YUGOSLAVIA AND THE WORLD BANK

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Cooperation between Yugoslavia and the World Bank dates from the time this international financial institution was founded. The intensity of cooperation has varied over certain periods, but it has always had a rising tendency and was marked by mutual understanding und a joint readiness to work not only for the faster economic development of Yugoslavia and its population, but also for the growth of the World Bank itself as the biggest multilateral organization financing the development of the developing countries. The results and experience gained in almost 40 years of co-operation make it posible to assess relations between Yugoslavia and the World Bank as traditionally good, and of benefit to both sides.

Regardless of its current economic and financial difficulties, Yugoslavia has registered dynamic economic and social growth over the past four decades. In the post-war period up to the early Eighties, the social product recorded an avarage annual rise of 6% in real terms. The World Bank played a significant role in that context. Thanks to good cooperation and thorough knowledge of the Yugoslav socio-economic system, the World Bank has tried to adjust the content and form of this cooperation to the needs and potential of Yugoslavia's development, as well as to the specific features of the Yugoslav economy. One of these specific features lies in the great disparities in the development levels of certain regions in the Country.

Cooperation between Yugoslavia and the World Bank has developed in the following sectors: (1) financing the economic development of Yugoslavia, (2) joint analytical work and exchanges of experience and new findings, (3) participation in the World Bank Group's capital, (4) supplies of goods and implementation of projects financed by World Bank loans and those by its affiliates, IFC and IDA, (5) co-financing. Cooperation has been very successful in the first 3 fields, while in the remaining sectors it is still in the early stages.

A few years ago disbursement of World Bank loans slowed down, the same slowdown was recorded recently in concluding new loans following global recession, a record debt crisis and the difficulties being faced by developing countries, including Yugoslavia, in exporting their products and services.

The shortage of Dinar funds, caused mainly by reduced investment activities in the Yugoslav economy, contributed to that slowdown. This was drastically felt in infrastructure projects, especially in the road construction, energy, rail transportation and water management. These sub-sectors have also been seriously affected by fast Dinar depreciations over the last few years which are requiring increasingly large Dinar amounts to meet the obligations due. It was also infulenced by the constant decline in World Bank project financing as a consequence of the extension of terms scheduled for project implementation, by a high inflation rate and by the manner in which funds from the World Bank account are disbursed. The period from the project initiative to its completion is long. Long and complex procedures, both in the Country and in the World Bank, are also a contributing factor.

Earlier average annual disbursements of World Bank loans were about $300 million, foreign exchange inflow to Yugoslavia being about $50 million, which had a positive effect on the Country's balance of payments. Decelerated disbursements of World Bank loans were reflected in reduced foreign exchange inflows under this category, while obligations under loans already concluded increased.

Slower disbursements in World Bank loan proceeds are the most serious issue in current cooperation between Yugoslavia and the World Bank. Activities and measures have been undertaken aimed at gradually moving out of the present stage in our mutual cooperation. Certain shifts from infrastructure-oriented to industry-oriented credits, the modernization and restructuring of industry and technological advancement of the entire export oriented economy are essential. Generally speaking these activities are more able to accumulate capital and, in addition, are prime generators of new and increased foreign exchange earnings. In this and other ways joint Yugoslav-World Bank efforts should link new borrowings to a solution of current problems, such as: improvements in the balance-of-payments situation, debt repaymets in the forthcoming period, technological development and employment. The economic recovery achieved, after a number of years of stagnation provides the basis for further successful cooperation with the World Bank.

The World Bank's efforts in seeking new instruments and forms of cooperation with all member-countries are evident. In view of Yugoslavia's economic development level, its productive capacities and export possibilities, as well as of the balance of payments

ECONOMIC DEVELOPMENT AND CHARACTERISTICS OF THE YUGOSLAV ECONOMIC SYSTEM

ECONOMIC DEVELOPMENT

Faithful to the sovereign principles of independence and non-alignment in the past 40 years Yugoslavia has invested all her efforts in economic and social development. The country's development efforts have not been linear but, Yugoslavia has always known how to combine political and ideological loyalty with a high sense of the practical.

Upon its formation after the First World War, Yugoslavia did not succeed in reconciling the heterogenous economic trends it had inherited. That made Yugoslavia economically dependent upon the Axis Powers and weakened its dynamic economic growth potential.

The enthusiasm of its liberated peoples after the Second World War made possible the rebuilding of the country. Attempts at planned administrative industralization quickly faced foreign policy and economic difficulties after 1948. By passing the historic „factories to the workers" decision, the system of self-management was introduced. It enabled the working people to fully show their creative abilities and lead the country towards dynamic growth and economic changes. By 1948 the Yugoslav economy had reached the level of the last pre-war year, but that level was not to be increased further until the end of 1952. However, over the next five years production increased by 50%. The economic growth rate in 1957–1964 period was even higher and reached a level of 10.2% or five times the rate in betmeen the Wars period.

The Second half of the Sixties brought significant variations in annual economic growth rates. No doubt this was due to deep structural disorders which derived from the economic development. In the Seventies, Yugoslavia achieved relatively high average growth rate of over 6% while at the beginning of the eighties for the reasons of global depression, the country confronted difficulties and stagnation. If refer to the post-war 1947–1980 period, we can see that the actual rate of economic growth was over 6% per year, which is much higher that the world's average. Gross national product (GNP) per capita increased more than five times during the period of hardly more than thirty years.

CHANGES IN THE ECONOMIC STRUCTURE

The main reason of dynamic economic growth was the policy of intensive industrialization. After 25 years of the post-war industrialization, the average industrial production growth rate was almost 10%. Agricultural growth was less intensive, but it, too, had relatively high growth rate of about 3% per year average.

In the process of dynamic industrialization, the main path of the reproduction process changed. Industrial production, in 1947 of only 19% of the total production, had increased to over 40% in Eighties On the other hand, the share of agriculture fell from 43% to less than 18%. Just after the war, agricultural production was twice the industrial. However, 25 years later, in the late Seventies, the ratio was reversed, the value of industrial production being more than double than that of agriculture. Along with these changes, the employment structure also changed. Rural inhabitants who, between the wars, represented three quarters of the population and two-thirds in the early post-war years, in the early Seventies dropped to one-fifth of the population. Accordingly, the urban population rose from 20% to 40%.

THE SELF–MANAGEMENT ECONOMIC SYSTEM

Yugoslavia accomplished this dynamic economic transofmation by developing a system of self-managing economic organizations. The development of self-management underwent frequent changes and with reason, too, for if had no model or country to follow. The So development could be based only on theoretical and logical principles and practical experience achieved.

The system attempted to introduce a maximum of stimulance into the management of production process. It was accomplished by a direct engagemrnt of the workers into the decision-making and management processes. Constant application of the principle in the entire economy let to „association of producers" in which individual production units exchanged products of their labour with other similar units. The results of labour were avaluated by the market on which the producers were also the consumers. Only after an objective evaluation through the market the society implemented the principle of distribution „income according to labour".

However, more and more energy and raw materials for manufacturing were imported ed on basis of unrealistically low exchange rate for the dinar. These structural differences caused the Yugoslav economy to experience typical cyclical oscilations: the rise in economic growth brought and increase in imports of energy and raw materials which resulted in a balance of payment deficit; necessary brake on imports resulted in drop of economic growth rate and administrative measures in the import-export field led to new structural deformations.

With the energy crisis in the seventies, this problem initially cyclical became deeply structural. All imports now absorbed 20% of the income from exports and at the same time, weakening discipline of the self-managed personal income distribution resulted in uncontrolled consumption that exceeded the labour rate growth thus causing a drastic reduction in savings and investments.

EXTERNAL DISBALANCE AND NEW DEBTS

Such development concided with the enormous growth of international liquid financial assets (mainly from „petro-dollars") and the deficit in trade and balance of payment the result of the disproportions mentioned and easily finance by international loans. The process reached its peak in 1978–1979 when almost half of all investments were financed from external loans.

While in the previous period Yugoslavia supplemented its domestic investment disabilities with foreign funds, mainly through the World Bank, now private financing is becoming of a prospect. While the World Bank when approving each loan, investigated the technical feasibility of a project, and the credit abilities of the project and the national economy as a whole, private banks as well as Yugoslav borrowers, often irresponsibly and hastily entered enormous long-term credits. Up to 1970, the entire Yugoslav debt amounted to less than 2 billion dollars, in 1975 it reached 6.5 billion dollars and during the period 1977–1981 it doubled from 9.5 billion do 20 billion dollars.

The balance of payment deficit and its crediting by international financing mainly from private banks is increasing not only because domestic private and investment expenditures narrow limits of the necessary accumulation, but also because domestic production, agricultural and industrial do not provide enough exports to meet import needs. Yugoslavia, mainly, an exporter of industrial goods, is gradually, loosing pace in competitiveness on Western market due to risen domestic production costs..

DETERIORATING WORLD ECONOMY

Although its foreign debt (payment of interest and repayment of principal) has risen from almost 1 billion dollars in 1973 to .75 billion dollars in 1978, the Yugoslav economy was able to carry this burden because it represented less then 20% of the cash inflow into the country which had a relatively dynamic growth rate of exports (especially from tourism and workers remittances from abroad). However, in 1982, that burden rose to 4 billion dollars under the circumstances of the world depression and drastically reduced possibilities for export earnings i.e. decline in invisible exports (return of migrant workers).

While internal disproportions and structural weaknesses increased production costs and reduced international competitiveness and foreign currency potential, and growing interest rates increased Yugoslavia's economic obligations, at the same time the depression of the world economy caused extreme problems in the country's external liquidity. While in 1974 the Yugoslav debt was about 5.0 billion dollars with an average interest rate on this debt was 6.4% with a grace period of 20 years, in 1982 the debt came to 20 billion dollars and the interest rate to 15% while the grace period was reduced to 10 years. The situation even more difficult because most of Yugoslav debts were in dollars which, in comparasion to other currencies, had risen over 50% in value. In such a situation Yugoslavia had no other alternative but to ask for a rescheduling of its international financial obligations.

PROGRAMME OF ECONOMIC STABILIZATION AND RESTRUCTURING OF THE ECONOMY

The trade deficit in 1979 was well over 7.0 billion dollars (while coverage of imports by exports was below 50%), the inflation rate went up and reached 40% by 1981. Economic deficit reached enormous figures as well. All these signs indicated that the problem no longer lay in temporary difficulties provoked by a general sluggishness in the world economy but deep structural economic problems.

The problem was studied in professional and political organizations. Federal Commission to study economic and stabilization problems was set up. Analysis results were: that the crisis had arisen because the Constitutional regulations were not respected. Attempts were made to deleate difficulties caused by current economic trends through improvised administrative measures. While the Constitution wanted to give full power to self-management by reducing bureaucratic intervention to a marginal role, the gradual growth of „temporal" administrative measures produce opposite results. The problem was even more difficult because in the meantime political, and administrative republic and province structures had assumed political and economic power.

