	30,240	35,610	586	0.08
Yugoslavia[a]	1,509	0.23	150,900	15,090	17,770	135,810	159,926	1,759	0.25
Zaire	2,643	0.40	264,300	21,037	24,773	243,263	286,459	2,893	0.42
Zambia[a]	1,151	0.17	115,100	11,510	13,554	103,590	121,984	1,401	0.20
Zimbabwe[a]	817	0.12	81,700	8,170	9,621	73,530	86,587	1,067	0.15
Total—June 30, 1986	658,364	100.00	65,836,400	5,678,516	$6,686,850	60,157,884	$70,840,119	695,864	100.00
Total—June 30, 1985	589,476		58,947,600	5,151,824	5,142,968	53,795,776	53,703,301	626,476	

a. Does not include amounts aggregating the equivalent of $34,941,000 received from members on account of increases in subscriptions which are in process of completion: Austria $781,000, Bangladesh $403,000, Bhutan $9,000, Bolivia $440,000, Burkina Faso $140,000, Cameroon $147,000, Canada $12,992,000, Chile $274,000, Côte d'Ivoire $432,000, Djibouti $4,000, Dominica $2,000, Ecuador $528,000, Egypt, Arab Republic of, $185,000, Grenada $8,000, Guyana $224,000, Hungary $333,000, Luxembourg $54,000, Malawi $83,000, Niger $81,000, Nigeria $3,358,000, Pakistan $1,037,000, Paraguay $243,000, Portugal $374,000, Senegal $114,000, Sri Lanka $23,000, Tanzania $1,469,000, Togo $138,000, Yemen, People's Democratic Republic of, $294,000, Yugoslavia $3,920,000, Zambia $1,269,000, and Zimbabwe $5,582,000.

$13,000 has been received from Kiribati on account of its capital subscription pending completion of membership formalities.

* Less than 0.005 percent.

Notes to Financial Statements

Appendix G

June 30, 1986 and June 30, 1985

Summary of Significant Accounting and Related Policies

Translation of Currencies

The IBRD's principal financial statements are expressed in terms of US dollars solely for the purpose of summarizing the IBRD's financial position and the results of its operations for the convenience of its members and other interested parties.

The IBRD is an international organization which conducts its operations in the currencies of all of its members. The IBRD's resources are derived from its capital, borrowings, and accumulated earnings in the various currencies of its members and Switzerland and are held, invested, or lent in those same currencies. The IBRD matches its borrowing obligations in any one currency with assets in the same currency, as prescribed by its Articles of Agreement, primarily by holding or lending the proceeds of its borrowings in the same currencies in which they are borrowed. Borrowed funds are sometimes converted into other currencies, and, at the same time, forward exchange contracts are entered into in order to recover the currency converted. With respect to its other resources, the IBRD does not convert one currency into another except for small amounts required to meet certain obligations and operational needs of the IBRD.

Assets and liabilities are translated at market rates of exchange at the end of the period. Income and expenses are generally translated at an average of the market rates of exchange in effect during each month. Translation adjustments, with the exception of those relating to capital subscriptions described in Note A, are charged or credited to the General Reserve.

Valuation of Capital Stock

In the Articles of Agreement, the capital stock of the IBRD is expressed in terms of "United States dollars of the weight and fineness in effect on July 1, 1944" (1944 dollars). On April 1, 1978, the Second Amendment of the Articles of Agreement of the International Monetary Fund (the Fund) entered into force and Section 2 of the Par Value Modification Act of the US (31 U.S.C. 449) was repealed. As a result, currencies no longer have par values, gold is abolished as a common denominator of the monetary system, and the provision of the United States law defining the par value of the US dollar in terms of gold disappeared and, with it, the pre-existing basis for translating the term "United States dollars of the weight and fineness in effect on July 1, 1944" into current dollars or into any other currency.

The General Counsel of the IBRD has rendered a legal opinion concluding in substance that, in the exercise of their statutory power under the IBRD's Articles, the Executive Directors may interpret references in the Articles to the 1944 dollar to mean either references to the last official value of the 1944 dollar in terms of current US dollars (that is, $1.20635) or references to the SDR as determined from time to time by the Fund, with the effect that the IBRD's capital and the mutual obligations of each member and the IBRD with respect to capital subscriptions would be measured on the basis of either $1.20635 or the SDR, according to the decision of the Executive Directors on the standard of value. Pending such decision, the IBRD has valued its capital stock on the basis of the SDR as computed by the Fund and expressed such value in terms of US dollars, at $1.17757 per SDR on June 30, 1986 ($0.998281 per SDR on June 30, 1985). For the time being, however, payments on account of subscriptions are accepted at the equivalent of $120,635 per share of capital stock.

Expressing the value of the IBRD's capital stock in terms of the SDR rather than in terms of $1.20635 does not have a material effect on the financial position or results of the operations of the IBRD. If the value of the capital stock were expressed in terms of $1.20635, the subscribed capital would have been $79,421,741,000 ($71,111,437,000—1985), the uncalled portion of subscriptions, $72,571,463,000 ($64,896,534,000—1985), the paid-in capital, $6,850,278,000 ($6,214,903,000—1985), and the net maintenance of value obligations to the IBRD, $855,861,000 ($1,404,378,000—1985).

Loans

All of the IBRD's loans are made to, or guaranteed by, members with the exception of loans to the International Finance Corporation. The principal amounts of loans are repayable in the currencies lent. For loans negotiated since July 1980 (and for portions of certain earlier loans), the repayment obligations of borrowers in various currencies are determined on the basis of a currency pooling system, which is designed to equalize exchange rate risks among borrowers. Interest on loans is accrued in the currencies lent.

The IBRD has a policy of not participating in debt rescheduling agreements. It is the policy of the IBRD to place in nonaccrual status all loans made to, or guaranteed by, a member of the IBRD, if principal, interest, or other charges with respect to any such loan are overdue by more than six months, unless IBRD management determines that the overdue amount will be collected in the immediate future. Interest and other charges on nonaccruing loans are included in income only to the extent that payments have actually been received by the IBRD. The IBRD evaluates the need for specific provisions for losses on loans made to, or guaranteed by, a member of the IBRD no later than when arrears on principal, interest, or other charges on any such loan reach two years. Each decision on provisioning is made on the basis of a review of the particular circumstances then prevailing. Any such provisions are recorded as a reduction of net income. To the extent that actual losses on loans should occur in amounts in excess of accumulated provisions on any such loans and the amount provided by the Special Reserve, the excess would be included in the determination of net income.

Investments

Investment securities are recorded at cost or amortized cost. Gains or losses on sales of investments, measured by the difference between average cost and proceeds of sales, are recorded as an element of income from investments. From time to time, the IBRD enters into forward contracts for the sale or purchase of investment securities; these transactions are recorded at the time of settlement.

Disposition of Income and General Reserve

The IBRD has not declared or paid any dividends to its members. Commencing in 1950, a portion or all of the accumulated net income has been allocated to the General Reserve.

Since 1964, it has been the IBRD's policy to transfer to the International Development Association part of the year's income that was not needed for allocation to reserves or otherwise required to be retained in the IBRD's business and accordingly could have been prudently distributed as dividends. In 1985, the IBRD made a similar transfer to the Special Facility for Sub-Saharan Africa which is administered by the International Development Association. These transfers are recorded as a charge to Accumulated Net Income—Unallocated.

Note A—Capital Stock, Restricted Currencies, and Maintenance of Value

Capital Stock: At June 30, 1986, the IBRD's capital comprised 786,500 (786,500—1985) authorized shares of the par value of SDR 100,000 each, of which 658,364 shares had been subscribed (589,476—1985). Of the subscribed capital, $6,686,850,000 ($5,142,968,000—1985) has been called and paid in, and the remaining $70,840,119,000 ($53,703,301,000—1985) is subject to call only when required to meet the obligations of the IBRD created by borrowing or guaranteeing loans. As to $62,021,576,000 ($47,077,015,000—1985), the restriction on calls is imposed by the Articles of Agreement and as to $8,818,543,000 ($6,626,286,000—1985), by resolutions of the Board of Governors.

On January 4, 1980, the IBRD's Board of Governors adopted the General Capital Increase Resolution (GCI) which increased the authorized capital stock of the IBRD by 331,500 shares, representing an increase of approximately $40,000,000,000. The resolution provided for a reduction of the number of shares authorized by it if, as a result of a decision on the valuation of the IBRD's capital stock, the 331,500 shares authorized represent an increase in authorized capital in excess of $40,000,000,000, calculated at the time of such decision. In this case, the number of shares would be reduced so that the aggregate par value would be equivalent to $40,000,000,000.

Restricted Currencies: The portion of capital subscriptions paid in to the IBRD is divided into two parts: (1) $668,685,000 ($514,297,000—1985), initially paid in gold or US dollars and (2) $6,018,165,000 ($4,628,671,000—1985), paid in cash or non-interest-bearing demand obligations in the currencies of the respective members. Of this latter portion an amount of $131,015,000 ($111,068,000—1985) was subsequently converted by members into US dollars, subject to the right of the IBRD or the members to reverse the transactions. The amounts paid in gold or US dollars or subsequently converted by members into US dollars are freely usable by the IBRD in any of its operations; however, the remaining amounts paid in the currencies of the members, hereinafter called restricted currencies, are usable by the IBRD in its lending operations only with the consent of the respective members. The equivalent of $3,209,894,000 ($2,526,525,000—1985) has been used with such consent.

Maintenance of Value: Article II, Section 9 of the Articles of Agreement provides for maintenance of value, as of the time of subscription, of such restricted currencies, requiring (1) the member to make additional payments to the IBRD in the event that the par value of its currency is reduced or the foreign exchange value of its currency has, in the opinion of the IBRD, depreciated to a significant extent in its territories, and (2) the IBRD to reimburse the member in the event that the par value of its currency is increased. With respect to restricted currencies out on loan, these maintenance of value obligations become effective only as and when such currencies are recovered by the IBRD.

Where there are differences between market rates of exchange and the rates at which capital subscriptions of members have been paid, such differences are shown in Other Assets and Liabilities as Notional Amounts Required to Maintain Value of Currency Holdings. Pending a decision by the Executive Directors on the standard of value for capital stock, these notional maintenance of value obligations are being determined provisionally on the basis of the SDR, and are treated in the financial statements on this basis. These amounts would become maintenance of value obligations if and when the provisions of Article II, Section 9 of the Articles of Agreement described above could be applied. Therefore, the timing of any establishment and settlement of these notional maintenance of value receivables and payables is uncertain.

Note B—Investments and Cash Collateral Invested

The market value of investment securities and invested cash collateral received on loaned securities, including investments not traded in the market which were valued at their cost of $3,527,052,000 ($9,323,764,000—1985), was $21,982,542,000 ($25,491,552,000—1985), compared with a cost or amortized cost of $21,894,957,000 ($25,384,812,000—1985). Obligations of the United States government and its instrumentalities having a cost or amortized cost of $292,538,000 ($292,538,000—1985) and a market value of $293,125,000 ($294,120,000—1985), set aside in respect of the Special Reserve, as described in Note E, are included under this heading.

Income from investments includes net gains of $367,430,000 ($338,721,000—1985) resulting from sales of investments. The annualized rate of return on the average investments held during the year ended June 30, 1986, including net gains from sales of investments was 10.66% (12.63%—1985).

NOTE C—Cofinancing and Guarantees

The IBRD has entered into agreements for loans syndicated by other financial institutions either by a direct participation in, or a partial guarantee of, loans for the benefit of member countries. The IBRD's direct participations in syndicated loans are included in reported loan balances. Guarantees of $459,262,000 as of June 30, 1986 are not included in reported loan balances. None of these guarantees was subject to call at June 30, 1986.

The IBRD has partially guaranteed interest payments on certain loans that have been sold. At June 30, 1986 guarantees approximating $7,535,000 were subject to call.

Note D—Borrowings and Currency Swaps

At June 30, 1986, the IBRD had no contracts to borrow ($14,037,000—1985). Contracts to borrow represent commitments for which the IBRD has a signed borrowing agreement, but has not yet received the cash proceeds.

The IBRD has entered into currency swaps in which proceeds of a borrowing are converted into a different currency and, simultaneously, a forward exchange agreement is executed providing for a schedule of future exchanges of the two currencies in order to recover the currency converted. Net payables of $1,130,839,000 resulting primarily from exchange rate movements occurring subsequent to the dates of the swaps are shown under the heading Liabilities. (At June 30, 1985, net receivables of $695,219,000 are included under the heading Receivables—Other). The effect of currency swaps is to transform the cost of the original borrowing to a cost which reflects the market yield of the currency obtained in the conversion. The average cost of borrowings outstanding, including short-term borrowings, during the fiscal year was 8.25% (8.67%—1985), reflecting a reduction of cost of $325,911,000 ($322,479,000—1985) as a result of currency swaps.