UNDERDEVELOPED REGIONS OF YUGOSLAVIA

INHERETED LEVEL OF DEVELOPMENT AND REGIONAL DIFFERENCES

Yugoslavia is a developing country and as such is a significant beneficiary of the World Bank assets. There has been a remarkable difference in the development of north and south regions through the history. For some parts of Yugoslavia cooperation with the World Bank is especially important.

The northern and north-west regions of Yugoslavia attained certain industrialy developt level even when before the First World War, although much slower than other West European countries. Regions south of the rivers Sava and Danube were unfavourably positioned. Their economic development was sluggish, modest and barely touched by industrialization. Southern parts of Yugoslavia were typical agricultural regions with few cities and scarce population, and production manual. On the eve of the Second World War, Yugoslavia was an undeveloped agricultural country with a national income of 112.00 USA dollars, which ranked country last at the European list.

Agriculture was the basic activity and domestic production was predominant. Using hand tools, animals productivity low. 76.3% of the total population was agrarian. In 1939 only 75 of 1000 inhabitants were employed out of which 24 in industry far below average employment in industry in the West European contries. The great distruction during the Second World War and enormous loss of population (1.7 million) made the situation even worse. Yugoslavia had 1% modern road milage in 1947, railway was none the better. More than 1/4 of the overall population aged over 10 was illiterate. There was one doctor per 3,021 inhabitants and one hospital bed per 329 patients; 105 infants died every 1000. There were owly 60 university graduates.

Regional differences were great, the problem made even more specific multinational structure of Yugoslavia due to the ground fertile for different disputes and conflicts.

Harmonius regional development was basis Yugoslav concept.

The 1974, Constitution, clearly emphasized the Socialist Federal Republic of Yugoslavia faster development of productive forces in underdeveloped Republics and the Socialist Autonomous Province of Kosovo. Financial assets and other measures were assured so that material base could be maintained at the same level throughout the country.

Harmonius development of the Yugoslav economy as a whole were contained in Article 258 of the Constitution and a special Federal Fund was established for crediting faster economic growth in the undeveloped republics and autonomous regions. Permanent sources of assets were established as well special crediting conditions

Yugoslavia's social development plans determinate goals and measures for equalising undeveloped republicis and the Province of Kosovo with the rest of the country. The measures and activities enabling undeveloped regions to achieve faster national production and living standard growth, higher employment rate, and faster social development.

INCENTIVES FOR THE FASTER DEVELOPMENT OF UNDEVELOPED REGIONS

The accelerated development of undeveloped republics and SAP Kosovo should be solved according to common Yugoslav policy and the abilities and interests of the economy. It should not slow down normal development of production forces in other regions nor damage optimal economic development in the whole country.

The policy of stimulating faster development of the undeveloped republics and SAP Kosovo is based on the principle that financial investments are primarily directed towards developing production forces as the material base for the future social and economic development.

Today around 3% of the Yugoslav's national income is set aside to encourage the faster development of production forces in those regions. In the period 1947–1951, the Federation distributed centralized financial assets to already made programmes and projects.

Individual Sector was Operative in a Most Extensive Way. Today, modern machinery in agriculture is widely applied. Detail from Overrun Way of Land Ploughing.

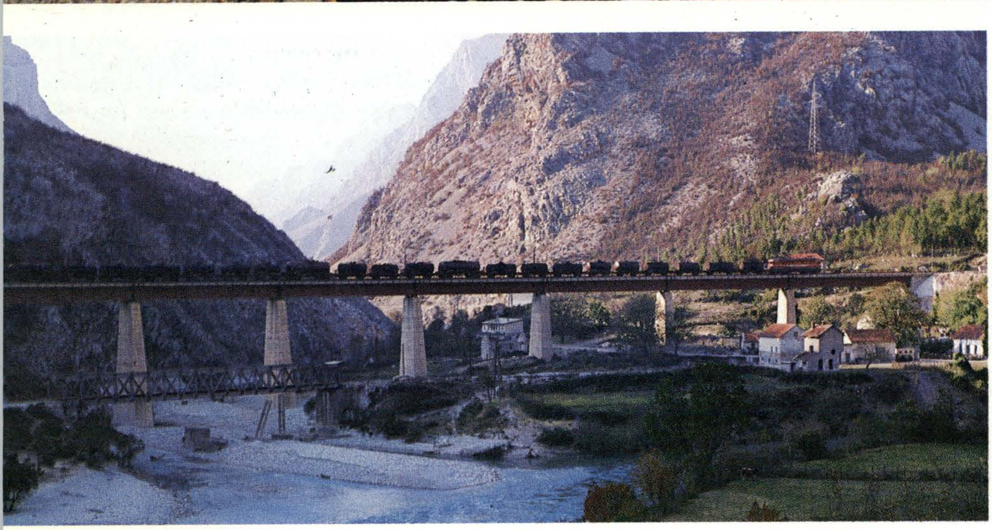
Not a Simple Procedure To Install Electric Network at Hardly Accessible Parts of Yugoslavia

sixties by establishing a special act to determine the basic principle of subsidies as an additional source covering the budget expenses of SR Bosnia – Herzegovina, Macedonia and SAP Kosovo. This law estimated the obligation of the Federation in ensuring assets to speed up development in these regions. Under the 1963 Constitution, additional assets for development of these regions are designed as a constitutional obligation and a long term solution to these problems.

The obligation of the Federation to secure the necessary additional assets for faster development in the undeveloped republics and SAP Kosovo was confirmed by the 1974 Constitution.

Starting from this Constitutional regulation, the Law on Additional Assets for Republics and Autonomous Provinces established that assets encouraging social services in the developed republics and SAP Kosovo were ensured at the rate of 0,85% for 1981, 0.82% for 1982, 0.79% for 1983, 0.76% for 1984 and 0.78% for 1985 respectively from the gross national product (GNP) of the Yugoslav economy as a whole.

Besides the Fund and the additional assets for developing social services as fundamental forms of direct social intervention, for the faster economic development of the undeveloped republics and SAP Kosovo other measures were also undertaken.



Engagement of Funds in Modernization and Reconstruction of the Railway System was Insufficient and thereto the World Bank Approved New Credits for the Subject Purposes

Another important measure by the Federation is to provide special foreign currency enchange for the economically undeveloped republics and SAP Kosovo to import equipment and effect cash payment for the Fund-financed projects.

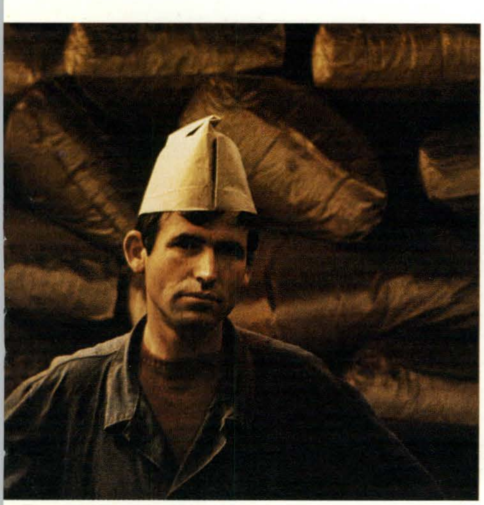
ACHIEVED DEVELOPMENT LEVEL AND DEVELOPMENTAL DIFFERENCES

Results in the development of undeveloped republics and SAP Kosovo include great transformations in the social and economic structure of these regions and a considerably stronger material base for further activation of their natural, economic and human potetials.

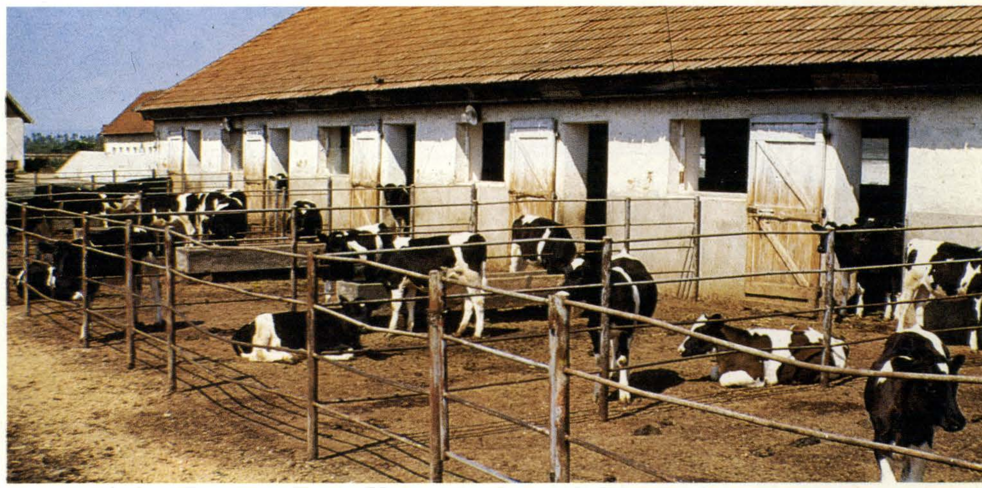
In the last period, the rate of economic growth was very high and based on significant strictural changes. The average growth of the national products per capita (GNP) during the past four decades in the economically undeveloped republics and SAP Kosovo was:

	total	per capita
1948–1957	5.4	3.4
1958–1965	7.5	5.7
1966–1975	6.3	4.6
1976–1984	4.3	3.0

Factory CRVENA ZASTAVA – Štip, Macedonia Produces Considerable Quantities of Quality Wines



Production and Cattle Breeding in Social and Individual Sector will be Intensified and thereto Farming Facilities for Big and Small Size Cattle arę Found



Industry absorbed 38% while other economic fields employed 62%. Post-war economic development in the undeveloped regions brought migration from rural to other areas. As a result, the agrarian population fell in the undeveloped republics and SAP Kosovo from 72.9% to 32.4% in 1981.

Along with changes in the social and economic structure, the educational level increased. In the 1948–1983 period, the number of pupils in primary schools increased from 600,000 to 1,281,000; in secondary schools from 36,000 to 415,000, and University students from 2,800 to 149,000.

This dynamic development of education led to a significant change in educational structure. In the post-war period, the number of uneducated persons declined from 40.4% to 22.8%, while the number of those with primary, secondary and higher education increased.

In health welfare striking results were also recorded. The infant mortality rate decreased in the 1950–1982 period by about 2.5 times, the number of physicians increased 15 times and the number of hospital beds about 3 times.

In the post-war period there was a considerable rise in the living standard. During the past ten years the hosing fund alone has doubled.

However, these results were not in accordance with those planned nor with the resources set aside for their implementation. Fund assets were mainly invested in the infrastructure and in capital intensive production and less in capacities which enabled faster growth in incomes, employment and accumulation.

Fund assets represented a high quality in investments. The stability of assets inflow and in the favourable conditions under which they were given, enabled an efficient development policy to be evolved.

This policy was able to react better to possibilities in the manufacturing industry, the services trade and other activities. That resulted in better responses to the domestic and international markets producing export goods as import substitutes. These possibilities have not been used in the full because money has chiefly been invested in expensive infrastructure projects and primary industries not to strenghten reproduction.

These and other weaknesses in the direct system or accelerating development through Federation fund pointed the need for furhter adaption of the Fund's role. The social plan of Yugoslavia for the 1976–1980 period forecast that 20% of the assets can be realized through the direct integration of labour and assets of production. In the social plan for 1981–1985, the percentage of pooled Fund assets increased to 50%. During the past three years significant results have been achieved but not those which were expected.

INTRODUCTORY REMARKS

The term „The World Bank" or, „The World Bank Group", as normally used, comprises three institutions:

– IBRD – the International Bank for Reconstruction and Development, founded in 1944, and its two affiliates:

a) IFC – the International Finance Corporation – founded in 1956 and
b) IDA – the International Development Association – established in 1960.

In this publication the term „Bank" is used with respect to IBRD activities, while the term „World Bank" includes the activities of this institution as a whole, i.e. IBRD, IDA and IFC.

The joint objective of these financial institutions is to encourage the economic development of developing countries through transfers of funds in the form of loans, credits and direct investments, with appropriate technical and other forms of professional assistance.

The decision to establich IBRD (and the International Monetary Fund) was taken at Bretton Woods, USA, in 1944. By signing a document on membership by 29 countries, IBRD was practically established in 1945 and started operating in 1946.

Governments of countries already in the IMF qualify for membership of IBRD (currently totalling 146).

Government representatives of member countries (usually ministers of finance or of the economy or some other related economic department) constitute IBRD'S Board of Governors, which regularly meets once a year, at the IBRD Annual Meeting, or more frequently, if the need arises. This, the highest, management body has transferred certain authorizations in managing IBRD operations to the Board of Executive Directors consisting of 21 members. Each Executive Director has one member. The Board is located in IBRD, in Washington, D.C.

The five most developed industrial nations (the United States, the United Kingdom, the Federal Republic of Germany, Japan and France) with the largest individual share in the Bank's capital and with the largest number of votes in the „Board" (42,64%) are entitled to designate their own Executive Director and his alternate. The remaining member-countries elect their Executive Directors by voting, for a two-year term. As the number of such elected Executive Directors can only be 16, countries unite, according to their own choice, in so-called „Constituencies", while at the same time an agreement exists on the distribution of Executive Directors, Alternates and Advisors' posts (the post of advisor is possible only in the case of Constituencies comprising six or more countries).

For almost 20 years now, Yugoslavia has shared a Constituency with the Netherlands, Romania, Israel and Cyprus. The Executive Director is, under the agreement reached, a Dutchman and his Alternate is a Yugoslav. This Constituency has a total of 3.79% of Board votes and ranks eighth among 16 mixed Constiencies (the largest of these is the Constituency of 14 Arab countries with a total of 5.64% of the votes, and the smallest is the Constituency of 25 African countries having a total of 1.78% of the votes).

Yugoslavia has only 0.30% of votes in the Board, but an increase to 0.48% is forthcoming.

IBRD is headed by a president who at the same time is Chairman of the Board of Executive Directors (the „Board"). Under an informal agreement reached among the most developed countries, the president of the Bank, has always been of US nationality to date. In turn, under the same agreement, the Managing Director of the International Monetary Fund comes from one of the West European countries.

According to IBRD rules, Executive Directors elect the president to a 5-year term by voting.

IBRD policies are determined by the „Board", within the framework of IBRD Articles of Agreement. Executive Directors and Alternates acting as Executive Directors take decisions on lending operations to member-countries, based on proposals submitted by the Bank's president. This body decides on the Bank's policy relating to the financing of developing countries and sets concrete financial terms and conditions, as well as amounts, terms and conditions for the Bank's own borrowing on capital markets. All these and other Board decisions are taken by consensus, and only exceptionally by voting.

The „Board" iz responsible for an Annual Report on the Bank's operations which, together with the Annual Statement of Accounts is submitted for approval to the Bank's Board of Governors and considered at the Annual Meeting of this Institution.

Within the Bank's Articles of Agreement, „Board" members have many other tasks: consideration of annual operational and financial programs, budget approvals, allocation of funds for operational programs, distribution of financial and personnel potentials, and net profit distribution of the Bank; they also decide on wages systems, approve scientific and research programs, review analyses of how extended loans are implemented, approve the egagement of an independent external financial auditor who analyzes the Bank's Annual Statement of Accounts, etc.

In carrying out these tasks, the 42 „Board" members (Executive Directors and Alternates) work i between Board sessions in theree committees and two sub-commitees, which consider in more detail the above-mentioned issues and furnish the Board with information on their findings and proposals.

Overall Bank operations are centralized and carried out from its Washington-located headquarters. In some, usually the most undeveloped, developing countries, the Bank has its representative offices or, depending on the size of operations and problems, its permanent missions with the necessary professional staff to assist the local authorities in preparing the project to be financed or implementing a project(s) already underway. There are at present 24 such missions and representative offices in the world.

During execution or implementation of Bank-financed programs, the Bank's expert teams usually visit the project five to seven times, and more frequently if needed, in order to get an adequate insight into how project funds are being spent, or whether the project or program is being carried out in line with the loan agreement. Where necessary, such teams propose the engagement of additional experts and consultants in order to avoid certain problems and difficulties during project or program implementation.

YUGOSLAV RELATIONS WITH THE WORLD BANK

Yugoslavia's relations with the World Bank date back forty years. After an initial period of stagnation durign past twenty five years they have shown a rising tendency, stability and a successful balance. Yugoslavia is one of the founders of the International Bank for Reconstruction and Development. When in Bretton Woods in June 1944 representatives from 44 countries gathered to try and establish institutional limits for economic and financial cooperation, Yugoslavia, though still engaged in the final stages of its liberation struggle, sent a delegation to this important conference.

When on the 27th of December 1945 in Washington the documents were signed on admission to the International Monetary Fund and the World Bank, Yugoslavia was one of the 29 founder-members of these institutions. The other Founders were: Bolivia, Brazil, Canada, China, Columbia, Costa Rica, Czechoslovakia, Ecuador, Egypt, Ethiopia, France, Greece, Guatemala, Hunduras, Iceland, India, Iraq, Luxembourg, Holland, Norway, Paraguauy, Peru, the Philippines, Poland, the South African Union, the United Kingdom, the United States of America and Uruguay.

Few years later, Poland and Czechoslovakia had withdrawn from the membership of the World Bank and the Soviet Union had neither ratified nor deposited documents on its own admission to this institution.

Later, after transformation of the World Bank into the „Group of the World Bank" and extension of the activities of this institution, Yugoslavia established active cooperation with its two affiliates, the IFC – International Finance Corporation and the IDA International Development Association.

Thus, Yugoslavia is the only socialist founder-member of the Group of the World Bank with continous membership in all three of its bodies – IBRD, IFC and IDA.

A Tough Start

Becoming a member of IMF and IBRD and paying in the appropriate share in capital, Yugoslavia as an active member of the Allied Coalition in the Second World War wished to take part in wider action to set up a postwar system of international economic and financial cooperation and to be an active member of the process.

Becoming a member of IBRD, Yugoslavia hoped to rely on help and support in rebuilding and developing war devastated country.

Unfortunetely, initial period of almost fifteen years did not come up to expectations. Because of the „Cold War" which also affected this international institution and influenced the policies of IBRD, the late Forties and early Fifties, Yugoslavia could not develop the cooperation. Therefore, it was forced to rely in its so earnestly desired resources.

After long and difficult negatiations, October 1949 saw final agreement on permission for the first IBRD's loan to Yugoslavia of only 2.7 million US dollars for the extremely short period of two years.

Expecting both interest and understanding in IBRD as in Board committee which represents founder-members for the country's war devastation and reconstruction needs, Yugoslavia proposed to the Bank at the end of 1949 a long list of projects valued at about 300 million dollars.

A mission of experts in Washington tried hard to make a deal with the Bank's experts and Board committee to finance at least part of the project listing. Afterwards, the Bank sent its own mission to Yugoslavia to clear up all questions related to those proposed projects and the vital needs of reconstruction and development. Soon, the President of the Bank, Mr. Eugen R. Black visited Belgrade, in September 1959, where he exchanged views with the Yugoslav economic leaders.

Despite all this, the pickings were rather „lean". Yugoslavia was given only two loans – one in 1951 of 28 million dollars and the other in 1953 of 30 million dollars.

Then, there was a long pause till 1961 when IBRD aid to Yugoslavia was totally haulted. The reasons were clearly political influencing the opinions of some of the Bank's most influential members and their weight with the Board of this institutions.

The „Sava" Congress Center in Belgrade and the „Intercontinental" hotel. All three buildings, first the conference building and then the concert and congress building and the hotel were built by „Trudbenik" in three years according to a Yugoslav design.

In later years, this decentralized approach made for good coordination between the leaders of the Federal Administration in Belgrade and those in the Socialist Republics and the Autonomous Provinces and the World Bank.

It should be admitted that at the beginning, a coordination on the Yugoslav side was achieved with great effort. Special difficulty for the Federal leaders was to cut down the number of delegations in negotiations on Bank loans, for the Bank insisted that all meetings be held at the headqarters in Washington. The Bank's analysis showed that about 100 represenatives from 11 firms, republics and federal leaders took part in negotiations on 75 million dollars loan in 1972. Exceptionally, on Bank's approval the negotiations took place in Yugoslavia.

Not everything went smooth, and loan of 70 million dollars which was intended for hydroelectric power station „Buk Bijela" on the river Drina was cancelled. After short and successful negotiations on the loan, the matter judged by the experts to be a sound economic project, the contract was signed on the 30th of July 1975 (interest rate 8.5 per cent, to be paid in after 18 years with grace period of three years).

However, during the ratification of this contract it was not possible to come to on agreement on the Yugoslav side, because of water use problem in the Basin Drina–Tara was not solved. By the end of February, the Government concelled this very favourable loan.

'iew of Grand Hall SAVA CENTRE in
'elgrade During the Session of the World
'ank and JMF Assembly.

'ubrovnik is the Most Known Touristic
'entre in Yugoslavia with More than
'0.000 Beds in Social Sector. The Sewage
'ystem of the City of Dubrovnik was the
'ldest in this Part of the World and Was
'econstructed.

One of numerous „interchanges" of the highway „Bratsvo-Jedinstvo Ljubljana – Zagreb – Beograd – Skopje". Detail of the highway passing through the city of Beograd. The construction works carried out by MOSTOGRADNJA, GOŠA, MIN and others.

SCT – Ljubljana. Designs, builds, inspects and carries out works in all kinds of construction egineering, locally and abroad. Detail of the road Ljubljana – Postojna.

So, for example, influenced by the views of earlier experts in agriculture who had worked in colonies and who represented a great number of the Bank's experts at that time, the financing of agriculture in the developing countries clung to traditional models, especially plantations and trading in agricultural products. Up to 1968 this institution financed only one project for agricultural development in 24 countries in West Africa.