Note E—Reserves and Net Income

The Managing Committee of the IBRD has proposed to the Executive Directors that they approve the allocation of $962,800,000 to the General Reserve out of the $1,243,457,000 net income earned in the fiscal year ended June 30, 1986 and that they recommend to the Board of Governors that $280,657,000 be transferred by way of grant to the International Development Association.

In August 1985, the IBRD allocated $837,127,000 to the General Reserve out of the $1,137,127,000 net income earned in the fiscal year ended June 30, 1985 and in October, 1985, authorized the transfer of $150,000,000 by way of grant to the International Development Associ-

(continued)

Notes to Financial Statements *(continued)* Appendix G

June 30, 1986 and June 30, 1985

ation and $150,000,000 as a contribution by the IBRD to the Special Facility for Sub-Saharan Africa which is administered by the International Development Association (see Note G).

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 and to be used only for the purpose of meeting liabilities of the IBRD on its borrowings and guarantees. The Special Reserve assets comprise obligations of the United States government and its instrumentalities and are included under the heading Investments. As a result of a decision made in 1964, the allocation of such commissions to the Special Reserve was discontinued in respect of subsequent loans and no further additions are being made to it.

Note F—Income and Expenses

Other income includes net gains of $7,599,000 ($16,485,000—1985), resulting from repurchases of obligations of the IBRD prior to maturity, and net gains from loan sales of $11,738,000 (Snil—1985).

Administrative expenses are net of the management fee of $280,750,000 ($273,180,000—1985) charged to the International Development Association and of the service and support fee of $3,130,000 ($2,975,000—1985) charged to the International Finance Corporation. Contributions to special programs represent grants for agricultural research, the control of onchocerciasis and other developmental activities.

At June 30, 1986, principal instalments of $16,322,000 and interest and other charges of $7,787,000 payable to the IBRD on loans other than those referred to in the following paragraphs were overdue by more than three months. The aggregate principal amount disbursed and outstanding on these loans was $225,410,000.

At June 30, 1986, the loans made to or guaranteed by Liberia with an aggregate principal balance outstanding of $116,177,000, of which $5,194,000 was overdue, were in nonaccrual status. If these loans had not been in nonaccrual status, income from loans for the fiscal year ended June 30, 1986 would have been $9,025,000 higher.

For the fiscal year ended June 30, 1986, the IBRD made a provision for losses on loans made to or guaranteed by Nicaragua with an aggregate principal balance outstanding of $186,011,000, of which $20,543,000 was overdue. These loans have been in nonaccrual status since December 1984. Net income for the fiscal year ended June 30, 1986 was $13,730,000 ($15,110,000—1985) lower as a result of these loans being in nonaccrual status and $37,200,000 lower as a result of the provision for losses on these loans.

Note G—Transfers to the International Development Association and to the Special Facility for Sub-Saharan Africa

The IBRD has authorized transfers by way of grants to the International Development Association totaling $2,219,000,000 from net income for the fiscal years ended June 30, 1964 through June 30, 1985. Of this amount, $524,920,000 was payable at June 30, 1986 ($1,142,339,000 at June 30, 1985).

The IBRD authorized a grant of $150,000,000 from the net income earned in the fiscal year ended June 30, 1985 to the Special Facility for Sub-Saharan Africa which is administered by the International Development Association. These funds will be paid as needed to finance disbursements on credit commitments of the Special Facility.

Note H—Staff Retirement Plan

The IBRD has a contributory retirement Plan for its staff, which also covers the staff of the International Finance Corporation. The staff contribute a fixed percentage of pensionable remuneration, and the IBRD contributes the remainder of the cost of funding the Plan. The IBRD uses an aggregate funding method for determining its cost. Such cost is funded as accrued. The cost of the Plan to the IBRD during the period was $66,904,000 ($66,415,000—1985). All contributions to the Plan and all other assets and income held for the purposes of the Plan are held by the IBRD separately from the other assets and income of the IBRD and International Finance Corporation and can be used only for the benefit of the participants in the Plan and their beneficiaries until all liabilities to them have been discharged. The comparison of accumulated benefits and net assets of the Plan is presented below:

Actuarial present value of accumulated Plan benefits
(US$ thousands)

	December 31	
	1985	1984
Vested	$ 791,152	$ 672,006
Nonvested	48,873	35,230
	840,025	707,236
Net assets available for benefits	$1,727,597	$1,247,837

The assumed rate of return used in determining the actuarial present value of the accumulated Plan benefits was 10% for 1985 (10% for 1984).

Report of Independent Accountants

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Price Waterhouse

July 30, 1986

President and Board of Governors,
International Bank for Reconstruction
and Development

In our opinion, the financial statements appearing in Appendices A through G present fairly, in terms of United States dollars, the financial position of the International Bank for Reconstruction and Development at June 30, 1986 and 1985, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse

Financial Statements Covered by the Foregoing Report

Financial Statements of the International Development Association

Statements of Condition

Appendix A

June 30, 1986 and June 30, 1985
Expressed in thousands of US dollars—see Notes to Financial Statements, Appendix F

Assets		1986		1985
DUE FROM BANKS				
Unrestricted currencies available for disbursements (including interest-bearing demand deposits $27,268—1986, $1,574—1985)	$ 187,367		$ 314,285	
Unrestricted currencies not immediately available for disbursements—Note A	210,286		96,490	
Currencies subject to restrictions—Note A	41,082		41,891	
		438,735		452,666
INVESTMENTS—Note C				
Obligations of governments and their instrumentalities	648,364		106,172	
Time deposits and other obligations of banks and financial institutions	85,461		126,990	
		733,825		233,162
RECEIVABLES ON ACCOUNT OF SUBSCRIPTIONS AND SUPPLEMENTARY RESOURCES—Note A				
Nonnegotiable, non-interest-bearing demand obligations				
Unrestricted	10,632,774		8,539,258	
Subject to restrictions	59,873		59,720	
Amounts due on additional subscriptions and supplementary resources	189,619		204,571	
Amounts required to maintain value of currency holdings—Note B	1,369		58	
		10,883,635		8,803,607
RECEIVABLES—OTHER				
International Bank for Reconstruction and Development—Note F	524,920		1,142,339	
Accrued charges on development credits	79,428		63,141	
Accrued interest on investments	7,017		2,581	
		611,365		1,208,061
DEVELOPMENT CREDITS OUTSTANDING (see Appendix D)				
Total development credits	39,592,134		33,997,301	
Less development credits approved but not yet effective	2,141,647		2,697,742	
Less undisbursed balance of effective development credits	11,604,958		9,304,162	
		25,845,529		21,995,397
OTHER ASSETS				
Notional amounts required to maintain value of currency holdings—Notes A and B	135,545		104,583	
Miscellaneous	20,012		19,665	
		155,557		124,248
		$38,668,646		$32,817,141

Liabilities, Subscriptions, Supplementary Resources, Transfers, and Accumulated Surplus (Deficit)

		1986	1985
LIABILITIES			
Accounts payable and other liabilities		$ 85,440	$ 36,143
Notional amounts required to maintain value of currency holdings—Notes A and B		2,231	5,310
SUBSCRIPTIONS AND SUPPLEMENTARY RESOURCES (See Appendix E and Appendix F, Note E)		36,038,568	31,272,741
CONTRIBUTION BY SWITZERLAND—Note D		51,173	51,173
TRANSFERS FROM INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT—Note F		2,139,095	1,989,095
ACCUMULATED SURPLUS (DEFICIT) (see Appendix B)			
Accumulated net loss—Note G	$ (340,916)		(355,396)
Cumulative translation adjustments on development credits	693,055		(181,925)
		352,139	(537,321)
		$38,668,646	$32,817,141

Statements of Income

Appendix B

For the fiscal years ended June 30, 1986 and June 30, 1985
Expressed in thousands of US dollars—see Notes to Financial Statements, Appendix F

	1986	1985
Income		
Income from development credits—Note G		
Service charges	$ 181,237	$ 157,944
Commitment charges	44,609	28,750
Income from investments	60,249	22,595
Total income	286,095	209,289
Expenses		
Management fee to International Bank for Reconstruction and Development	280,750	273,180
Operating Income (Loss)	5,345	(63,891)
Translation adjustments for fiscal year	9,135	(692)
Net Income (Loss)—Note G	$ 14,480	$ (64,583)

Statements of Changes in Accumulated Surplus (Deficit)

For the fiscal years ended June 30, 1986 and June 30, 1985
Expressed in thousands of US dollars—see Notes to Financial Statements, Appendix F

	1986	1985
Accumulated Net Loss		
Balance at beginning of fiscal year	$(355,396)	$(290,813)
Net income (loss) for fiscal year—Note G	14,480	(64,583)
Accumulated Net Loss at End of Fiscal Year	(340,916)	(355,396)
Cumulative Translation Adjustments on Development Credits		
Balance at beginning of fiscal year	(181,925)	(110,606)
Translation adjustments for fiscal year	874,980	(71,319)
Cumulative Translation Adjustments on Development Credits at End of Fiscal Year	693,055	(181,925)
Total Accumulated Surplus (Deficit)	$ 352,139	$(537,321)

Statements of Changes in Resources Available for Commitment

Appendix C

For the fiscal years ended June 30, 1986 and June 30, 1985
Expressed in thousands of US dollars—see Notes to Financial Statements, Appendix F

			1986	1985*
Resources Provided				
From Members:				
Subscriptions and contributions under the sixth and seventh replenishments and FY84 Account—Note E:				
During period	$ 1,014,195			$ 7,322,331
Amounts from prior fiscal years not available for commitment at beginning of period	5,754,224			150,000
Not available for commitment at end of period	(2,814,714)			(4,835,264)
Other subscriptions	—			137
Increase in subscriptions and contributions available for commitment		$3,953,705		2,637,204
Adjustment of resources provided in prior fiscal years as a result of currency appreciations (depreciations)		1,631,214		(389,465)
Increase in resources provided by members			$ 5,584,919	2,247,739
Transfers from International Bank for Reconstruction and Development—Note F			150,000	100,000
Cancellations of development credits			208,756	148,806
Repayments of development credits			120,802	99,253
Grant participations in development credits			11,674	2,051
Total resources provided			6,076,151	2,597,849
Resources Used				
Net loss not available for commitment[a]			—	31,655
Development credits approved		3,424,491		3,054,400
Adjustment of development credits approved in prior fiscal years as a result of the appreciation (depreciation) of the SDR in terms of the US dollar		1,636,594		(292,632)
Total resources used			5,061,085	2,793,423
Increase in Resources Available for Commitment			1,015,066	(195,574)
Resources Available for Commitment				
Beginning of period			(1,049,676)	(854,102)
End of period			$ (34,610)[b]	$(1,049,676)

(continued)

Statements of Changes in Resources Available for Commitment *(continued)*

Appendix C

For the fiscal years ended June 30, 1986 and June 30, 1985
Expressed in thousands of US dollars—see Notes to Financial Statements, Appendix F

Composition of Resources Available for Commitment	1986	1985*
Unrestricted currencies	$ 397,653	$ 410,775
Investments	733,825	233,162
Unrestricted receivables on account of subscriptions and supplementary resources	10,823,412	8,743,582
Receivables—Other	611,365	1,208,061
Other assets	33,172	32,848
Unrestricted subscriptions and supplementary resources not yet due	3,673,337	4,841,481
Subscriptions and supplementary resources not yet available for commitment	(2,814,714)	(4,835,264)
Add net loss available for commitment[a]	339,335	353,815
Less undisbursed development credits (including development credits not yet effective) and other liabilities	(13,831,995)	(12,038,136)
Total	$ (34,610)[b]	$(1,049,676)

*Reclassified for comparative purposes

a. In accordance with the decision of the Executive Directors that the Association's commitment authority not be reduced by the amount of deficits during the sixth replenishment period, the Association's resources available for commitment were increased by the amount of the accumulated deficits for the period from July 1, 1979 to December 31, 1984, reflecting the expectation that future income would be available to reduce these losses. Losses incurred subsequent to December 31, 1984 have reduced the Association's commitment authority. Pending a review of the Association's financial policies, income earned by the Association after the sixth replenishment is not being used to increase commitment authority. Accordingly, the item ". . .net loss available for commitment" totaling $353,815,000 as of December 31, 1984, has been reduced to $339,335,000 by subsequent income earned through June 30, 1986.

b. The net balance of resources of $(34,610,000) shown above represents (i) $308,877,000 of resources that have become available for commitment and are included herein but have not been allocated to specific development credits and (ii) a shortfall of $343,487,000 which is primarily attributable to exchange rate fluctuations in the value, in terms of current US dollars, of resources expressed in other member currencies and provided in prior fiscal years. The value of these resources at any given time may be greater or less than the development credits committed against them, since these development credits are denominated in US dollars or SDRs.