It should be borne in mind that the representatives of countries that are major shareholders can influence decisions with the Bank. Decisions of the Bank's board are only on special occasions (not more than two or three times per year in specific question) decided by vote and a great number of decisions are reached by conssensus. It is a fact that existing system of voting is open to influence. We must also remember that the influence of the Congress of the United States of America is very strong regarding the Bank's policy. In some cases, in the world of an expert on conditions in the Bank „that method exceeds the usual forms of persuasion and arguments".

However, the World Bank is a unique institution. At meetings of the Board, representatives of more than 140 countries easuly reach agreement on loaning big sums and credits for a great number of development projects.

Combine ZIK Kumanovo, Macedonia is the Production Centre for Processing Agricultural Products. Silo Built by GOŠA – Smederevska Palanka

The „Board" has to be realistic and nonsentimental. Projects must be technically sound and must provide high returns for the investor country. Loans must have the guarantee of the Government that they will be repaid exclusively according to economic criteria.

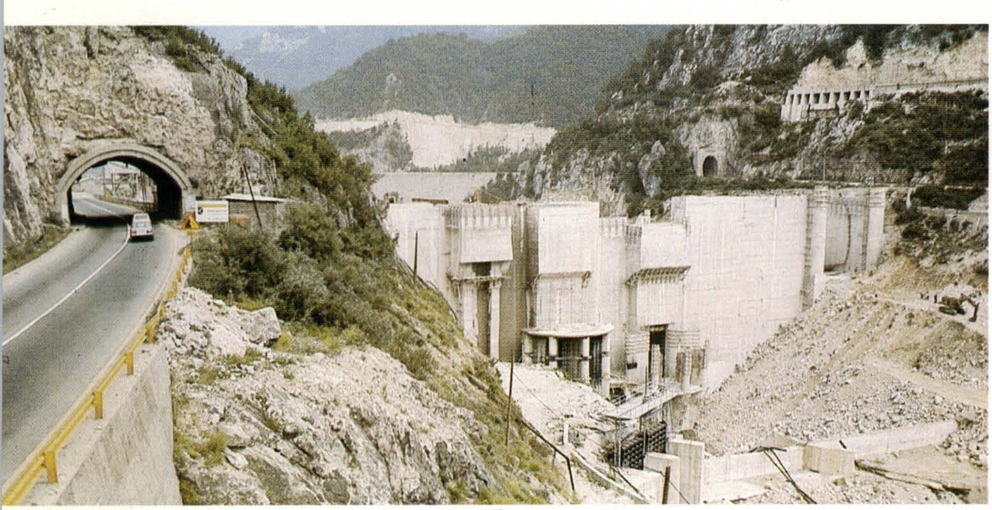
Questions in which, on the basis of previous consultations majority agreement is not expected, are not usually put on the agenda. In the existing voting system, the group of 127 developing countries is in the minority (about 39% of votes), 20 leading member countries, mostly developed, having 61% of votes and dominating very important questions on loaning to the developing countries, many questions regarding the World Bank's policy.

The existing system of vote distribution and decision making in the Bank – accepted four decades ago-brings forth those elements of domination and blocking in decision-making a potential right of veto – by one or several leading members. This hinders and slows down coordination and decisions on very important questions of the World Bank's programme of activity and policy. It often prevents the Bank from taking the initiative more quickly and makes it less likely to react to pressing problems and situations in very tough areas such as financing, economic and social development in the undeveloped part of the World.

That's why non-aligned and developing countries are in favour of changing the present system of the Bank's decision-making as in the IMF, IDA and regional development banks. In the conclusions of the

Collection station of the INA petroleum industry of Zagreb.

The „Salakovac" hydro-electric power plant, constructed by „Hidrogradnja" Sarajevo.



The initial period of IBRD did not promise any particular widespread activity or offer much hope for the developing countries. The creators of the Bretton Woods agreement were more occupied with the role and organization of the IMF. This Bank was the Bretton Woods twin but at the same time „the second born"... The priority task of the IBRD was seen as being financing reconstruction. Development aid task was at the second place.

Soon it became evident that the newely formed institution – IBRD had been born with a couple of defects: low starting capital and a huge dependance on borrowings from the banker's market, the idea of the richest members that the IBRD first of all was a guarantee for all private investment in the developing countries and engaged fewer resources through direct loans, but the statute of the Bank left some questions unsolved and in practice led to controversies, long disputes about the authority of the Bank's Executive Board frequent changes at the top, dependance on, at that time only possible borrowings on the US capital market, the new born „Bretton Woods" younger twin found in his older brother a powerful guardian – not only in the US administration but in the Congress as well.

Due to dangers inherent in all those facts even John Maynard Keynes, head of the British delegation in negotiations tried from the very beginnings, if the IMF and IBRD had to have their headquarters in the USA, not to be in Washington himself, because of the vicinity and interference of the US Administration and the Congress.

Port of Bar in Montenegro Capable to Receive Passenger and Freight Vessels of Large Capacities and to Handle the Load Fast

The Earhquake at the Montenegro Littoral in 1979 Destroyed the Infrastructure

The IBRD developed extremely effective potential in providing transfers of resources. With a real deposit of three billion dollars by member-countries, the IBRD alone (not including the IDA and IFC) was able to ensure a total transfer from 95 billion dollars during the 40 years of operation which shows how with a small deposit a member could effect a big flow of assets from the private capital market. It countinues to do the same thing even today.

Moreover, it should be borne in mind that in today's very difficult circumstances the developing countries are plunged into debt. Yet, the IBRD – with its strong credit reputation and guaranteed potential from all the member-countries can provide a high flow resources into capital markets, and through their means to transfer the same resources to the developing countries with long repayment terms.

The World Bank has created and maintained a high level of efficiency with a considerable ability to adapt to development demands. Its three branches, the IBRD, IDA and IFC in 1984 transferred about 15 billion dollars in direct loans and credits to the developing countries using co-financing schemes to attract considerable resources from private banks which were co-financing unvestors in the projects being credited by the Bank.

VOLUME AND STRUCTURE OF THE WORLD BANK FINANCED LOANS IN YUGOSLAVIA

Volume and periods of extended loans

Since the first loan of $2,7 million, approved in 1949, by the end of 1983 Yugoslavia had concluded 76 loans with the World Bank, equal to $4,073 million. Of this figure $2.724 million was disbursed, or two-thirds of the concluded amount. Over the same period Yugoslavia repaid the World Bank principals totalling $810 million, so that at the end of 1983, Yugoslavia's net borrowing from the World BAank totalled $1.914 million. Annual distribution of this financing is presented in Table 1.

The start of World Bank indvolement in Yugoslavia, in the late Forties and early Fifties related to Yugoslavia's need to complete construction of a number of important projects in industry, energy, transportation and agriculture, which had been interrupted due to the economic blockade imposed by some Eastern European countries. Three World Bank loans totalling $61 million facilfitated the achievement of that purpose.
After 1953, however, right up to the end of the decade, not a single new loan was signed. World Bank financing continued again in 1961 and, with the exception of 1965 and 1966, it has been regular ever since with a clear rising tendency. Table 2 indicates these trends, with a breakdown of characteristic sub-periods.

Table 1:

Loans approved 1949–1983

Year	Number of loans	Amount in millions $	Average loan amount in mil. $
1949	1	3	3
1951	1	28	28
1953	1	30	30
1961	1	30	30
1962	1	30	30
1963	2	70	35
1964	1	70	70
1967	2	20	10
1968	2	66	33
1969	1	30	30
1970	3	99	33
1971	4	110	28
1972	1	75	75
1973	3	105	35
1974	8	256	32
1975	3	139	46
1976	4	153	38
1977	6	315	53
1978	7	490	70
1979	5	284	57
1980	2	211	106
1981	6	422	74
1982	3	136	45
1983	8	881	110
1949–1983	76	4.073	54

Table 2:

Increase of World Bank financial involvement in Yugoslavia, 1961–1983

	1961–1969	1970–1976	1977–1983
Number of approved loans:	10	26	37
Total amount, in mil.$	317	937	2.759
Number of loans, annual average	1,1	3,7	5,3
Average annual amount of loans, in millions $	35	134	394
Average amount per loan, in mil. $	32	36	75

Over the 1961–1969 period the World Bank approved ten loans to Yugoslavia equal to $ 317 million or $ 35 million per year. These funds helped finance part of the costs of constructing two hydroelectric power plants, a number of highways (including the Adriatic highway) and railway lines (including the Sarajevo–Ploče line) and assisted modernization of Yugoslav industrial capacities.

The number of concluded loans sharply increased in the early Seventies. Over the 1970–1976 period Yugoslavia received 3.7 loans per year on average (in comparison with 1.1 in the preceding period) equal to $ 134 million annually (in comparison with $35 million in the preceding period). Modernization of Yugoslav industry and development financing continued (the Machine and Tractor Industry and Castings Plant in Belgrade, the Iron Foundry in Kikinda, industrial construction programs in Macedonia, development of the railways, the PTT network and

Sectoral Distribution of Approved Loans

Of the total World Bank funds approved to Yugoslavia, the largest portion went to two sectors: transportation and agriculture. They absorbed 42 out of a total of 76 loans and $ 2,440 million or 60% of all approved funds. The remaining funds were shared by industry (18 loans with 21% of the funds), energy (9 loans with 14% of the funds), and tourism and the urban infrastructure, including environmental protection (7 loans with 5% of the funds). Table 4 presents basic data regarding the sectoral distribution of approved funds, per sector.

While the above average volume of funds per loan in the energy and transportation sectors ($64 and $56 million, respectively) results from the nature and complexity of the projects in those subsectors, the relatively high volume of the average loan in the agricultural sector is attributed to the specific circumstances of its development financing. The same partly applies to the terms and conditions of industrial financing.

During the 35-year-long period, the relative share of certain sectors in the structure of funds approved to Yugoslavia, varied considerably, reflecting both changes in the needs and priorities of national development strategy and an evolution in ideas and findings with respect to the needs of World Bank borrowers. Tendencies in those changes are contained in Table 5.

Table 4:

World Bank Loans to Yugoslavia, per economic sector, 1949–1983

	No. of loans	Total amount of loans	Disbursed	Repaid	∅ loan amount
		In millions of dollars			
Industry	18	875	547	203	49
Agriculture	19	1,141	574	130	60
Energy	9	577	386	143	64
Transportation	23	1,290	1,077	319	56
Tourism and environmental protection	7	190	140	16	27
Total:	76	4,073	2,724	811	54

Note:

A few existing multi-sectoral loans have been classified under the sector with predominant participation.

Table 5:

Changes in Sectoral Distribution of World Bank Approved Loans in the 1949–1983 period

	1949–1969	1970–1976	1977–1983	1949–1983
In millions of dollars				
Transportation	230	322	738	1,290
Agriculture		146	995	1,141
Industry	87	167	621	875
Energy	60	183	334	577
Tourism and environmental protection		119	71	190
Total	377	937	2,759	4,073
In Percentages				
Transportation	61	34	27	32
Agriculture		16	36	28
Industry	23	18	22	21
Energy	16	19	12	14
Tourism and environmental protection		13	3	5
Total:	100	100	100	100

During the first twenty years of its cooperation with Yugoslavia, the World Bank financed projects in only three – albeit important – economic sectors: transportation, industry and energy. Approval of agricultural loans only started in the early Seventies. During the Seventies and Eighties the World Bank was involved in financing a number of projects in tourism, the urban infrastructure and environmental protection.