Summary Statement of Development Credits

Appendix D

June 30, 1986 and June 30, 1985

Expressed in thousands of US dollars—see Notes to Financial Statements, Appendix F

	June 30, 1986				
Borrower or guarantor	Total development credits	Development credits approved but not yet effective[a]	Undisbursed development credits[b]	Development credits outstanding	Percentage of total development credits outstanding
Afghanistan	$ 81,821	$ —	$ —	$ 81,821	0.32
Bangladesh	3,727,152	174,633	1,252,537	2,299,982	8.90
Benin	224,273	12,247	72,475	139,551	0.54
Bhutan	20,725	—	19,284	1,441	0.01
Bolivia	176,544	72,067	8,462	96,015	0.37
Botswana	14,769	—	—	14,769	0.06
Burkina Faso	319,737	—	150,871	168,866	0.65
Burma	743,468	31,088	281,827	430,553	1.67
Burundi	272,266	30,735	84,858	156,673	0.61
Cameroon	242,019	—	12,884	229,135	0.89
Cape Verde	12,718	—	8,964	3,754	0.01
Central African Republic	103,649	12,129	18,580	72,940	0.28
Chad	70,011	15,073	12,227	42,711	0.17
Chile	17,321	—	—	17,321	0.07
China	1,730,321	378,000	795,230	557,091	2.16
Colombia	17,659	—	—	17,659	0.07
Comoros	34,458	—	11,716	22,742	0.09
Congo, People's Republic of the	73,450	—	4,795	68,655	0.27
Costa Rica	4,203	—	—	4,203	0.02
Côte d'Ivoire	7,275	—	—	7,275	0.03
Djibouti	28,262	—	19,101	9,161	0.04
Dominica	5,181	—	184	4,997	0.02
Dominican Republic	21,192	—	—	21,192	0.08
Ecuador	34,547	—	—	34,547	0.13
Egypt, Arab Republic of	940,197	—	113,462	826,735	3.20
El Salvador	25,436	—	—	25,436	0.10
Equatorial Guinea	26,495	6,359	15,499	4,637	0.02
Ethiopia	836,686	69,123	306,182	461,381	1.78
Gambia, The	65,324	6,241	21,137	37,946	0.15
Ghana	633,395	26,378	295,847	311,170	1.20
Grenada	5,888	—	4,527	1,361	—
Guinea-Bissau	70,469	—	20,083	50,386	0.19
Guinea	260,135	21,196	100,077	138,862	0.54
Guyana	38,041	—	8,403	29,638	0.11
Haiti	252,498	—	55,932	196,566	0.76
Honduras	81,106	—	—	81,106	0.31
India	13,896,623	219,028	3,743,192	9,934,403	38.44
Indonesia	883,034	—	28,736	854,298	3.31
Jordan	81,730	—	—	81,730	0.32
Kenya	674,006	80,428	165,889	427,689	1.65
Korea, Republic of	106,482	—	—	106,482	0.41
Lao People's Democratic Republic	58,338	4,122	19,266	34,950	0.13
Lesotho	99,193	—	32,943	66,250	0.26
Liberia	119,540	6,006	29,497	84,037	0.32
Madagascar	518,628	56,052	123,377	339,199	1.31
Malawi	489,679	—	135,413	354,266	1.37
Maldives	8,134	—	3,964	4,170	0.02

(continued)

Summary Statement of Development Credits *(continued)*

Appendix D

June 30, 1986 and June 30, 1985
Expressed in thousands of US dollars—see Notes to Financial Statements, Appendix F

	June 30, 1986				
Borrower or guarantor	Total development credits	Development credits approved but not yet effective[a]	Undisbursed development credits[b]	Development credits outstanding	Percentage of total development credits outstanding
Mali	$ 432,456	$ 36,622	$ 146,377	$ 249,457	0.96
Mauritania	128,869	8,479	47,638	72,752	0.28
Mauritius	19,698	—	—	19,698	0.08
Morocco	42,367	—	—	42,367	0.16
Mozambique	53,580	—	40,054	13,526	0.05
Nepal	651,767	60,056	328,602	263,109	1.02
Nicaragua	59,429	—	2	59,427	0.23
Niger	295,964	44,865	99,454	151,645	0.59
Nigeria	34,073	—	—	34,073	0.13
Pakistan	2,452,472	109,396	851,955	1,491,121	5.77
Papua New Guinea	111,134	—	444	110,690	0.43
Paraguay	45,461	—	—	45,461	0.18
Philippines	121,181	—	32,921	88,260	0.34
Rwanda	314,673	63,824	76,889	173,960	0.67
St. Vincent and the Grenadines	824	—	704	120	—
São Tomé and Principe	6,241	—	5,964	277	—
Senegal	430,369	44,394	128,461	257,514	1.00
Sierra Leone	117,487	5,417	45,897	66,173	0.26
Solomon Islands	18,135	5,299	6,635	6,201	0.02
Somalia	283,985	35,916	44,523	203,546	0.79
Sri Lanka	850,558	120,230	274,504	455,824	1.76
Sudan	932,655	36,505	340,185	555,965	2.15
Swaziland	7,477	—	—	7,477	0.03
Syrian Arab Republic	45,758	—	—	45,758	0.18
Tanzania	887,913	91,851	190,722	605,340	2.34
Thailand	114,517	—	7,861	106,656	0.41
Togo	258,926	7,419	94,090	157,417	0.61
Tunisia	64,977	—	—	64,977	0.25
Turkey	175,508	—	—	175,508	0.68
Uganda	586,352	—	251,707	334,645	1.29
Vanuatu	4,475	2,238	1,994	243	—
Viet Nam	60,000	—	2,586	57,414	0.22
Western Samoa	19,421	—	8,932	10,489	0.04
Yemen Arab Republic	445,027	62,411	133,261	249,355	0.96
Yemen, People's Democratic Republic of	183,952	—	56,545	127,407	0.49
Zaire	794,718	115,637	255,511	423,570	1.64
Zambia	284,186	70,183	113,505	100,498	0.39
Zimbabwe	56,406	—	16,987	39,419	0.15
Subtotal members	39,547,069	2,141,647	11,582,331	25,823,091	99.91

Borrower or guarantor	Total development credits	Development credits approved but not yet effective[a]	Undisbursed development credits[b]	Development credits outstanding	Percentage of total development credits outstanding
	June 30, 1986				
Regional development banks					
West African Development Bank[c]	18,308	—	14,204	4,104	0.02
Caribbean Development Bank[d]	14,654	—	8,423	6,231	0.02
Subtotal regional development banks	32,962	—	22,627	10,335	0.04
Other[e]	12,103	—	—	12,103	0.05
Total—June 30, 1986	$39,592,134	$2,141,647	$11,604,958	$25,845,529	100.00
Total—June 30, 1985	$33,997,301	$2,697,742	$ 9,304,162	$21,995,397	

a. Development credit agreements totaling $1,209,012,000 ($1,914,663,000—1985) have been signed, but the development credits do not become effective and disbursements thereunder do not start until the borrowers take certain actions and furnish certain documents to the Association. Agreements providing for development credits totaling $932,635,000, ($665,155,000—1985) have been approved by the Association but have not been signed.

b. These amounts include $16,044,000 ($21,753,000—1985) of grant participations. The grant participations represent participations on a grant basis taken in a number of development credits under the terms of aid cooperation agreements between two member countries and the Association. Of the undisbursed balance at June 30, 1986, the Association has entered into irrevocable commitments to disburse $191,216,000 ($23,592,000—1985).

c. These development credits are for the benefit of Benin, Burkina Faso, Côte d'Ivoire, Niger, Senegal, and Togo.

d. These development credits are for the benefit of Grenada and territories of the United Kingdom (Associated States and Dependencies) in the Caribbean Region.

e. Represents development credits made at a time when the authorities on Taiwan represented China in the Association (prior to May 15, 1980).

Maturity Structure of Development Credits*

Periods	June 30, 1986	Periods	June 30, 1986
July 1, 1986 to June 30, 1987	$ 158,081	July 1, 2001 to June 30, 2006	$ 4,976,350
July 1, 1987 to June 30, 1988	160,011	July 1, 2006 to June 30, 2011	5,703,555
July 1, 1988 to June 30, 1989	189,036	July 1, 2011 to June 30, 2016	5,600,166
July 1, 1989 to June 30, 1990	226,774	July 1, 2016 to June 30, 2021	5,358,088
July 1, 1990 to June 30, 1991	277,334	July 1, 2021 to June 30, 2026	4,724,741
July 1, 1991 to June 30, 1996	2,196,185	July 1, 2026 to June 30, 2031	3,426,541
July 1, 1996 to June 30, 2001	3,419,604	July 1, 2031 to June 30, 2036	1,034,021
		Total	$37,450,487

* Includes undisbursed balance of effective development credits.

Statement of Voting Power, and Subscriptions and Supplementary Resources

Appendix E

June 30, 1986 and June 30, 1985
Expressed in thousands of units of currency—see Notes to Financial Statements, Appendix F

	June 30, 1986						
	Voting power		Amounts of subscriptions and supplementary resources through the third replenishment		Amounts of subsequent subscriptions and supplementary resources[a]	Total subscriptions and supplementary resources	
Members[b]	Number of votes	Percentage of total[c]	Expressed in special drawing rights	Expressed in current US dollars	Expressed in current US dollars	Expressed in current US dollars	Percentage of total
Part I Members							
Australia	74,233	1.42	111,980	$ 135,362	$ 586,126	$ 721,488	1.82
Austria	33,635	0.64	34,560	41,797	245,051	286,848	0.72
Belgium	62,791	1.20	77,700	93,865	481,292	575,157	1.45
Canada	173,676	3.31	304,530	368,219	1,437,125	1,805,344	4.55
Denmark	49,478	0.94	70,840	85,790	325,524	411,314	1.03
Finland	29,006	0.55	22,448	27,156	191,485	218,641	0.55
France	196,605	3.75	362,032	437,404	1,580,936	2,018,340	5.08
Germany, Federal Republic of	367,560	7.01	476,560	575,775	4,042,302	4,618,077	11.63
Iceland	11,931	0.23	550	664	3,476	4,140	0.01
Ireland	15,068	0.29	7,030	8,489	36,350	44,839	0.11
Italy	134,820	2.57	193,240	234,465	955,340	1,189,805	3.00
Japan	437,435	8.35	285,320	344,757	6,703,629	7,048,386	17.75
Kuwait	57,762	1.10	22,920	27,724	543,112	570,836	1.44
Luxembourg	12,695	0.24	2,550	3,078	15,864	18,942	0.05
Netherlands	103,559	1.98	141,080	170,238	1,029,564	1,199,802	3.02
New Zealand	14,673	0.28	5,634	6,797	29,728	36,525	0.09
Norway	46,972	0.90	49,320	59,572	325,414	384,986	0.97
South Africa	16,494	0.31	20,080	24,250	25,038	49,288	0.12
Sweden	118,063	2.25	206,225	249,117	819,375	1,068,492	2.69
United Arab Emirates	15,942	0.30	—	—	136,464	136,464	0.34
United Kingdom	338,259	6.45	694,300	839,507	2,776,670	3,616,177	9.11
United States	975,481	18.61	2,072,290	2,504,542	9,390,000	11,894,542	29.95
Total	3,286,138	62.70	5,161,189	$6,238,568	$31,679,865	$37,918,433	95.48
Part II Members							
Afghanistan	13,557	0.26	1,049	1,238	76	1,314	0.01
Algeria	18,481	0.35	4,186	4,941	174	5,115	0.01
Argentina	81,053	1.55	19,720	23,283	25,303	48,586	0.12
Bangladesh	32,025	0.61	5,589	6,597	196	6,793	0.02
Belize	1,788	0.03	200	234	2	236	*
Benin	1,800	0.03	500	590	6	596	*
Bhutan	510	0.01	50	59	**	59	*
Bolivia	13,748	0.26	1,101	1,300	**	1,300	0.01
Botswana	11,726	0.22	166	196	5	201	*
Brazil	90,221	1.72	19,720	23,276	40,685	63,961	0.16
Burkina Faso	9,720	0.19	519	613	18	631	*
Burma	18,974	0.36	2,099	2,477	142	2,619	0.01
Burundi	12,667	0.24	790	932	53	985	*
Cameroon	9,214	0.18	1,049	1,238	34	1,272	*
Cape Verde	516	0.01	80	95	**	95	*

	June 30, 1986						
	Voting power		Amounts of subscriptions and supplementary resources through the third replenishment		Amounts of subsequent subscriptions and supplementary resources[a]	Total subscriptions and supplementary resources	
Members[b]	Number of votes	Percentage of total[c]	Expressed in special drawing rights	Expressed in current US dollars	Expressed in current US dollars	Expressed in current US dollars	Percentage of total
Part II Members *(continued)*							
Central African Republic	9,720	0.19	519	$ 613	$ 23	$ 636	*
Chad	3,293	0.06	519	613	6	619	*
Chile	24,844	0.47	3,667	4,328	36	4,364	0.01
China	99,836	1.91	31,436	37,105	902	38,007	0.10
Colombia	23,784	0.45	3,717	4,387	3,896	8,283	0.02
Comoros	5,774	0.11	83	98	2	100	*
Congo, People's Rep. of the	6,685	0.13	519	613	11	624	*
Costa Rica	7,844	0.15	208	246	3	249	*
Côte d'Ivoire	7,771	0.15	1,049	1,238	22	1,260	*
Cyprus	14,051	0.27	790	932	48	980	*
Djibouti	532	0.01	160	191	**	191	*
Dominica	3,186	0.06	80	95	2	97	*
Dominican Republic	12,677	0.24	435	514	60	574	*
Ecuador	13,473	0.26	676	871	14	885	*
Egypt, Arab Republic of	28,424	0.54	5,277	6,229	258	6,487	0.02
El Salvador	6,244	0.12	331	391	6	397	*
Equatorial Guinea	1,967	0.04	332	392	**	392	*
Ethiopia	13,048	0.25	539	636	42	678	*
Fiji	2,130	0.04	581	686	**	686	*
Gabon	2,093	0.04	519	614	**	614	*
Gambia, The	10,644	0.20	277	327	5	332	*
Ghana	15,362	0.29	2,452	2,894	3	2,897	0.01
Greece	21,272	0.41	2,618	3,143	5,365	8,508	0.02
Grenada	10,186	0.19	94	110	6	116	*
Guatemala	12,567	0.24	415	490	30	520	*
Guinea	13,557	0.26	1,049	1,238	70	1,308	0.01
Guinea-Bissau	528	0.01	140	165	**	165	*
Guyana	12,859	0.25	842	994	33	1,027	*
Haiti	14,051	0.27	790	932	63	995	*
Honduras	12,254	0.23	311	367	27	394	*
Hungary	31,039	0.59	—	—	9,917	9,917	0.03
India	168,079	3.21	41,919	48,830	2,487	51,317	0.13
Indonesia	54,280	1.04	11,531	13,611	435	14,046	0.04
Iran, Islamic Republic of	15,455	0.29	4,717	5,690	145	5,835	0.02
Iraq	9,407	0.18	790	932	39	971	*
Israel	9,386	0.18	1,745	2,104	296	2,400	0.01
Jordan	12,218	0.23	311	375	23	398	*
Kampuchea, Democratic	7,826	0.15	1,060	1,251	6	1,257	*
Kenya	16,021	0.31	1,745	2,062	56	2,118	0.01
Korea, Republic of	17,054	0.33	1,309	1,545	10,939	12,484	0.03

(continued)

Statement of Voting Power, and Subscriptions and Supplementary Resources *(continued)*

Appendix E

June 30, 1986 and June 30, 1985
Expressed in thousands of units of currency—see Notes to Financial Statements, Appendix F

	June 30, 1986						
	Voting power		Amounts of subscriptions and supplementary resources through the third replenishment		Amounts of subsequent subscriptions and supplementary resources[a]	Total subscriptions and supplementary resources	
Members[b]	Number of votes	Percentage of total[c]	Expressed in special drawing rights	Expressed in current US dollars	Expressed in current US dollars	Expressed in current US dollars	Percentage of total
Part II Members *(continued)*							
Lao People's Democratic Republic	11,723	0.22	519	$ 613	$ 7	$ 620	*
Lebanon	8,562	0.16	467	552	2	554	*
Lesotho	10,487	0.20	166	196	4	200	*
Liberia	13,867	0.26	790	932	63	995	*
Libya	7,771	0.15	1,049	1,238	29	1,267	*
Madagascar	702	0.01	1,010	1,192	**	1,192	*
Malawi	14,051	0.27	790	932	31	963	*
Malaysia	20,888	0.40	2,618	3,090	184	3,274	0.01
Maldives	11,215	0.21	31	37	2	39	*
Mali	13,507	0.26	904	1,067	60	1,127	*
Mauritania	6,685	0.13	519	614	11	625	*
Mauritius	14,464	0.28	924	1,091	36	1,127	*
Mexico	25,867	0.49	8,740	10,400	17,222	27,622	0.07
Morocco	24,844	0.47	3,667	4,328	148	4,476	0.01
Mozambique	774	0.01	1,370	1,588	**	1,588	0.01
Nepal	12,923	0.25	519	613	24	637	*
Nicaragua	10,896	0.21	311	397	13	410	*
Niger	12,899	0.25	519	613	29	642	*
Nigeria	4,057	0.08	3,491	4,133	**	4,133	0.01
Oman	12,257	0.23	331	391	24	415	*
Pakistan	50,396	0.96	10,582	12,490	515	13,005	0.03
Panama	5,657	0.11	21	25	1	26	*
Papua New Guinea	13,050	0.25	894	1,055	47	1,102	*
Paraguay	8,124	0.16	311	368	13	381	*
Peru	854	0.02	1,770	2,090	**	2,090	0.01
Philippines	16,583	0.32	5,296	6,251	98	6,349	0.02
Rwanda	12,667	0.24	790	932	56	988	*
St. Lucia	10,445	0.20	156	183	11	194	*
St. Vincent and the Grenadines	514	0.01	70	82	**	82	*
São Tomé and Principe	514	0.01	70	83	**	83	*
Saudi Arabia	143,973	2.75	3,700	4,368	1,215,000	1,219,368	3.07
Senegal	17,221	0.33	1,745	2,060	96	2,156	0.01
Sierra Leone	12,667	0.24	790	933	10	943	*
Solomon Islands	518	0.01	90	108	**	108	*
Somalia	10,506	0.20	790	932	4	936	*
Spain	65,530	1.25	12,590	15,196	96,864	112,060	0.28
Sri Lanka	22,873	0.44	3,148	3,715	100	3,815	0.01
Sudan	13,884	0.26	1,049	1,239	30	1,269	*
Swaziland	11,073	0.21	332	392	9	401	*
Syrian Arab Republic	7,651	0.15	987	1,165	34	1,199	*

	June 30, 1986						
	Voting power		Amounts of subscriptions and supplementary resources through the third replenishment		Amounts of subsequent subscriptions and supplementary resources[a]	Total subscriptions and supplementary resources	
Members[b]	Number of votes	Percentage of total[c]	Expressed in special drawing rights	Expressed in current US dollars	Expressed in current US dollars	Expressed in current US dollars	Percentage of total
Part II Members *(continued)*							
Tanzania	16,021	0.31	1,745	$ 2,060	$ 24	$ 2,084	0.01
Thailand	22,873	0.44	3,148	3,715	196	3,911	0.01
Togo	12,667	0.24	790	932	35	967	*
Tonga	11,372	0.22	70	86	7	93	*
Trinidad and Tobago	770	0.01	1,350	1,594	**	1,594	0.01
Tunisia	2,793	0.05	1,569	1,852	**	1,852	0.01
Turkey	33,721	0.64	6,085	7,183	42	7,225	0.02
Uganda	16,021	0.31	1,745	2,060	1	2,061	0.01
Vanuatu	1,784	0.03	190	223	2	225	*
Viet Nam	8,889	0.17	1,569	1,852	5	1,857	0.01
Western Samoa	8,758	0.17	94	111	2	113	*
Yemen Arab Republic	11,468	0.22	446	527	20	547	*
Yemen, People's Democratic Republic of	10,591	0.20	1,226	1,447	63	1,510	0.01
Yugoslavia	33,073	0.63	8,080	9,763	12,646	22,409	0.06
Zaire	12,164	0.23	3,138	3,703	1	3,704	0.01
Zambia	19,730	0.38	2,794	3,298	19	3,317	0.01
Zimbabwe	1,324	0.03	4,120	4,907	**	4,907	0.01
Total	1,954,579	37.30	294,445	347,918	1,445,810	1,793,728	4.52
Grand Total— June 30, 1986	5,240,717	100.00	SDR 5,455,634	$6,586,486	$33,125,675	$39,712,161	100.00
Grand Total— June 30, 1985	5,052,113		SDR 5,455,566	$6,547,278	$29,567,633	$36,114,911	

a. Includes subscriptions and supplementary resources under the fourth through seventh replenishments, and the FY84 Account.

b. See Appendix F—Note A, for an explanation of the two categories of members.

c. Total may differ from the sum of individual percentages because of rounding.

* Less than 0.005 percent.

** Less than $500,000.

Notes to Financial Statements

Appendix F

June 30, 1986 and June 30, 1985

Summary of Significant Accounting and Related Policies

Translation of Currencies

The Association is an international organization which conducts its operations in the currencies of all of its members and Switzerland. Assets and liabilities are translated at market rates of exchange at the end of the period. Income is generally translated at an average of the market rates of exchange in effect during each month. Subscriptions and supplementary resources are translated in the manner described below. Translation adjustments relating to the revaluation of development credits denominated in special drawing rights (SDRs) are charged or credited to Cumulative Translation Adjustments on Development Credits. Other translation adjustments are included in the determination of net income.

Valuation of Subscriptions and Supplementary Resources

The subscriptions and supplementary resources provided through the third replenishment are expressed in terms of "US dollars of the weight and fineness in effect on January 1, 1960" (1960 dollars). On April 1, 1978, the Second Amendment of the Articles of Agreement of the International Monetary Fund (the Fund) entered into force and Section 2 of the Par Value Modification Act of the United States (31 U.S.C. 449) was repealed. As a result, currencies no longer have par values, gold is abolished as a common denominator, and the provision of United States law defining the par value of the US dollar in terms of gold disappeared and, with it, the preexisting basis for translating the term "United States dollars of the weight and fineness in effect on January 1, 1960" into current dollars or into any other currency.

The General Counsel of the Association has rendered a legal opinion concluding in substance that in the exercise of their statutory power under Article X of the Association's Articles, the Executive Directors may interpret references in the Articles to the 1960 dollar to mean either references to the last official value of the 1960 dollar in terms of current US dollars (that is, \$1.20635) or references to the SDR as determined from time to time by the Fund, with the effect that the mutual obligations of each member and the Association with respect to maintenance of value of certain currency holdings will either be measured on the basis of \$1.20635 or on the basis of the SDR, according to the decision of the Executive Directors on the standard of value. Pending such decision, the Association has valued the subscriptions and supplementary resources through the third replenishment on the basis of the SDR as computed by the Fund, and expressed such value in terms of US dollars at \$1.17757 per SDR on June 30, 1986 (\$0.998281 per SDR on June 30, 1985) for amounts undisbursed at the end of the period. Such subscriptions and supplementary resources disbursed prior to the end of the period are valued at the market rates of exchange in effect on the dates of disbursement. Expressing the value of these subscriptions and supplementary resources in terms of the SDR rather than in terms of \$1.20635 does not have a material effect on the financial position or results of operations of the Association. If the value of these subscriptions and supplementary resources were expressed in terms of \$1.20635, the amount of Subscriptions and Supplementary Resources shown in the Statement of Condition would have increased by \$5,211,000 to \$36,043,779,000 (\$34,209,000 to \$31,306,950,000—1985).

The subscriptions and supplementary resources provided under the fourth replenishment and thereafter are expressed in members' currencies or SDRs and are payable in members' currencies. These resources are translated (1) at market rates of exchange for amounts receivable and for amounts received and not yet disbursed, and (2) at market rates of exchange on the dates of disbursement in respect of those amounts which have been disbursed or converted into another currency.

Development Credits

All of the Association's development credits are made to member governments or to the government of a territory of a member (except for four development credits which have been made to regional development banks for the benefit of members or territories of members of the Association). The Association has not suffered any losses on development credit receivables and no losses are anticipated. However, should such losses arise they would be included in the determination of net income.