₹egional Distribution of World ₃ank Loans

ienerally speaking, the World Bank as always supported the Yugoslav olicy of reducing disparities in the evel of economic development mong certain regions in the country .ately, the World Bank has only xceptionally financed projects utside the less developed regions. herefore, over the 1977–1983 period, f the total of 37 World BAank – pproved loans, 23 were for projects 1 less developed regions, 9 for mixed rojects, located in both more eveloped and less developed regions, nd only 5 for projects located in the iore developed parts of the country.

he breakdown of regional allocation f World Bank funds and haracteristic changes in that llocation are contained in Table 6.

n the 1949–1969 period, when World ank financing activity was rather iodest in Yugoslavia, a substantial umber of potential investment rojects of importance for the ugoslav economy as a whole, or for s major part, was located in the iore developed regions of the ountry. Therefore, their share in the unds approved by the World Bank as 63% in that period, and the share f less developed regions 35%*). Over ie seven-year period, 1977–1983, the hare of the less developed regions icreased to 60%. Roughly speaking, ie conclusion can be drawn that in ie course of the above three periods, ie ratio of 1:2 between the less and iore developed regions changed, rstly, to 1:1 and is currently 2:1 in ivour of the more developed.

n the 1949–1983 period as a whole, ie share of the less developed egions in World Bank approved ɔans was 55%. At the same time, it hould be recalled that these regions over 40% of the state territory, 37% f the population and 23% of the ɔcial product of Yugoslavia.

During the whole 1949–1983 period, the share of Kosovo registered the fastest increase in World Bank-approved loans: from more than 1% in the 1949–1969 period it increased to more than 18% in 1977–1983, so that in the period as a whole it was 15%. The share of Macedonia also increased from 6% to 14% in the same time-span. On the other hand, the shares of Bosnia and Hercegovina and Montenegro remained unchanged during the whole period, at a level of about 20% and 8%, respectively. These

Table 6:

Regional Allocation of the World Bank approved loans, 1949–1983

	1949–1969		1970–1976		1977–1983		1949–1983	
	mil.$	%	mil.$	%	mil.$	%	mil$	%
Kosovo	5	1.3	97	10.4	504	18.3	606	14.9
Bosnia and Hercegovina	71	18.9	197	21.0	534	19.3	802	19.7
Macedonia	23	6.2	91	9.7	377	13.7	491	12.1
Montenegro	32	8.4	81	8.6	230	8.3	343	8.4
Total less developed:	131	34.8	466	49.7	1,645	59.6	2,242	55.1
Vojvodina	7	1.9	100	10.7	117	4.3	224	5.6
Serbia proper	107	28.5	173	18.5	423	15.3	703	17.3
Croatia	79	20.8	142	15.1	196	7.1	417	10.2
Slovenia	45	11.9	51	5.4	100	3.6	196	4.8
Total developed:	238	63.1	466	49.7	836	30.3	1,540	37.8
Unallocated (included in SAL I)	8	2.1	5	0.6	278	10.1	291	7.1
Yugoslavia:	377	100.0	937	100.0	2,759	100.0	4,073	100.0

percentages have to be compared with the relative share of these regions in the population and social product of Yugoslavia (in %).

	Population	Social product	WB loans
Kosovo	7,1	2,3	14,9
Bosnia and Herzegovina	18,4	13,3	19,7
Macedonia	8,5	5,7	12,1
Montenegro	2,6	2,0	8,4
Total:%	30,6	23,3	55,1

The share of the most developed regions in World Bank funds showed the most notable decline: in Slovenia and Croatia it fell to one third of the 1949–1969 period level, while in Serbia Proper it fell to one half of that level. The share of the SAP of Vojvodina was stable.

*) The less developed regions include the SAP Kosovo ıd the Republics of Bosnia and Herzegovina, lacedonia and Montenegro. The More developed :gions are: the Republics of Slovenia, Croatia, and :rbia proper as well as the SAP of Vojvodina.

ıbloan amount. Namely, pursuant to ıe Structural Adjustment Loan ıgreement, signed between the ıeogradska Udružena Banka and the Vorld Bank, this stimulative clause ıas envisaged with the object of reating lasting foreign exchange ɜsources for the Export Financing und. This means that the EFF, in ddition to SAL funds, will utilize the ɔreign exchange purchased in this ıanner from subloan beneficiaries ɔr extending foreign exchange ıbloans to Yugoslav organizations of ssociated labour, which will finance ıeir imports of intermediate goods, ɔares, assemblies and components ɔr export-oriented production. Under ıe so called „stimulative clause" the xport Financing Fund has so far ɔncluded foreign exchange urchases totalling $ 24 million.

, in the course of the next 14 years, ıere is continued interest on the part f Yugoslav enterprises in taking on ɔreign exchange subloans with the ːimulative clause attached, and if all xtended subloans are repaid on time, ıe Export Financing Fund can be xpected to have substantial available ɜsources (about $ 300 million). In ıis way, the Export Financing Fund ɔuld possibly be transformed into an nportant financial organization for 'ugoslavia's organizations of ssociated labour which import ıtermediate goods, spare parts, ɔmponents and assemblies aimed at roduction and exports to the ɔnvertible markets.

ı the case of permanent exporters ɔreign exchange subloans extended y the Export Financing Fund ecome their lasting working assets nd to a great extent solve their ifficulties related to financing urrent reproduction on a lasting asis.

: was envisaged that SAL proceeds e disbursed in two tranches: I ranche of $ 175 million and the II ranche of $ 100 million.

)uring the September 1983 –)ecember 31, 1984 period the Export inancing Fund extended 341 foreign xchange subloans to Yugoslav rganizations of associated labour, ɔtalling $ 331.9 million.

'he structure of extended subloans, er sectors and activities, was as ɔllows:

Sub-loans extended from SAL proceeds
Sept. 1, 1983 – Dec. 31, 1984

In thousands of dollars

Sub-sector or activity	I Tranche	Recycling	II tranche	TOTAL
1	2	3	4	5
Textile industry	59,991	16,751	33,501	110,242
Metal-processing ind.	3,549	2,137	3,911	9,598
Manufacture of electrical machinery and devices	42,418	9,494	21,609	73,521
Prod. and processing of non-metal minerals	4,776	37	3,764	8,578
Leather and footwear industry	6,648	2,778	2,944	12,369
Production of means of transportation	9,242	2,516	15,672	27,429
Rubber processing	13,606	2,397	861	16,864
Production of miscell. products	1,995	75	3,659	5,730
Ferrous metallurgy	8,617	4,740	2,477	15,835
Chemical industry	3,456	2,038	1,958	7,452
Food industry	605	203	537	1,345
Machine-building	4,402	1,055	1,563	7,020
Paper production and processing	1,612	707	1,549	3,868
Shipbuilding		5,714	4,031	9,745
Printing industry		558	279	838
TOTAL:	174,314	57,620	100,000	331,934

It can be noted that over a relatively short period of time (just over one year) the Export Financing Fund has performed an important role in promoting Yugoslav exports to the convertible area. Its foreign exchange subloans have made possible imports necessary for export-oriented production worth $ 1.275 million.

The results achieved in manufactures and exports to the convertible area, through the use of SAL funds, justify the request by the Yugoslav economy and its commercial banking system for continued World Bank support of Yugoslavia as it continues implementation of its economic stabilization program in the years ahead.

rea. In seminars relating to rural roject financing, the functioning ystem of credit institutions directing gricultural activities, or linked with gricultural credits extended either by entral banks, central planning gencies or Government ministries is udied.

eminars dealing with irrigation rojects are intended for experts in ne irrigation field. The most nportant aspect is a study of nvestments in pump stations and the btaining of sufficient quantities of ater. These projects relate to evelopment planning and the ncorporation of new forest omplexes into development rogramms. General planning rojects are aimed at informing, rough seminars, competent persons n planning agencies, finance ninistries, development banks and ther government bodies – on the lentification, preparation, evelopment and survey of evelopment projects covering the nost important parts of the national conomy. This seminar has all the haracteristics of a critical approach and analysis of the general concept nd methodology of projects and neir economic feasibility. One deals ith project management, related to nvestments, with the application of lanning and supervision of evelopment projects, and their effect n the environment, etc.

egional development planning is the opic of seminars in which regional evelopment policies, plans and rograms are considered at national r regional level. The most important ole of this seminar is to contribute to better understanding between entral and local authorities with espect to the Country's development, lans Population planning, health are are aimed at informing and ndicating by means of organized ourses, the manner in which the opulation, its development and rowth can be planned. It is closely nked with family-planning in other ectors, like health care, nutrition, ducation and rural development. Jrbanisation is envisaged as the main ubject of courses dealing with urban evelopment with a special focus on ne solution of residential problems f lower income families.

groindustrial projects and seminars eld in connection with this topic over the preparation, development nd financing of food industry rojects.

Banking-related seminars are organized for experts working in such institutions and deal with the role of development banking and the initiation of a balanced process of industrialization.

More than half of all courses relate to technology and necessary estimates for proposed industrial projects.

Industrial policy and investment planning courses focus on industrial sector projects and include persons making investment decisions. They do not deal with marketing, financing and economic aspects only, but rather with industrial policy in general.

Small-scale industry has also become a topic of World Bank courses, with the object of indicating the broad possibilities of this type of economic activity in production, services and trade. The courses point to the need for developing this economic activity within the context of the Country's overall economy.

Courses relating to transportation projects deal with the identification of projects in the transportation sector with special emphasis on practice and price formation in the field of goods transportation. Transportation policy and planning – related courses are attended by senior experts and others employed in national transportation, planning and financing ministries, or in planning commissions or in transportation-coordinating commissions. The issues of rationalization, price and taxation policies, transportation plannning, project analyses, problems of environmental protection, traffic safety and other important issues are considered in these seminars.

Railway projects and management are subjects of one of the numerous courses whose object is to ensure safe and qualitative transportation as early as the project design stage and management of railway activities. Urban transportation courses are for engineers, economists, planners and also include urban transportation policy-makers. Links between the transportation and urban structures must ensure better transport, which is currently a matter of concern in almost all the cities in the world.

Energy projects are covered by courses dealing with finance, planning and management in the energy policy of the country. They include environmental protection, optimal project methodology, as well as financial and economic analyses of the project. Technical aspects are added where necessary as explanations of the basic project plan.

It is interesting that Yugoslavia does not apply separately as the World Bank member-country for participation in seminars and courses. In line with a special agreement, the courses attended by Yugoslav participants are mainly linked with certain projects the World Bank approves to our country. Within the amount approved for certain projects our experts are sent to some World Bank courses either to Washington or elsewhere; these are also organized in Yugoslavia, in cooperation with certain institutions or scientific institutes.