The repayment obligations of the Association's development credits funded from resources through the fifth replenishment are expressed in the development credit agreements in terms of 1960 dollars. No decision has been made as to the standard of value to be substituted for 1960 dollars in these agreements. Pending a decision on this matter, the financial statements have been presented using \$1.20635 as the standard of value in measuring these development credit repayment obligations and payments are being accepted on that basis. If a decision were made to substitute a standard of value other than \$1.20635 adjustments would be required to Development Credits Outstanding and correspondingly to Cumulative Translation Adjustments. The amounts of such adjustment would be dependent on the extent to which the necessary changes could be made in individual credit agreements and the timing of the decision. Development credits funded from resources provided under the sixth replenishment and thereafter are denominated in SDRs; the principal amounts disbursed under such credits are to be repaid in amounts equivalent to the value of the disbursements in terms of SDRs.

Investments

Investment securities are recorded at cost or amortized cost. Gains or losses on sales of investments, measured by the difference between average cost and proceeds of sales, are recorded as an element of income from investments.

Note A—Unrestricted Currencies Not Immediately Available for Disbursement and Restricted Currencies

Under the Articles of Agreement and the arrangements governing replenishments, the Association must take appropriate steps to ensure that, over a reasonable period of time, the resources provided by donors for lending by the Association are used on an approximately pro rata basis. Donors sometimes contribute cash substantially ahead of pro rata. Unless otherwise agreed, the Association does not disburse these funds ahead of pro rata. Unrestricted Currencies Not Immediately Available for Disbursements represents the difference between the cash contributed and the amount available for disbursements on a pro rata basis.

The membership of the Association is divided into two categories: (1) Part I members, who pay all subscriptions and supplementary resources provided to the Association in convertible currencies which may be freely used or exchanged by the Association in its operations; (2) Part II members, who pay 10 percent of their initial subscriptions in freely convertible currencies and the remaining 90 percent of their initial subscriptions and all additional subscriptions and any supplementary resources in their own currencies or in freely convertible currencies. The Articles of Agreement of the Association and subsequent replenishment agreements provide that generally the currency of any Part II member paid in by it may not be used by the Association for projects financed by the Association and located outside the territories of the member except by agreement between the member and the Association. The amounts of $41,082,000 ($41,891,000—1985) under the heading Due from Banks, $60,223,000 ($60,025,000—1985) included under the heading Receivable on Account of Subscriptions and Supplementary Resources and $120,154,000 ($86,180,000—1985) included in Notional Amounts Required to Maintain Value of Currency Holdings under the headings Other Assets and Liabilities, respectively, were subject to such restrictions.

Note B—Maintenance of Value

Article IV, Section 2 of the Association's Articles of Agreement provides for the maintenance of value, as of the time of subscription, of the currency amounts representing 90 percent of each member's initial subscription, so long as, and to the extent that, such currency has not been initially disbursed or exchanged for the currency of another member. This Section requires: (1) the member to make additional payments to the Association in the event that the par value of its currency is reduced or the foreign exchange value of its currency has, in the opinion of the Association, depreciated to a significant extent in its territories and (2) the Association to reimburse the member in the event that the par value of its currency is increased or the foreign exchange value of its currency has, in the opinion of the Association, appreciated to a significant extent in its territories.

The provisions of Article IV, Section 2 have by agreement been extended to cover additional subscriptions and supplementary resources of the Association through the third replenishment but are not applicable to those of the fourth replenishment and thereafter.

Pending a decision by the Executive Directors on the value of the 1960 dollar, maintenance of value obligations pursuant to Article IV, Section 2 are being determined provisionally on the basis of the SDR and are treated in the financial statements on that basis. For amounts disbursed, a provisional settlement of maintenance of value is made on the basis of market rates of exchange in effect at the respective dates of disbursement. For amounts undisbursed, notional maintenance of value amounts are determined on the basis of the difference between market rates of exchange of currencies in terms of SDRs and the rate at which the undisbursed amounts were paid to the Association. Since the timing of establishment and settlement of these Notional Amounts Required to Maintain Value of Currency Holdings is uncertain, the amounts are included in Other Assets and Liabilities.

Note C—Investments

The market value of investment securities, including investments not traded in the market which were valued at their cost of $68,891,000 ($126,990,000—1985), was $737,042,000 ($235,203,000—1985), compared with a cost or amortized cost of $733,825,000 ($233,162,000—1985).

Note D—Contribution by Switzerland

The Association has received grant contributions in the amount of SwF 181,480,000 from the Swiss Confederation which is not a member of the Association. The agreements between the Confederation and the Association provide for converting these grant contributions into subscriptions or supplementary resources if Switzerland should become a member of the Association.

Note E—Subscriptions and Supplementary Resources

At June 30, 1986 and 1985, the composition of subscriptions and supplementary resources (expressed in thousands of units of currency) was as follows:

		1986	1985
Initial subscriptions and first three replenishments (SDR5,455,634—1986, SDR5,455,566—1985)		$ 6,586,486	$ 6,547,278
Fourth, fifth, and sixth replenishments		21,885,482	21,077,103
FY84 Account		1,620,251	1,236,697
Seventh replenishment	$ 9,619,942		7,253,833
Less portion for which payment is not yet due	3,673,593		4,842,170
		5,946,349	2,411,663
Total		$36,038,568	$31,272,741

(continued)

Notes to Financial Statements *(continued)* Appendix F

June 30, 1986 and June 30, 1985

The aggregate amounts not yet due will be due as follows:

Fiscal years	1986	1985
1986	$ —	$1,532,720
1987	2,603,861	1,809,450
1988	225,468	—
Undetermined*	844,264	1,500,000
Total	$3,673,593	$4,842,170

*Includes the portion of the United States contribution which is qualified as described below.

The FY84 Account consists of special contributions by certain members of the Association made pursuant to arrangements approved by the Association's Executive Directors in October 1982 pending a further replenishment of the Association's resources.

On August 6, 1984, the Board of Governors adopted a resolution authorizing a seventh replenishment of the Association's resources, in an amount equivalent to approximately $9 billion (at exchange rates determined pursuant to a formula agreed among the contributing countries) to provide funds for commitment on credits over the period July 1, 1984 through June 30, 1987. The replenishment became effective on March 31, 1985. At that date, notifications had been received from 17 contributing members (including 14 Part I members) that they would contribute the equivalent of $7,343,690,000 to the seventh replenishment. Subsequent to March 31, 1985 but prior to June 30, 1986, further notifications of contributions in the equivalent of $1,316,413,000 were received increasing the total notifications of contributions to the equivalent of $8,660,103,000. Payment of seventh replenishment subscriptions and contributions is due in three equal annual installments, unless the Association agrees to a different schedule.

For purposes of credit commitments by the Association, all subscriptions and contributions to the seventh replenishment are divided into three equal annual tranches. The first tranche became available for commitment as of the effective date of the replenishment (except to the extent already available in the form of advance contributions); the second tranche became available for commitment as of November 1, 1985 except as noted below, and the third tranche will become available as of November 1, 1986.

In its notification of participation in the seventh replenishment, the United States committed itself without qualification to pay one-third of its total subscription and contribution and to pay the remainder subject to enactment of the necessary appropriations legislation. The resolution provided that if notifications of unqualified commitments by the United States for, in the aggregate, 66 percent or 100 percent of the total amount of its subscription and contribution have not been received by October 31, 1985 and October 31, 1986, respectively, the other contributors would have the right to require that the amount of the second or third tranche (whichever may be applicable) of their subscription and contribution available for commitment be reduced in proportion to the shortfall in unqualified commitments by the United States. On January 31, 1986, the United States provided an unqualified commitment of $669,900,000 in respect of the second tranche, bringing its aggregate unqualified commitment to 63.1 percent of the total amount of its subscription and contribution. A number of countries have waived their right to reduce their contributions and have agreed to release their second and third tranches. As of June 30, 1986, the amount of subscriptions and contributions available for commitment on the basis of the resolution or such waivers totaled the equivalent of $6,804,229,000 and the remaining balance in the equivalent of $2,814,714,000 was subject to the above-mentioned restrictions.

Note F—Transfers from International Bank for Reconstruction and Development

The International Bank for Reconstruction and Development (IBRD) has authorized transfers by way of grants to the Association totaling $2,219,000,000 ($2,069,000,000—1985) from net income of the IBRD for the fiscal years ended June 30, 1964 through June 30, 1985. Of this amount, $79,905,000 ($79,905,000—1985) has been disbursed for grants for agricultural research and for the control of onchocerciasis. Of the balance of $2,139,095,000 ($1,989,095,000—1985) available for general purposes of the Association, $1,614,175,000 ($846,756,000—1985) has been received and $524,920,000 ($1,142,339,000—1985) is reflected as a receivable from the IBRD.

Note G—Income and Expenses

The Association pays a management fee to the IBRD representing its share of the administrative expenses incurred by the IBRD. At June 30, 1986, principal installments of $722,000 and service and commitment charges of $1,561,000 payable to the Association on development credits were overdue by more than three months. The principal disbursed and outstanding on these development credits amounted to $243,923,000. It is not anticipated that these delays in payments will result in any loss to the Association.

Report of Independent Accountants

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Price Waterhouse

July 30, 1986

President and Board of Governors,
International Development Association

We have examined the financial statements of the International Development Association appearing in Appendices A through F. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As described in the Summary of Significant Accounting and Related Policies in the notes to the financial statements, no decision has been made as to the standard of value to be substituted for the 1960 dollar in determining the repayment obligations of certain of the Association's development credits. Pending a decision on this matter, the financial statements have been presented using $1.20635 as the standard of value in measuring these development credit repayment obligations. The amount of any adjustment that might be required as a result of a decision on the standard of value cannot be determined.

In our opinion, subject to the effects on the financial statements of such adjustments, if any, as might have been required had the outcome of the uncertainty referred to in the preceding paragraph been known, the financial statements examined by us present fairly, in terms of United States dollars, the financial position of the International Development Association at June 30, 1986 and 1985, the results of its operations and the changes in its resources available for commitment for the years then ended, in conformity with generally accepted accounting principles consistently applied.

Price Waterhouse

Financial Statements Covered by the Foregoing Report

Financial Statements of the Special Fund Administered by IDA and the Special Facility for Sub-Saharan Africa Administered by IDA

Special Fund Administered by IDA

Special Facility for Sub-Saharan Africa Administered by IDA

Statements of Condition

Appendix A

June 30, 1986 and June 30, 1985
Expressed in thousands of US dollars—see Notes to Financial Statements, Appendix E

Assets	1986	1985
DUE FROM BANKS		
Unrestricted currencies	$ 20,410	$ 33,351
INVESTMENTS	43,387	44,775
RECEIVABLES ON ACCOUNT OF CONTRIBUTIONS		
Nonnegotiable, non-interest-bearing demand obligations	372,394	325,537
RECEIVABLES—OTHER		
Accrued interest on investments	55	262
	$436,246	$403,925

Liabilities, Undisbursed Contributions, and Accumulated Income		
LIABILITIES		
Accounts payable	$ —	$ 12
UNDISBURSED CONTRIBUTIONS		
Contributions (see Appendix D)	526,611	453,698
Less Special Fund credits disbursed (see Appendix C)	105,850	57,002
	420,761	396,696
ACCUMULATED INCOME FROM INVESTMENTS		
Beginning of fiscal year	7,217	2,051
Income for fiscal year	8,268	5,166
End of fiscal year	15,485	7,217
	$436,246	$403,925

Statements of Changes in Resources Available for Commitment

Appendix B

For the fiscal years ended June 30, 1986 and June 30, 1985
Expressed in thousands of US dollars—see Notes to Financial Statements, Appendix E

	1986	1985
Resources Provided		
Contributions	$ —	$ 64,478
Income from investments	8,268	5,166
Adjustment of resources provided in prior fiscal years as a result of net currency appreciations (depreciations)	72,913	(23,844)
Total resources provided	81,181	45,800
Resources Used		
Reduction of Special Fund credit approved in prior fiscal year	—	(12,379)
Adjustment of Special Fund credits approved in prior fiscal years as a result of the appreciation (depreciation) of the special drawing right in terms of the US dollar	69,621	(16,135)
Total resources used (provided)	69,621	(28,514)
Increase in Resources Available for Commitment	11,560	74,314
Resources Available for Commitment		
Beginning of fiscal year	(2,187)	(76,501)
End of fiscal year	$ 9,373	$ (2,187)
Composition of Resources Available for Commitment		
Unrestricted currencies	$ 20,410	33,351
Investments	43,387	44,775
Receivable on account of contributions	372,394	325,537
Receivables—Other	55	262
Less undisbursed Special Fund credits and accounts payable	(426,873)	(406,112)
Total	$ 9,373	$ (2,187)

Summary Statement of Special Fund Credits

Appendix C

June 30, 1986 and June 30, 1985
Expressed in thousands of US dollars—see Notes to Financial Statements, Appendix E

	June 30, 1986			
Borrower	Total Special Fund credits	Undisbursed Special Fund credits	Special Fund credits disbursed[a]	Percentage of total Special Fund credits disbursed
Bangladesh	$ 24,376	$ 24,376	$ —	—
Benin	9,328	5,406	3,922	3.71
China	61,925	31,619	30,306	28.63
Ghana	38,963	24,771	14,192	13.41
Guinea-Bissau	4,418	2,352	2,066	1.95
Haiti	13,876	11,466	2,410	2.28
India	204,751	204,303	448	0.43
Kenya	44,511	44,503	8	0.01
Madagascar	30,850	15,754	15,096	14.26
Malawi	15,141	12,602	2,539	2.40
Mali	12,145	8,185	3,960	3.74
St. Vincent and the Grenadines	4,506	3,029	1,477	1.40
Senegal	20,280	14,496	5,784	5.43
Sudan	11,195	10,511	684	0.65
Togo	18,711	—	18,711	17.68
Yemen, People's Democratic Republic of	11,485	9,468	2,017	1.91
Zambia	6,262	4,032	2,230	2.11
Total—June 30, 1986	$532,723	$426,873	$105,850	100.00
Total—June 30, 1985	$463,102	$406,100	$ 57,002	

a. At market rates of exchange in effect at the respective dates of disbursements.