In early Eighties and before, important courses and seminars attended by Yugoslavs included those dealing with general development, credits for the rural population, industry, agricultural problems, highway projects, transportation planning, project designing, agroindustry, power plant-designing, rail transportation design, urban transportation, management projects, and national economy development. A number of courses were held in Yugoslavia, again organized by the World Bank. This practice will be continued in future as well. Courses held in industrial development, agriculture, general planning and transportation planning are only a few.

They were attended by representatives of various enterprises, banks, colleges, agricultural combinats, institutes, etc.

lo.	Title of Project	Year of loan con clusion	Loan in millions $ Signed	Disbursed	Repaid	Interest rate	Maturi-ties
3.	Naftagas, Novi Sad	1973.	59,4	55,4	19,7	7,25	1977–1992
4.	Iron foundry, Kikinda	1973.	14,5	14,5	9,4	7,25	1978–1987
5.	Machines and tractor industry, Belgrade	1974.	18,5	18,5	10,1	7,25	1977–1988
6.	Castings factory, Belgrade	1974.	15,0	15,0	9,7	7,25	1978–1987
7.	VI loan for roads	1974.	30,0	30,0	5,9	7,25	1978–1997
8.	I credit line for the Macedonia and Kosovo industries	1974.	28,0	27,9	23,0	7,25	1976–1991
9.	I credit line for the Bosnia and Herzcegovina and Montenegro industries	1974.	22,0	21,9	13,6	7,25	1976–1991
0.	IV loan for Yugoslav Railways	1974.	93,0	92,7	15,8	7,25	1977–1999
1.	Port of Bar, Bar	1974.	44,0	42,4	6,2	8,0	1978–1999
2.	Water supply, Dubrovnik	1974.	6,0	5,9	8,5	8,0	1979–1998
3.	I credit line for agriculture	1975.	50,0	49,3	17,1	8,5	1979–1990
4.	VII loan for roads	1975.	40,0	40,0	5,7	8,5	1979–1998
5.	Yugoslav pipeline	1975.	49,0	48,4	11,3	8,5	1979–1993
6.	Regulation of the Morava basin I	1976.	20,0	20,0	2,6	8,5	1981–1996
7.	Water supply and sewerage systems, Sarajevo	1976.	45,0	45,0	3,0	8,5	1981–2001
8.	Protection of the environment against air pollution, Sarajevo	1976.	38,0	37,9	3,6	8,5	1981–2001
9.	Industrial credit line IIu	1976.	50,0	47,7	14,0	8,5	1978–1992
0.	Water management project, Metohija I	1977.	54,0	37,6	18,0	8,7	1980–1992
1.	Agriculture project, Ćemovsko Polje	1977.	26,0	26,0	8,7	8,5	1980–1992
2	Agricultural development – Macedonia II	1977.	24,0	21,7	8,0	8,5	1980–1992
3.	VII loan fro roads	1977.	56,0	55,9	20,9	8,5	1980–1992
4.	380 kW power transmission line, Phase II	1977.	80,0	77,5	23,3	8,2	1981–1992
5.	Agriculture cedit line II	1977.	7,50	73,6	25,0	8,2	1980–1992
6.	V Railways loan	1978.	100,0	99,5	25,0	7,45	1981–1993
7.	IX road loan	1978.	80,0	80,0	20,0	7,45	1981–1993
8.	Hydroelectric power plant, Middle Neretva	1978.	73,0	69,6	15,2	7,50	1982–1993
9.	III industrial credit line	1978.	40,0	36,3	5,0	7,50	1980–1993
0.	IV industrial credit line	1978.	60,0	59,2	9,4	7,50	1980–1993
1.	Streževo hydroreclamation systemo	1978.	82,0	81,7	17,1	7,90	1982–1993
2.	Agro-industrial complex, Bosanska Krajina	1978.	55,0	43,5	11,4	7,90	1982–1993
3.	X road loan	1979.	148,0	136,7	24,7	7	1982–1994
4.	Save basin regulation	1979.	51,0	28,2	6,4	7,90	1983–1994

Table B
Regional Distribution of Wordl Bank Loans Extended to Yugoslavia, 1949–1983

No.	PROJECT	Year of loan con cluded	Amount of con loan (Mil.$)	Distribution of funds per Republics and Provinces								
				Kosovo	B and H	Macedo-nia	Monte-negro	Srbia proper	Vojvodi-na	Croatia	Slovenia	Undis-tribu-ted
1.	Industry	1949.	2,7									2,7
2.	Energy, agriculture, mining forestry, transportation	1951.	28,0	0,8	4,2	2,8	0,4	8,5	1,5	7,5	2,3	
3.	Energy, agriculture, mining, forestry, transportation	1953.	30,0*	0,8	4,5	3,0	0,4	9,1	1,6	8,1	2,5	
4.	Hydroelectric power plant Senj	1961.	30,0*	0,8	4,5	3,0	0,4	9,1	1,6	8,1	2,5	
5.	Hydroelectric power plant Bajina Bašta	1962.	30,0*	0,8	4,5	3,0	0,4	9,1	1,6	8,1	2,5	
6.	The Adriatic Highway – roads I	1963.	35,0*				7,4	8,4		17,1	2,1	
7.	Sarajevo–Ploče railway line – Railways I	1963.	35,0*		35,0							
8.	Reconstruction and modernization of railways – railways II	1964.	70,0*		6,9	7,0		26,5		18,8	10,8	
9.	Opuzen–Županja roads	1967.	10,0*		9,4					0,6		
10.	Modernization of industry I	1967.	10,5		2,1	1,4			1,0	0,9	3,7	1,4
11.	Belgrade–Bar railway line, Railways II	1968.	50,0				22,8	27,2				
12.	Modernization of industry II	1968.	16,0	1,7				9,4		0,4	4,5	
13.	Roads III	1969.	30,0			3,1				8,9	14,1	3,9
14.	Modernization of industry III	1970.	18,5					12,3		6,2		
15.	Modernization of the PTT communications in Belgrade and 16 towns in the SFRY	1970.	40,0	0,6	4,5	1,1		21,0	1,7	8,9	2,2	
16.	Roads IV: Sarajevo–Zenica, Bar–Ulcinj, Kosovo–Pepeljevac	1970.	40,0	2,1	14,6		4,0	3,9	10,6			4,8
17.	Roads V: Skopje–Tetovo, Kičevo–St. Razmo, Postojna Razdrto	1971.	35,0	3,5		25,2					6,3	

No.	PROJECT	Year of loan concluded	Amount of con loan (Mil.$)	Distribution of funds per Republics and Provinces								
				Kosovo	B and H	Macedonia	Montenegro	Srbia proper	Vojvodina	Croatia	Slovenia	Undistributed
9.	II credit line for industry	1976.	50,0	16,6	16,0	11,4	6,0					
0.	Metohija I, water management project	1977.	54,0	54,0								
1	Ćemovsko polje, agricultural project	1977.	26,0				26,0					
2.	Macedonia II – agricultural development	1977.	24,0			24,0						
3.	VIII roads loan	1977.	56,0	4,0	7,0	24,0		20,7				0,3
4.	380 kW power transmission line – phase II	1977.	80,0	0,5	17,1	9,4	9,6	15,9		15,2	12,3	
5.	II credit line for agriculture	1977.	75,0	11,3	12,7	9,0	4,5	12,8	10,8	10,7	3,2	
6.	V loan for railways	1978.	100,0	9,1	18,6	10,7	4,6	13,6	13,2	16,7	13,4	
7.	IX loan for roads	1978.	80,0					20,5		39,5	20,0	
8.	Hydroelectric power plants on the river Neretva	1978.	73,0		73,0							
9.	III credit line for industry	1978.	40,0	40,0								
0.	IV credit line for industry	1978.	60,0		20,0	20,0	20,0					
1.	Streževo hydroreclamation system	1978.	82,0			82,0						
2.	Agro-industrial complex Bosanska Krajina	1978.	55,0		55,0							
3.	X loan for roads	1979.	148,0	22,0	35,0	35,0	20,0		36,0			
4.	Sava river basin regulation	1979.	51,0							51,0		
5	Reconstruction of roads after earthquake damage in Montenegro	1979.	21,0				21,0					
6	Reconstruction of the port of Bar after earthquake damage in Montenegro	1979.	50,0				51,0					
7.	Reconstruction of railways after earthquake damage in Montenegro	1979.	14,0				14,0					

PARTICIPATION OF THE YUGOSLAV ECONOMY IN THE WORLD BANK-FINANCED PROJECTS IN YUGOSLAVIA

Problems relating to the implementation of World Bank-financed projects

Partnership between Yugoslavia and the World Bank is fruitful and successful. That partnership has most frequently resulted in World Bank financial assistance to the economic development of Yugoslavia. Therefore, the amounts of loans, borrowing status, dynamics of loan extension and direct effects of the projects primarily on exports, import substitution, major infrastructure undertakings, etc. have often been the focus of attention. However, not enough has been said or written about the indirect effects of received loans on overall economic flows in the Country. What is involved are the multiplicative effects of World Bank loans on the Country's economic development which make these loans specific and different from other types of international borrowings – pure financial and commercial credits, World Bank financing of large projects helps create potential possibilities for the major engagement of our economy through supplies of equipment and implementation of investment projects, which then result in significant foreign exchange inflows to the country.

Our intention is to discuss first the results achieved by our economy, mainly industry and construction in supplies of equipment and projects financed by the World Bank. Reference will be also made to the important role of joint activities with foreign partners in supplying the most modern equipment and in training the Yugoslav economy to operate independently in the country and abroad.

In order to gain a realistic picture of the potential, successes, failures and capabilities of the domestic economy in implementing World Bank loans extended for its development, a detailed overview of all relevant factors and conditions will be described in which partnership with this international financial organization developed. The basic and initial parameter affecting the involvement of our economy is the volume of loans the World Bank has extended to Yugoslavia. Another important factor is the Country's ability to disburse committed funds at a given time. Then, the institutional and legal framework which exerts an influence on the possibility of the domestic economy participating in the implementation of World Bank projects will follow. Special emphasis will be placed on the contribution of the participants through supplies of equipment and implementation of projects. Some failings and errors will be also highlighted, as well as possibilities for greater involvement of our economy in these contracts.

Cooperation with the World Bank, measured by the volume of extended loans, has oscillated over the past period. Only in the last ten years has this partnership started to flourish. In addition to a larger amount of committed funds, other contents and forms of cooperation have expanded.

The implementation schedule of each individual project is set by the loan agreement. As large projects are concerned, the terms and stages of implementation must be precisely determined. Several factors influence the achievement of the terms laid down in the Loan Agreement.

Average terms – the term of project implementation with World Bank financial participation is about five years. These terms, as has already been stated, are entered into the Loan Agreement. The term necessary for project implementation depends on its size and complexity. Large multipurpose and infrastructure projects take more time to execute. However, few projects can be executed in less than four years.