Statements of Contributions

Appendix D

June 30, 1986 and June 30, 1985
Expressed in thousands of US dollars—see Notes to Financial Statements, Appendix E

Contributors	1986	1985
Belgium	$ 40,396	$ 30,936
Canada	145,498	147,993
Denmark	28,794	22,561
France	122,959	96,830
Italy	80,535	64,386
Norway	39,150	34,088
Sweden	69,279	56,904
Total	$526,611	$453,698

Notes to Financial Statements

Appendix E

June 30, 1986 and June 30, 1985

Summary of Significant Accounting and Related Policies

Organization and Operations

On October 26, 1982, the International Development Association (IDA) established a Special Fund (the Special Fund) constituted by funds to be contributed by members of IDA and administered by IDA, for supplementing the regular resources available for lending by IDA. The arrangements governing the Special Fund may be amended or terminated by IDA's Executive Directors subject to the agreement of a qualified majority of the contributors to the Special Fund. The resources of the Special Fund are kept separate from the resources of IDA. The Special Fund became effective on December 13, 1982.

Translation of Currencies

Assets and undisbursed contributions are translated at market rates of exchange at the end of the period. Disbursed contributions are translated at market rates of exchange effective on the dates of disbursement.

Investments

Investment securities are recorded at cost or amortized cost which approximates market. Gains and losses on sales of investments, measured by the difference between average cost and proceeds of sales, are recorded as an element of income from investments. Income from investments becomes part of the resources of the Special Fund.

Special Fund Credits

Special Fund credits are denominated in special drawing rights (SDRs); the principal amounts disbursed under such credits are to be repaid in amounts equivalent to the value in terms of SDRs of currencies disbursed. On June 30, 1986, the exchange rate of one US dollar was $1.17757 per SDR (on June 30, 1985, $0.998281 per SDR).

Special Fund credits are made on the same terms as regular IDA credits except that the proceeds of Special Fund credits may be used only to finance expenditures for goods or services from (a) Part II members of IDA; (b) Part I members contributing to the Special Fund; and (c) Part I members contributing to the regular resources of IDA through IDA's FY84 Account who have notified IDA that such contributions are to be treated in the same manner as contributions to the Special Fund for purposes of any future adjustment of the voting rights of the members of IDA.

Service and Commitment Charges

The service and commitment charges payable by borrowers under Special Fund credits are paid directly to IDA to compensate it for its services as Administrator of the Special Fund.

Principal Repayments

The principal repayment on Special Fund credits shall become part of the general resources of IDA, unless otherwise provided in a decision of IDA's Executive Directors to terminate administration of the Special Fund by IDA.

Report of Independent Accountants

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Price Waterhouse

July 30, 1986

President and Board of Governors,
Special Fund Administered by the
International Development Association

In our opinion, the financial statements appearing in Appendices A through E present fairly, in terms of United States dollars, the financial position of the Special Fund Administered by the International Development Association at June 30, 1986 and 1985, and the results of its operations and the changes in its resources available for commitment for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse

Financial Statements Covered by the Foregoing Report

Special Facility for Sub-Saharan Africa

Statement of Condition

Appendix A

June 30, 1986
Expressed in thousands of US dollars—see Notes to Financial Statements, Appendix E

Assets		1986
DUE FROM BANKS		
Unrestricted currencies		$ 12,998
INVESTMENTS		44,160
RECEIVABLES ON ACCOUNT OF CONTRIBUTIONS		
Nonnegotiable, non-interest-bearing demand obligations	235,086	
Contributions receivable not yet due	318,613	553,699
RECEIVABLE FROM THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT		150,000
RECEIVABLES—OTHER		
Accrued interest on investments		126
		$760,983

Undisbursed Contributions and Accumulated Income	
TRANSFER FROM THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT—Note A	$150,000
CONTRIBUTIONS (see Appendix D)	705,127
LESS CONTRIBUTIONS DISBURSED (see Appendix C)	101,638
	753,489
ACCUMULATED INCOME FROM INVESTMENTS	
Income for the period	7,494
	$760,983

Statement of Changes in Resources Available for Commitment

Appendix B

For fiscal year ended June 30, 1986
Expressed in thousands of US dollars—see Notes to Financial Statements, Appendix E

	1986
Resources Provided	
Transfers from the International Bank for Reconstruction and Development	$150,000
Contributions	705,127
Income from investments	7,494
Total resources provided	862,621
Resources Used	
African Facility credits approved	580,186
Resources Available for Commitment	
End of period	$282,435
Composition of Resources Available for Commitment	
Unrestricted currencies	$ 12,998
Investments	44,160
Receivables on account of contributions	553,699
Receivable from International Bank for Reconstruction and Development	150,000
Receivables—Other	126
Less Undisbursed Credits	(478,548)
Total	$282,435

Summary Statement of Sub-Saharan African Facility Credits

Appendix C

June 30, 1986
Expressed in thousands of US dollars—see Notes to Financial Statements, Appendix E

	June 30, 1986			
Borrower	Total credits	Undisbursed credits	Credits disbursed[a]	Percentage of total credits disbursed
Burundi	$ 16,839	$ 16,839	$ —	—
Equatorial Guinea	4,239	4,239	—	—
Ghana	69,078	63,461	5,617	5.53
Guinea	18,268	13,297	4,971	4.89
Guinea-Bissau	5,299	5,299	—	—
Kenya	41,450	41,450	—	—
Madagascar	58,685	54,596	4,089	4.02
Malawi	43,085	22,894	20,191	19.87
Niger	58,407	58,407	—	—
Rwanda	17,076	17,076	—	—
Senegal	46,809	23,669	23,140	22.77
Somalia	33,796	33,796	—	—
Togo	11,893	11,893	—	—
Zaire	96,913	96,156	757	0.74
Zambia	58,349	15,476	42,873	42.18
	$580,186	$478,548	$101,638	100.00

a. At market rates of exchange in effect at the respective dates of disbursements.

Statement of Contributions

Appendix D

June 30, 1986
Expressed in thousands of US dollars—see Notes to Financial Statements, Appendix E

Contributors	1986		1986
Austria	$ 14,414	Italy	$198,551
Canada	72,114	Netherlands	34,685
Denmark	20,649	Norway	23,601
Finland	15,229	Sweden	41,132
France	210,912	United States	71,775
Ireland	2,065	Contributions	$705,127[a]

a. Of these amounts, $318,613 is not yet due. Payments of installments on contributions become due as they are needed to cover the drawdowns of African Facility credits, but, in any event, two thirds is due by June 30, 1987, and the remainder by June 30, 1988. Accordingly, the amounts not yet due will become due as follows:

Fiscal year	*US dollars (thousands)*
1987	$ 83,571
1988	235,042
Total	$318,613

Notes to Financial Statements

Appendix E

June 30, 1986

Summary of Significant Accounting and Related Policies

Organization and Operations

On May 21, 1985, the International Development Association (IDA) established a Special Facility for Sub-Saharan Africa (the African Facility) constituted by funds to be contributed by the International Bank for Reconstruction and Development (IBRD) and other donors to provide financing for countries of the sub-Saharan region. The African Facility became effective on July 1, 1985, and is administered by IDA. The resources of the African Facility are kept separate from the resources of IDA.

Translation of Currencies

Assets and undisbursed contributions are translated at market rates of exchange at the end of the period. Disbursed contributions are translated at market rates of exchange effective on the dates of disbursement.

Investments

Investment securities are recorded at cost or amortized cost which approximates market. Gains and losses on sales of investments, measured by the difference between average cost and proceeds of sales, are recorded as an element of income from investments. Income from investments becomes part of the resources of the African Facility.

African Facility Credits

African Facility credits are denominated in special drawing rights (SDRs); the principal amounts disbursed under such credits are to be repaid in amounts equivalent to the value in terms of SDRs of currencies disbursed. On June 30, 1986, the exchange rate of one US dollar was $1.17757 per SDR.

African Facility credits are made to member countries of the Association in sub-Saharan Africa which are eligible for development credits of the Association and have undertaken or are committed to undertake medium-term programs of policy reform and stabilization measures acceptable to the Association. Proceeds of African Facility credits equivalent to the amount contributed by the IBRD shall be used in the same manner as the regular resources of IDA. The remaining proceeds may be used only to finance expenditures for goods produced or services supplied from (a) Part II members of IDA; (b) Part I members contributing to the African Facility; and (c) countries which maintain Special Joint Financing arrangements with the Association.

Service and Commitment Charges

The service and commitment charges payable by borrowers under African Facility credits are paid directly to IDA to compensate it for its services as Administrator of the Facility.

Principal Repayments

The principal repayment on African Facility credits shall become part of the general resources of IDA.

Note A—Transfers from the International Bank for Reconstruction and Development

The International Bank for Reconstruction and Development authorized a transfer to the African Facility of $150,000,000 from net income of the IBRD for the year ended June 30, 1985. These funds will be paid to the African Facility as needed to finance African Facility credits.

Report of Independent Accountants

1801 K Street, N.W.
Washington, DC 20006

Telephone 202 296 0800

Price Waterhouse

July 30, 1986

President and Board of Governors,
Special Facility for Sub-Saharan Africa Administered
by the International Development Association

In our opinion, the financial statements appearing in Appendices A through E present fairly, in terms of United States dollars, the financial position of the Special Facility for Sub-Saharan Africa Administered by the International Development Association at June 30, 1986, and the results of its operations and the changes in its resources available for commitment for the year then ended June 30, 1986, in conformity with generally accepted accounting principles. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse

Financial Statements Covered by the Foregoing Report

IBRD/IDA Appendices

Governors and Alternates of the World Bank

Appendix 1

June 30,1986

Member	Governor	Alternate
Afghanistan	Mohamad Kabir	Abdul Ghafoor Joushan
Algeria	Abdelaziz Khellef	Mohamed Terbeche
Antigua and Barbuda[a]	John E. St. Luce	Ludolph Browne
Argentina	Juan Vital Sourrouille	Alfredo Concepción
Australia	P. J. Keating	R. B. Dun
Austria	Franz Vranitzky	Othmar Haushofer
Bahamas, The[a]	Sir Lynden O. Pindling	Ethelyn C. Isaacs
Bahrain[a]	Ibrahim Abdul Karim	Isa Abdullah Borshaid
Bangladesh	M. Syeduz-Zaman	M. K. Anwar
Barbados[a]	Richard C. Haynes	Stephen E. Emtage
Belgium	M. Eyskens	Jean Godeaux
Belize	Dean Barrow	Henry E. C. Cain
Benin	Zul-Kifl Salami	Didier Dassi
Bhutan	Dawa Tsering	Dorji Tshering
Bolivia	Juan Cariaga Osorio	Javier Nogales Iturri
Botswana	P. S. Mmusi	Baledzi Gaolathe
Brazil	Joao Sayad	Fernao C. B. Bracher
Burkina Faso	Justin Damo Baro	Youssouf Ouedraogo
Burma	Tun Tin	Nyunt Maung
Burundi	Pierre Ngenzi	Anselme Habonimana
Cameroon	Sadou Hayatou	Simon Ngann Yonn
Canada	Michael H. Wilson	Margaret Catley-Carlson
Cape Verde	Osvaldo Lópes da Silva	Antonio Hilario Cruz
Central African Republic	Guy Darlan	Cyriaque Samba-Panza
Chad	Soumaila Mahamat	Koumtog Laouteg-Guelnodji
Chile	Hernán Buchi	Jorge Selume Zaror
China	Wang Bingqian	Li Peng
Colombia	Hugo Palacios-Mejia	Francisco J. Ortega
Comoros	Ahmed Abdou	Mikidache Abdou'rahim
Congo, People's Republic of the	Pierre Moussa	André Batanga
Costa Rica	Fernando E. Naranjo	Eduardo Lizano Fait
Côte d'Ivoire	Abdoulaye Koné	Léon Naka
Cyprus	Christos Mavrellis	George V. Hadjianastassiou
Denmark	Uffe Ellemann-Jensen	Bjorn Olsen
Djibouti	Ibrahim Mohamed Sultan	Ahmed Samireh Omar
Dominica	Mary Eugenia Charles	Alick B. Lazare
Dominican Republic	Hugo Guiliani Cury	Opinio Alvarez Betancourt
Ecuador	Alberto Dahik Garzozi	Marco Flores T.
Egypt, Arab Republic of	Kamal El-Ganzoury	Erfan A. Shafey
El Salvador	Ricardo Gonzalez Camacho	Fidel Chávez Mena
Equatorial Guinea	Marcos Mba Ondo	Efua Efua Asangono
Ethiopia	Tesfaye Dinka	Bekele Tamirat
Fiji	Mosese Qionibaravi	Jone Y. Kubuabola
Finland	Pekka Vennamo	Osmo Sarmavuori
France	Edouard Balladur	Daniel Lebègue
Gabon	Pascal Nze	J. Félix Mamalepot
Gambia, The	Sheriff S. Sisay	Mousa Gibril Bala Gaye
Germany, Federal Republic of	Juergen Warnke	Hans Tietmeyer
Ghana	Kwesi Botchwey	Theresa Owusu
Greece	Constantine Simitis	Yannis Papantoniou
Grenada	Herbert Augustus Blaize	Lauriston F. Wilson, Jr.
Guatemala	Rodolfo Paiz Andrade	Lizardo Arturo Sosa Lopez
Guinea	Edouard Benjamin	Kerfalla Yansane
Guinea-Bissau	Pedro A. Godinho Gómes	Jose Lima Barber
Guyana	Carl Greenidge	W. Haslyn Parris

Member	Governor	Alternate
Haiti	Marcel Leger	Onill Millet
Honduras	J. Efrain Bu Giron	Gonzalo Carías Pineda
Hungary	Miklós Pulai	Tibor Melega
Iceland	Matthias Bjarnason	Thorsteinn Palsson
India	Vishwanath Pratap Singh	S. Venkitaramanan
Indonesia	Arifin M. Siregar	Soegito Sastromidjojo
Iran, Islamic Republic of	Mohammad Javad Iravani	Seyed Ali Akbar Afjei
Iraq	Hisham Hassan Tawfik	Subhi Frankool
Ireland	John Bruton	Maurice F. Doyle
Israel	Michael Bruno	Emanuel Sharon
Italy	Carlo Azeglio Ciampi	Mario Sarcinelli
Jamaica[a]	Edward Seaga	Headley Brown
Japan	Noboru Takeshita	Satoshi Sumita
Jordan	Taher H. Kanaan	Mohammad Saqqaf
Kampuchea, Democratic	(vacant)	(vacant)
Kenya	George Saitoti	H. M. Mule
Korea, Republic of	In Yong Chung	Sung Sang Park
Kuwait	Jassim Mohamed Al-Kharafi	Faisal Abdul Razzak Al-Khaled
Lao People's Democratic Republic	Oudone Pholsena	Kikham Vongsay
Lebanon	Khattar Chebli	Raja Himadeh
Lesotho	E. R. Sekhonyana	A. M. Monyake
Liberia	Paul R. Jeffy	Johnny N. Gaye
Libya	Kasem M. Sherlala	Abdul Alrahman R. Shalgham
Luxembourg	Jacques Santer	Raymond Kirsch
Madagascar	Pascal Rakotomavo	Jean Robiarivony
Malawi	S. C. Hara	J. C. Malewezi
Malaysia	Daim Zainuddin	Zain Azraai
Maldives	Fathulla Jameel	B. Ibrahim Saleem
Mali	Ousmane M. Diallo	Ibrahima Bocar Ba
Malta[a]	Wistin Abela	Robert J. Stivala
Mauritania	Mohamed Salem Ould Lekhal	Mohamedou Ould Michel
Mauritius	Dwarkanath Gungah	Madhukarlall Baguant
Mexico	Gustavo Petricioli	(vacant)
Morocco	Mohamed Berrada	Mustapha Faris
Mozambique	Abdul Magid Osman	Eneas da Conceicao Comiche
Nepal	Bharat Bahadur Pradhan	Lok Bahadur Shrestha
Netherlands	H. O. Ruding	E. M. Schoo
New Zealand	B. V. Galvin	Graham C. Scott
Nicaragua	Joaquín Cuadra Chamorro	Pedro Antonio Blandón Lanzas
Niger	Almoustapha Soumaila	Amadou Nouhou
Nigeria	Chu S. P. Okongwu	Alhaji U. K. Bello
Norway	Rolf Presthus	Odd Jostein Saeter
Oman	Qais Bin Abdul Munim Zawawi	Sherif Lotfy
Pakistan	Ghulam Ishaq Khan	M. A. G. M. Akhtar
Panama	Ricaurte Vasquez M.	Hector Alexander
Papua New Guinea	Sir Julius Chan	John Vulupindi
Paraguay	Cesár Romeo Acosta	Carlos Alberto Knapps
Peru	Luis Alva Castro	Gustavo Saberbein Chevalier
Philippines	Jaime V. Ongpin	Solita C. Monsod
Poland[a]	Wladyslaw Baka	Grzegorz Wojtowicz
Portugal[a]	Miguel Cadilhe	(vacant)
Qatar[a]	Abdul Aziz Khalifa Al-Thani	Madhat Abdul Latif Masoud
Romania[a]	Petre Gigea	Gheorghe Popescu
Rwanda	Jean Damascène Hategekimana	Cléophas Mugaragu
St. Christopher and Nevis[a]	Kennedy A. Simmonds	William V. Herbert

(continued)

Governors and Alternates of the World Bank *(continued)*

Appendix 1

June 30, 1986

Member	Governor	Alternate
St. Lucia	John G. M. Compton	Dwight Venner
St. Vincent and the Grenadines	James F. Mitchell	Marcus Defreitas
São Tomé and Principe	Agostinho Silveira Rita	Antonio Jesus Leite
Saudi Arabia	Mohammed Abalkhail	Hamad Saud Al-Sayari
Senegal	Cheikh Hamidou Kane	Youssou Diop
Seychelles[a]	D. de St. Jorre	E. Faure
Sierra Leone	S. H. Kanu	Peter J. Kuyembeh
Singapore[a]	Richard Hu Tsu Tau	Lee Ek Tieng
Solomon Islands	George Kejoa	Barry Clarke
Somalia	Mohamed Sheikh Osman	Mohamud Mohamed Nur
South Africa	G. P. C. de Kock	J. A. Lombard
Spain	Carlos Solchaga Catalan	Mariano Rubio Jiménez
Sri Lanka	Ronnie de Mel	W. M. Tilakaratna
Sudan	Bashir Omer Fadlalla	El Sayid Ali Zaki
Suriname[a]	Willem Alfred Udenhout	André E. Lisse
Swaziland	Kenneth Mbuli	V. E. Sikhondze
Sweden	Kjell-Olof Feldt	Lena Hjelm-Wallen
Syrian Arab Republic	Kahtan Al-Siufi	Marwan Kodsi
Tanzania	Cleopa D. Msuya	Gilman Rutihinda
Thailand	Sommai Hoontrakool	Panas Simasathien
Togo	Yaovi Adodo	Comlanvi Tamata Addra
Tonga	James Cecil Cocker	Selwyn Percy Jones
Trinidad and Tobago	George Chambers	Thomas A. Harewood
Tunisia	Ismaïl Khelil	Zein Mestiri
Turkey	Ekrem Pakdemirli	Yener Dincmen
Uganda	Ponsiano Serumaga Mulema	J. Kahoza
United Arab Emirates	Hamdan Bin Rashid Al Maktoum	Ahmed Humaid Al-Tayer
United Kingdom	Robert Leigh-Pemberton	Sir Peter Middleton
United States	James A. Baker, III	W. Allen Wallis
Uruguay[a]	Ricardo Zerbino Cavajani	Ariel Davrieux
Vanuatu	Kalpokor Kalsakau	Martin Tamata
Venezuela[a]	Leopoldo Carnevali	Hector Hurtado
Viet Nam	Nguyen Duy Gia	Le Hoang
Western Samoa	Faasootauloa S. P. Saili	Kolone Va'ai
Yemen Arab Republic	Mohammed Saeed Al-Attar	Kaid Mohammed Al-Hirwi
Yemen, People's Democratic Republic of	Farag Bin Ghanem	Abdulla Saeed Abaddan
Yugoslavia	Svetozar Rikanović	Cvitan Dujmović
Zaire	Djamboleka Loma Okitongono	Bazundama Luzumbulu Mbandanu
Zambia	Basil Kabwe	E. S. S. Nebwe
Zimbabwe	Bernard Thomas Chidzero	K. J. Moyana

a. Member of the IBRD only.

Executive Directors and Alternates of the World Bank and Their Voting Power

Appendix 2

June 30, 1986

Executive Director	Alternate	Casting Votes of	IBRD Total votes	IBRD % of total	IDA Total votes	IDA % of total
Appointed						
	Hugh W. Foster	United States	138,348	20.13	975,481	18.74
Kenji Yamaguchi	Zenbei Mizoguchi	Japan	41,080	5.98	437,435	8.40
Tim Lankester	Richard Manning[a]	United Kingdom	39,197	5.70	338,259	6.50
Hélène Ploix	Olivier Debains	France	36,854	5.36	196,605	3.78
Gerhard Boehmer	Michael von Harpe	Federal Republic of Germany	34,597	5.03	367,560	7.06
Elected						
Fawzi Hamad Al-Sultan (Kuwait)	Mohammad Al-Shawi (Saudi Arabia)	Bahrain[b], Egypt (Arab Republic of), Iraq, Jordan, Kuwait, Lebanon, Maldives, Oman, Pakistan, Qatar[b], Saudi Arabia, Syrian Arab Republic, United Arab Emirates, Yemen Arab Republic	48,803	7.10	369,275	7.09
Jacques de Groote (Belgium)	Oral Akman (Turkey)	Austria, Belgium, Hungary, Luxembourg, Turkey	30,692	4.47	173,881	3.34
Frank Potter (Canada)	Horace Barber (Jamaica)	Antigua and Barbuda[b], The Bahamas[b], Barbados[b], Belize, Canada, Dominica, Grenada, Guyana, Ireland, Jamaica[b], St. Christopher and Nevis[b], St. Lucia, St. Vincent and the Grenadines	29,864	4.35	227,722	4.38
C.R. Krishnaswamy Rao Sahib (India)	Gholam Kibria (Bangladesh)	Bangladesh, Bhutan, India, Sri Lanka	29,609	4.31	223,487	4.29
Leonor Filardo de González (Venezuela)	Maria Antonieta Domínguez (Honduras)	Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Spain, Suriname[b], Venezuela[b]	27,732	4.04	146,859	2.83
C. Ulrik Haxthausen (Denmark)	Per Taxell[c] (Sweden)	Denmark, Finland, Iceland, Norway, Sweden	25,206	3.67	255,450	4.91
Mario Draghi (Italy)	Rodrigo M. Guimarães (Portugal)	Greece, Italy, Malta[b], Portugal[b]	24,753	3.60	156,092	3.00
Mourad Benachenhou (Algeria)	Salem Mohamed Omeish (Libya)	Afghanistan, Algeria, Ghana, Iran (Islamic Republic of), Libya, Morocco, Tunisia, Yemen (People's Democratic Republic of)	24,112	3.51	108,854	2.09
Xu Naijiong (China)	Yang Guanghui (China)	China	23,732	3.45	99,836	1.92
Ronald H. Dean (Australia)	You Kwang Park (Republic of Korea)	Australia, Korea (Republic of), New Zealand, Papua New Guinea, Solomon Islands, Vanuatu, Western Samoa	22,608	3.29	130,070	2.50
Ferdinand van Dam (Netherlands)	Riza Sapunxhiu (Yugoslavia)	Cyprus, Israel, Netherlands, Romania[b], Yugoslavia	21,773	3.17	160,069	3.08
Edgar Gutiérrez-Castro (Colombia)	Patricio Rubianes (Ecuador)	Brazil, Colombia, Dominican Republic, Ecuador, Haiti, Philippines	21,531	3.13	170,789	3.28
Vibul Aunsnunta (Thailand)	Sashi N. Shah (Nepal)	Burma, Fiji, Indonesia, Lao People's Democratic Republic, Malaysia, Nepal, Singapore[b], Thailand, Viet Nam	21,164	3.08	152,680	2.94