A comparative review of World Bank committed and disbursed loans follows:

In millions $

Period	Committed	Disbursed	Outstanding (undisbursed) funds
1	2	3	2–3
1950–1976	1,180.7	770.0	410.7
1976–1980	1,297.0	760.4	536.6
1980–1984	1,199.6	1,071.5	128.1
TOTAL 1950–1984:	3,677.3	2,601.9	1,075.4

The last column in this Table indicates the state at the end of each period (June 30). The Review highlights the following: (a) that borrowings in all periods under review were faster than disbursements, (b) there was a large gap between commitments and disbursements of funds in the 1976–1980 period, (c) a more balanced proportion between commitments and disbursements took place in the final period owing to reduced borrowings and more accelerated disbursements.

\s commitments were faster than lisbursements in earlier periods, in nid-1984 total cumulative outstanding (undisbursed) funds otalled $ 1,075.4 million (as of June 0).

The volume of disbursed World Bank oans in the last four years 1980–1984) was better than in the preceeding four-year period. However, f the latest period is analysed on an nnual basis, it is noted that fund lisbursements rapidly fell over the ast two years. If reviewed per each FY, the situation was as follows:

FY81	$ 218.0 million
FY82	$ 330.3 million
FY83	$ 291.7 million
FY84	$ 231.5 million
TOTAL 1981-83:	$ 1,071.5 million

Almost one half of loans under lisbursement register „overruns" in elation to the disbursement schedule nvisaged in the Loan Agreement. Overruns relating to project completion range from 2–3 years.

t is the World Bank's usual practice o approve extensions of closing dates for project completion and for loan lisbursements, respectively. However, his practice is not automatic and loes not take place in all cases. There has recently been a decreasing number of re-approvals of closing late extensions. The World Bank varns the borrower in advance of possible consequences. These consequences are annulment of the undisbursed portion of the loan proceeds, regardless of the fact that he borrower, from the moment of igning the Loan Agreement, pays an annual nonreimbursable commission of 0.75%, including the portion of annulled funds. Examples of annulled loan portions have been rather frequent recently, ranging from several hundreds to several millions of dollars.

The lack of local (Dinar) funds is the basic reason for slow disbursements of World Bank loans. It is known that the share of Dinar funds (local sources) in the overall estimated cost of World Bank-financed projects accounts for 60%.

The drop in investment activities in the Country, non-liquidity and reduced capital formation ability of the economy have all had an impact on the abilites of almost all borrowers to provide local currency funds. However, the intensity of this phenomenon was not equally felt by all sub-sectors and regions. Those borrowers with fixed revenues and those faced with limited price increases of their products and services were in a particulary hard position. This was most drastically felt in some infrastructure projects, mainly in road construction.

Depreciations of the Dinar vis-a-vis hard currencies have been very strongly pronounced over the last 3–4 years. In the course of the last 4 years the value of the Dinar with respect to the Dollar has depreciated more than ten times. Most projects were executed when the exchange rate between the Dinar and the Dollar was considerably more favourable and stable. A lower inflation rate was also expected. All this led to large cost overruns of investments, while available funds to cover them were limited. A large number of borrowers, traditional World Bank loan beneficiaries, were obliged to use nearly all their revenues to repay earlier disbursed loans. The level of repayments falling due in the second half of 1984 was 10 times those in the first half of 1980, although tihs involved the same amount in Dollar terms.

The Loan Agreements set upper limits – percentages – up to which the Bank will participate in local costs as an indirect foreign exchange component. In the case of our country, those percentages range from 30–60, depending on the type of project. Withdrawal of resources from the „loan account" in the World Bank is carried out under the principle of reimbursing costs already in Dinars. However, from the moment of paying Dinars to domestic suppliers and contractors (often at fixed and previously agreed prices), till the moment of placing orders for reimbursement to the Bank (with enclosed invoices) considerable time elapses; meanwhile the Dinar depreciates and so fewer Dollars are receive for the same amount in Dinars. This leads to a relative „surplus" of the loan in relation to the given project; that is, the project is completed with lower World Bank participation than that originally envisaged by the Agreement. This relative „surplus" of the loan in relation to the project is most frequently solved in one of the following ways: (a) by project amplification – if possible, by the inclusion of new similar subprojects; (b) by annullment of the loan „surplus"; (c) by a timely increase of World Bank participation in local costs. In the majority of cases the World Bank decides on which type of these 3 modalities is to be applied.

As can be seen, the high inflation rate has had many effects on disbursements of World Bank loans.

Hotel Complex BERNARDIN – PORTOROŽ. The World Bank Extended Loans for Development of Touristic Economy

is adversely affected, but also the speed in disbursing World Bank loans.

Quite often suppliers of equipment and contractors do not respect contracted terms. Shortages of necessary material and spare parts and deteriorating links in the reproduction chain prevent suppliers from respecting contract schedules.

Slow disbursements of World Bank loans have numerous negative consequences. Firstly, a commission of 0.75% per annum is paid to the World Bank. In a one-year period only, $ 7.5 million is paid on account of $ 1 billion of outstanding funds with the World Bank. Moreover, indirect damage generated by delayed project completion is enormous – immobilization of large financial resources, investment overruns and increased project costs.

Earlier, when the average of disbursed funds was $ 300 million per year, the foreign exchange inflow under World Bank loans ranged from between $ 150–160 million, which reflected positively on the balance of payments of the Country. However, as pointed out, disbursement of loans is declining, accompanied automatically by a decline in foreign exchange inflows. On the other hand, repayment obligations falling due are increasing from year to year. In 1984, they amounted to about $ 320 million ($ 160 million on principal and the same amount on interest payments).

Over the past few years measures have been introduced at all levels aimed at faster disbursement of World Bank loans. In 1984, significant changes were introduced in prices policy (in accordance with the Long-Term Program of Economic Stabilization) so that in areas and sub-branches where prices had beem

o Make Operative the Project of Land
eclaiming System at Kosovo Province it is
ecessary to Dislocate and Build Again
ew Communication Facilities

s one can see from the full title of he Guidelines, the term „guidelines" used, and not terms or regulations r provisions and, further on in the ntroduction it says that their basic ask is to „inform"... However, if one eads the contents of the Guidelines nore carefully, it is easy to realise hat this document represents omething more than plain uidelines; in other words, it is a rovision imposing obligations, equiring strict rules of behaviour uring procurements and certain anctions when the provisions ontained in the Guidelines are iolated. It is important to point out these aspects because many inexperienced borrowers consider the Guidelines in the beginning as a non-obliging document, or even as a simple manual. Such misconceptions and misplaced attitudes are very soon corrected in practice, but with certain consequences.

Each loan agreement entered into between the World Bank and the Borrower stipulates that works and goods will be procured on the basis of separate contracts which are entered into between the Borrower and contractor, in accordance with procedures set forth in the Guidelines.

According to the Bank's provisions of the Articles of Agreement it is required to ensure that the proceeds of its loans are used with due attention to economy and efficiency.

It has established detailed procurement procedures to be followed in the execution of each project.

The Bank started from three basic requirements in setting the procurement policy: (a) the need for economy and efficiency in the execution of the project, including the

Yugoslavia Invests Considerable Funds in Development of Undeveloped Parts of the Country. Hotel GRAND – Priština at Kosovo Province

Federation Fund Directed Means into Almost All Facilities of the Undeveloped Province of Kosovo. As a Result – Textile Combine Gnjilane

preferences to domestic manufacturers and, finally, award of a contract.

In cases where international competitive bidding (ICB) is not the most efficient and economic way of procurement or performance of a project, a bidding may be organized which is locally advertized and in conformity with procedures in the Country. The Guidelines cite examples when procurements are carried out in line with local procedures (civil works of smaller size, minor purchases of goods and equipment, etc.). In fact, this would be the type of work in which foreign bidders would have no interest. The same applies to those cases where the costs of international biddings are so high so that there is no sense in using this procedure. In addition, international bidding takes considerable time, which influences the speed of total project implementation.

The Bank and the Borrower agree upon and enter into a Loan Agreement, whose goods and works reguire an application to the ICB and are the object of local competitive bidding (LCB).

The World Bank's engagement and monitoring in the procurement process last until definite completion of the project. Its staff is very intensively involved during project appraisal; it takes into account and examines the nature and types of goods and civil works to be financed, the most suitable modalities of procurement, as well as the capabilities of local manufacturers and contractors. Details of project-related procurement are discussed and agreed upon during negotiations with the borrower.

The World Bank Approves Credits For Production and Processing of Crude Oil. One of Plants and Facilities at Omišalj at the Adriatic Coast.

The most striking feature of the above Table is that net foreign exchange inflows to the Country under World Bank loans extended to Yugoslavia were greatest over the last four years. This period accounts for 46% of all foreing exchange inflows from the 1950–1984 period.

Another feature is that net foreign exchange inflows to the Country increased from period to period in relation to foreign exchange payments made to foreign suppliers, which is assessed very positively as an achievement by the Yugoslav economy in minning contracts for projects financed by the World Bank in Yugoslavia.

Needless to say, periodical foreign exchange movements of inflows are important, but the best insight is obtained by reviewing annual movements.

Annual net foreign exchange inflows

In millions of dollars

Fiscal years	Total disbursed	Payments in the Country	%
1977	104.0	55.0	53.0
1978	156.0	84.0	53.8
1979	219.0	103.7	47.3
1980	281.4	180.1	64.0
1981	218.0	158.9	72.9
1982	330.3	199.5	60.3
1983	291.7	182.0	62.4
1984	231.5	152.8	66.0
TOTAL 1977–1984:	1,831.9	1,116.0	60.9

ement Mill ŠAR of Djeneral Janković at osovo Province, Built by the Funds xtended by the Federation and the World ank

Vorks at Land Reclamation System ečanske Bistrice – Kosovo, Sizeable gricultural Surfaces to be Intensively Vorked on

ately, Sarajevo Made a Significant Step owards Human Environment Protection. hereto, the City is Equipped For asification System Application. Detail rom the Works at Gasification System nstallation

The above data suggest variations in the foreign exchange inflow to the country realized under disbursements of funds for certain projects: of almost 100% of loan disbursements in the Country (loans for road construction) up to 100% of disbursements abroad – in the case of loans for industrial credit lines.

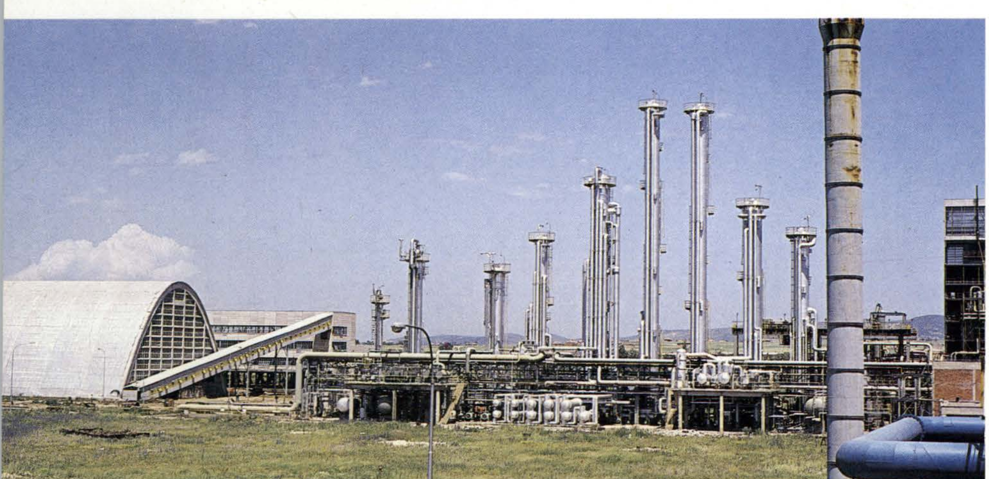
The question arises as to whether it was necessary, indispensable and justified to procure equipment abroad for all sub-projects (particularly when medium – and small – size projects are concerned) in different industrial sub-sectors. As a large number of different projects were concerned, involving a variety of different equipment, it is hard to believe that the domestic industry could have been so weak or non-competitive.