(continued)

Executive Directors and Alternates of the World Bank and Their Voting Power *(continued)*

Appendix 2

June 30, 1986

Executive Director	Alternate	Casting Votes of	IBRD Total votes	IBRD % of total	IDA Total votes	IDA % of total
Astère Girukwigomba (Burundi)	Mitiku Jembere (Ethiopia)	Botswana, Burundi, Ethiopia, The Gambia, Guinea, Kenya, Lesotho, Liberia, Malawi, Mozambique, Nigeria, Seychelles[b], Sierra Leone, Sudan, Swaziland, Tanzania, Trinidad and Tobago, Uganda, Zambia, Zimbabwe	16,584	2.41	212,389	4.08
Kenneth Coates (Uruguay)	Félix Alberto Camarasa (Argentina)	Argentina, Bolivia, Chile, Paraguay, Peru, Uruguay[b]	15,512	2.26	128,623	2.47
Nicéphore Soglo (Benin)	André Milongo (Congo)	Benin, Burkina Faso, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Congo (People's Republic of the), Côte d'Ivoire, Djibouti, Equatorial Guinea, Gabon, Guinea-Bissau, Madagascar, Mali, Mauritania, Mauritius, Niger, Rwanda, São Tomé and Principe, Senegal, Somalia, Togo, Zaire	13,419	1.95	173,609	3.34

In addition to the Executive Directors and Alternates shown in the foregoing list, the following also served after June 30, 1985:

Executive Director	End of period of service
James B. Burnham (United States)	July 12, 1985
Bruno de Maulde (France)	January 24, 1986
Pekka Korpinen (Finland)	July 31, 1985
Reinhard Münzberg (Germany)	August 31, 1985
Phaichitr Uathavikul (Thailand)	November 7, 1985
Nigel Wicks (United Kingdom)	August 31, 1985

Alternate Director	End of period of service
Francis Mayer (France)	October 14, 1985
George L. Reid (Barbados)	October 31, 1985
Guillermo Rivera (Dominican Republic)	December 30, 1985
Toshihiro Yamakawa (Japan)	July 5, 1985

Note: Democratic Kampuchea (464 votes in IBRD and 7,826 votes in IDA) and South Africa (7,204 votes in IBRD and 16,494 votes in IDA) did not participate in the 1984 Regular Election of Executive Directors. Poland (499 votes in IBRD) and Tonga (527 votes in IBRD and 11,372 votes in IDA) became members after that Election.

a. Resigned July 9, 1986; to be succeeded by J. A. L. Faint (United Kingdom).

b. Member of the IBRD only.

c. Resigned July 31, 1986; to be succeeded by Veikko Kantola (Finland).

Officers and Department Directors of the World Bank

Appendix 3

June 30,1986

President	A. W. Clausen*[a]
Senior Vice President, Finance	Moeen A. Qureshi*
Senior Vice President, Operations	Ernest Stern*
Vice President	Warren C. Baum
Vice President, External Relations	Jose Botafogo G.*
Vice President, Pension Fund	K. Georg Gabriel
Vice President and Controller	Hans C. Hittmair
Regional Vice President, South Asia	W. David Hopper
Vice President, Operations Policy	S. Shahid Husain
Vice President, Cofinancing	Kunihiko Inakage
Regional Vice President, Eastern and Southern Africa	Edward V. K. Jaycox
Regional Vice President, East Asia and Pacific	Attila Karaosmanoglu
Regional Vice President, Latin America and the Caribbean	A. David Knox
Vice President, Economics and Research	Anne O. Krueger*
Vice President, Personnel and Administration	Martijn J. W. M. Paijmans*
Vice President and Treasurer	Eugene H. Rotberg
Director-General, Operations Evaluation	Yves Rovani
Vice President and General Counsel	Ibrahim F. I. Shihata*
Vice President, Energy and Industry	Ernest Stern[b]
Vice President and Secretary	Timothy T. Thahane*
Regional Vice President, Western Africa	Wilfried P. Thalwitz
Regional Vice President, Europe, Middle East, and North Africa	Willi A. Wapenhans
Vice President, Financial Policy, Planning, and Budgeting	D. Joseph Wood
Director, Country Programs Department I, Western Africa	Bilsel Alisbah
Director, Planning and Budgeting Department	Shinji Asanuma
Director, Economic Analysis and Projections Department	Jean Baneth
Director, European Office	Maurice P. Bart
Director, Financial Policy and Analysis Department	David R. Bock
Director, International Relations Department	Shahid Javed Burki
Director, Country Programs Department, South Asia	Russell J. Cheetham
Director, Water Supply and Urban Development Department	Ping-Cheung Loh[d]
Director, Energy Department	Anthony Churchill
Director, Compensation Department	R. A. Clarke
Director, Personnel Management Department	William J. Cosgrove
Director, Cashier's Department	Hywel M. Davies
Director, Special Office for African Affairs	Xavier de la Renaudière
Director, Country Policy Department	Vinod Dubey
Director, Organization Planning Department	John P. Evans[b]
Executive Secretary, Consultative Group on International Agricultural Research	Curtis Farrar
Director, Publications Department	James K. Feather
Director, Investment Department	Hani K. Findakly
Director, Projects Department, Western Africa	Hans Fuchs[a]
Director, Accounting Department	Michael J. Gillette
Director, Industry Department	Amnon Golan
Director, Country Programs Department II, Latin America and the Caribbean	André Gué
Director, Education and Training Department	Aklilu Habte
Director, Staff Retirement Plan Department	Bernard J. Holland
Director, Development Research Department	Gregory K. Ingram
Director, Country Programs Department, East Asia and Pacific	Gautam S. Kaji
Director, Tokyo Office	Koji Kashiwaya
Director, Projects Department, East Asia and Pacific	Syed Salar Kirmani[c]
Director, Information, Technology, and Facilities Department	Harinder S. Kohli
Director, Country Programs Department I, Eastern and Southern Africa	Jochen Kraske
Director, Country Programs Department I, Europe, Middle East, and North Africa	Eugenio F. Lari
Director, Medical Department	André J. Lebrun
Director, Loan Department	Ducksoo Lee
Environmental Adviser, Office of Environmental and Scientific Affairs	James A. Lee
Director, Projects Department, South Asia	Enrique Lerdau

(continued)

Officers and Department Directors of the World Bank *(continued)*

Appendix 3

June 30,1986

Director, General Services Department	Richard B. Lynn
Director, Operations Evaluation Department	Otto Maiss[b]
Director, Economic Policy Analysis and Coordination	Constantine Michalopoulos
Director, Population, Health, and Nutrition Department	John D. North
Director, Projects Department, Europe, Middle East, and North Africa	Robert Picciotto
Director, Transportation Department	Louis Y. Pouliquen
Director, Projects Policy Department	Visvanathan Rajagopalan
Director, Internal Auditing Department	Lawrence N. Rapley
Director, Agriculture and Rural Development Department	G. Edward Schuh
Associate General Counsel	Hugh N. Scott
Director, Country Programs Department II, Western Africa	M. Ismail Serageldin
Director, Country Programs Department I, Latin America and the Caribbean	Rainer B. Steckhan
Director, Country Programs Department II, Europe, Middle East, and North Africa	Everardus J. Stoutjesdijk
Director, Financial Operations Department	Joseph P. Uhrig
Director, Projects Department, Latin America and the Caribbean	Suitbertus M. L. van der Meer
Director, Operations Policy	Herman G. van der Tak
Deputy Treasurer and Director, Treasury Operations	Heinz Vergin
Director, Information and Public Affairs Department	Frank R. Vogl
Director, Country Programs Department II, Eastern and Southern Africa	Michael H. Wiehen
Director, Economic Development Institute	Christopher R. Willoughby
Director, Projects Department, Eastern and Southern Africa	Hans Wyss

* Member, Managing Committee.

a. Retired June 30, 1986.

b. Acting.

c. Retired August 1, 1986.

d. Effective July 1, 1986.

Offices of the World Bank

Appendix 4

June 30,1986

Headquarters: 1818 H Street, N.W., Washington, D.C. 20433, U.S.A.

New York Office	G. David Loos Special Representative to the United Nations	The World Bank Mission to the United Nations/New York Office 747 Third Avenue (26th floor) New York, N.Y. 10017, U.S.A.
European Office	Maurice P. Bart Director	The World Bank 66, avenue d'léna 75116 Paris, France
Geneva Office	Wolfgang E. Siebeck World Bank Representative to United Nations Organizations—Geneva	The World Bank ITC Building 54, rue de Montbrillant Geneva, Switzerland (mailing address: P.O. Box 104, 1211 Geneva 20 CIC, Switzerland)
Tokyo Office	Koji Kashiwaya Director	The World Bank Kokusai Building (Room 916) 1-1 Marunouchi 3-chome Chiyoda-ku, Tokyo 100, Japan
Regional Mission in Eastern and Southern Africa	James W. Adams Director	The World Bank Reinsurance Plaza (5th and 6th floors) Taifa Road Nairobi, Kenya (mailing address: P.O. Box 30577)
Regional Mission in Western Africa	Jean-David Roulet Chief	The World Bank Corner of Booker Washington & Jacques AKA Streets Cocody Abidjan 01, Côte d'Ivoire (mailing address: B.P. 1850)
Regional Mission in Thailand	Christopher (Quill) Hermans Chief	The World Bank Udom Vidhya Building (5th Floor) 956 Rama IV Road, Sala Daeng Bangkok 10500, Thailand
Bangladesh	Francis S. V. L. van Gigch[a] Chief	Resident Mission The World Bank 222 New Eskaton Road Dhaka, Bangladesh (mailing address: G.P.O. Box 97)
Benin	Shigeo Katsu Resident Representative	The World Bank Zone Résidentielle de la Radio Cotonou, Benin (mailing address: B.P. 03–2112)
Bolivia	Resident Representative	Banco Mundial Edificio BISA (4° Piso) 16 de Julio 1628 La Paz, Bolivia (mailing address: Casilla 8692)
Burkina Faso	To be designated Resident Representative	The World Bank Immeuble BICIA (3ème étage) Ouagadougou, Burkina Faso (mailing address: B.P. 622)
Burundi	Bernard Chatelin Resident Representative	The World Bank 45, avenue de la Poste Bujumbura, Burundi (mailing address: B.P. 2637)

(continued)

Offices of the World Bank *(continued)* — Appendix 4

June 30,1986

Cameroon	Peter S. Gisle Resident Representative	The World Bank Immeuble Kennedy Avenue Kennedy Yaoundé, Cameroon (mailing address: B.P. 1128)
China	Edwin Lim Chief	The World Bank Xiyuan Hotel Building No. 3 (3rd floor) ERLIGOU Xi Jiao, Beijing, China (mailing address: P.O. Box 9509)
Colombia	Laurens Hoppenbrouwer Resident Representative	Banco Mundial Edificio "Aseguradora del Valle" Carrera 10, No. 24–55 (Piso 17) Bogotá D.E., Colombia (mailing address: Apartado Aereo 10229)
Ethiopia	Michael H. Payson Resident Representative	The World Bank I.B.T.E. New Telecommunications Building (1st floor) Churchill Road Addis Ababa, Ethiopia (mailing address: P.O. Box 5515)
Ghana	Seung Hong Choi Resident Representative	The World Bank 69 Eighth Avenue Extension Northridge Residential Area Accra, Ghana (mailing address: P.O. Box M27)
Guinea	Jean-Claude Balcet Resident Representative	The World Bank Cité des Nations, Villa 39 Conakry, Guinea (mailing address: B.P. 1420)
India	E. Bevan Waide Chief	Resident Mission The World Bank P.O. Box 416 New Delhi, India
Indonesia	D. C. Rao Director	Resident Staff in Indonesia The World Bank Jalan Rasuna Said, Kav. B-10 (Suite 301) Kuningan, Jakarta 12940, Indonesia (mailing address: P.O. Box 324 JKT)
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(continued)

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June 30,1986

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a. Effective July 1, 1986.

b. Succeeded by J. A. Bronfman, July 1, 1986.

c. Succeeded by Roger Rowe, July 1, 1986.

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