There are no precise figures on either the position of the total foreign exchange inflow realized under the indirect foreign exchange component (realized by the established mechanism and recognized rights), or the portion generated from contracts which the domestic economy had earned by competing in internationally invited biddings. They would be very interesting, significant and helpful for assessing the competitiveness of our economy in World Bank – financed projects in Yugoslavia. Some estimates indicate that the share of the inirect foreign exchange component in the total foreign exchange inflow was about 50% over longer period of time, while the remaining half was the result of the works and goods supplied in conformity with the procedures of international biddings.

ridge near Beske (Novi Sad) over the River Danube. Named the largest river gate in urope due to the span between the bearings. esigned by MOSTOGRADNJA, Beograd.

actory of Fertilizers at Kosovo Province

ugoslavia and the World Bank Financed he Building of the Foundry Kikinda – ojvodina. Considerable Part of roduction For Foreign Markets.



works and equipment is signed. There are no precise figures on the number of such concluded contracts with our suppliers of works and goods and their values since 1950 onwards, as borrowers are not obliged to register these data statistically. The World Bank, however, registers contracts of great value, most frequently those which result from international biddings. These contracts will be referred to later in the text.

Starting from the total foreign exchange inflows realized over the 1950–1984 period ($ 1,515 million) and the average number of contracts per project, a tentative indicator is obtained showing that more than 1,000 contracts were concluded worth more than $ 10,000 each.

The Yugoslav organizations of associated labour which participated in works and supplies for projects in Yugoslavia were numerous. According to some estimates, more than 50% of Yugoslavia's working organizations were directly or indirectly engaged in the execution of World Bank-financed projects in Yugoslavia.

Economic sectors and subsectors most directly linked with the supplies of work, goods, materials and equipment under World Bank loans were the following:

- building materials industry,
- machine-building,
- ferrous metallurgy,
- non-ferrous metallurgy,
- electrical industry,
- building industry,
- transportation,
- servuce crafts
- service activities – including scientific organizations and institutes.

Suppliers of work and goods with success achieved in biddings in FY77

Contractor/supplier	No. of contracts	Value of works (contracted value) in 000 of $	Project/loan
„Elektromontaža", Belgrade	1	2,603	Port of Bar
„Hidroelektra", Zagreb	2	12,120	Port of Bar
„Trudbenik", Belgrade	1	3,560	Port of Bar
„Radoje Dakić", Titograd	1	739	Port of Bar
„Nivo", Celje	1	1,084	Regulation
„Unioninvest", Sarajevo	1	6,493	Regulation
„Autokomerc" Ljubljana	1	798	380 kV grid
„Crna Gora", Nikšić	1	1,374	VII loan for roads
GIK „Zeta", Titograd	1	3,348	VII loan for roads
„Iskra", Kranj	1	3,049	VI loan for railways
„Rad", Belgrade	2	4,590	VI loan for railways
„Hidroelektra"/„Konstruktor", Rijeka	1	9,482	VI loan for railways
„Ilinden", Skopje	1	1,329	VI loan for railways
RMK Zenica	9	16,970	VI loan for railways

Contractors and suppliers with contracts signed in 1978

Contractor/supplier	No. of contracts	Value of works/ contracted value in thousands of $	Project/loan
„Metalservis", Belgrade	1	3,143	Infrastructure, Sarajevo
„Hidrogradnja", Sarajevo	1	1,466	Infrastructure, Sarajevo
„Dalmacija cement", Split	1	1,348	Infrastructure, Sarajevo
„Mostogradnja", Belgrade	1	8,074	Infrastructure, Sarajevo
GP „Put", Sarajevo	1	7,336	Infrastructure, Sarajevo
„Unioninvest", Sarajevo	3	30,577	Infrastructure, Sarajevo
„Ingra", Zagreb	3	8,842	The Yugoslav pipeline
„Ivan Milutinović", Belgrade	1	1,909	The Yugoslav pipeline

achieved, to encourage them and offer them references for their further activity in biddings for contracts in the face very of tough competitions.

In 1977, the first year under review, good results were achieved. Of the 14 organizations of associated labour mentioned, only two had contracts worth less than one million dollars. This exception was made because in both cases supplies of special significance for our economy were concerned. The best results were registered by RMK Zenica – about $ 17 million contracted – to cover the supply of railroad tracks for modernization of the Yugoslav railways.

The above data indicate that all of the contracts won were signed for a small number of loans (five only), although at that time a considerable number of loans were under disbursement. However, it has already been stated that our contractors and suppliers did not participate in certain loans or that their participation was smaller in volume – amounts.

As was indicated earlier, 1979 was the most successful year for our contractors and suppliers. Over the past eight years, the biggest contracts were signed in 1979. One working organization, alone, „Makedonijainvest" of Skopje, concluded 3 contracts whose value was almost equal to all the major contracted amounts in FY77. That year, in relation to the preceding two, was also richer and more diversified with respect to the number of projects (loans) within which contracts were concluded – 12 in total – again exceeding the sum of the previous two years. Minor contracts were not included in this List (due to limited space), although these contracts and their prime contractors deserve due recognition.

ist of concluded contracts (of major value) in 1980

ontractor/supplier	Contracted value in thousands of dollars	Project/loan
Jedinstvo", Zagreb	1,053	VIII loan for roads
Energoinvest", Sarajevo	1,702	Environmental protection loan, Sarajevo
Binička Morava", Priština	13,416	Ibar–Lepenac
Rade Končar", Zagreb	719	Water supply system, Dubrovnik
IK „Osijek", Civil construction orking organization	17,050	II agriculture credit line
Jedinstvo", T. Užice	1,780	Regulation of the Morava River basin
RO „Vranica", Sarajevo	12,896	Agricultural development in Macedonia
Cer", Čačak	2,829	Agricultural development in Macedonia
letal complex „Tito", Skopje	2,444	Water management project „Metohija"

ist of organizations awarded major contracts in 1981 (per project)

ontractor/supplier	No. of contracts	Contracted value in 000 of $	Description of works	Project/loan
Jedinstvo", itovo Užice	1	2,254 works	Construction	Morava I
Ratko Mitrović", elgrade	1	1,004 works	Construction	Morava I
Nivo", Celje	1	1,422	Construction works	Morava I
Pelagonija", Skopje	1	6,217	Construction works	Agr. development in Macedonia
Unioninvest", arajevo	2	22,888	Construction works	AIPK Bosanska Krajina
IK „Kozara" anja Luka	1	8,822	Construction works	AIPK Bosanska Krajina
Prvi Iskra", Barič	1	9,026	Construction works	AIPK Bosanska Krajina
Agroindustrija", ovi Sad	1	1,014	Construction works	Ćemovsko polje, Montenegro
MK „Uroševac", Iroševac	1	6,736	Equipment	Water supply system, Priština
Energoinvest", arajevo	5	6,846	Equipment	Hydroelectric power plants on the Neretva
Unis", Sarajevo	1	1,380	Equipment	Hydroelectric power plants on the Neretva
i Niš		810	Equipment	380 kV power transmission
Unioninvest", arajevo		1,014	Equipment	Ćemovsko polje, Montenegro

international biddings. „Unioninvest" of Sarajevo, not accidentally, appeared twice in the List for 1981. In the first case, its name appeared with respect to civil works and in the second with respect to supplies of equipment. In addition, different borrowers – investors or projects under implementation were involed.

Almost all organizations included in the List were awarded large contracts – only one below the value of one million dollars. „Unioninvest" of Sarajevo and „Prva Iskra" of Belgrade had the largest concluded contractual values of that year. The share of organizations supplying goods was also substantial.

In 1982 alone, the „Ramiz Sadiku" enterprise from Priština concluded 3 contracts for one project, while all the rest concluded one contract each. An important contract was won by „Energoinvest" from Sarajevo ($ 19.8 million). As could be seen from the List for the preceding year, contracts with Borrower – Investors for the performance of civil works are generally larger in value terms than those for equipment supplies. On the other hand, the World Bank's „recognition" of foreign exchange participation on account of indirect foreign exchange component in civil works contracts was lower in the case of equipment supplies. As the Loan Agreement for modernization of the railways in Kosovo states that the World Bank will finance costs of equipment (signal and telecommunication devices) in foreign exchange with a 95% of the total value of those costs incurred by the Borrower-Investor, the contract won by „Energoinvest", for this project was of great importance, both for the organization itself and for the Country in general.

Project/loan	No. of concluded contracts
X loan for roads	10
Reconstruction of the Port of Bar after the earthquake	19
III credit line for agriculture	2
XI loan for roads	1
Modrenization of the railways in Kosovo	2
Agro-industry in Macedonia	3
Agro-industry in Bosnia and Hercegovina	4
Reconstruction of the City of Tuzla	5
Regional development of Serbia	8
TOTAL:	54

inally, let us mention the Slovenijaceste" working organization hich won the largest contract in 983.

s the Table shows, Yugoslav nterprises concluded 54 contracts of ajor value in 1983. According to Vorld Bank data, our organizations ost 34 bids in that year, which were warded to foreign contractors and ippliers.

he value structure of the 1983 ontracts was as follows:

ivil construction	30.3%
uilding material	47.7%
quipment	22.0%
OTAL:	100.00%

he list of organizations of associated abour in 1984 is longer than in any f the preceding seven years. It is lmost twice as long as some earlier ears. The List indicates that contract alues were somewhat lower than in e years up to 1980. The column number of contracts" shows that the umber of contracts increased (with e same contractor and for the same roject) in relation to earlier years. his means that biddings were maller in size compared with the receding years. The reasons for this

List of organizations with major contractual values in 1984

Contractor/supplier	Number of contracts	Contracted value 000 of $	Project/loan
,,Prva Iskra'', Belgrade	1	1,800	Regional development of Serbia
,,Jugoauto'', Belgrade	2	2,829	Regional development of Serbia
,,Agroindustrija'', Novi Sad	2	3,776	Regional development of Serbia
,,Union metal'', Belgrade	1	4,900	Regional development of Serbia
,,Cer'', Čačak	1	1,324	Regional development of Serbia
,,Sever'', Subotica	1	2,030	Regional development of Serbia
,,Soko'', Mostar	1	7,683	Regional development
,,Hidrogradnja'', Sarajevo	3	11,954	Hydromechanization Semberija and hydro-electric power plant on the Neretva River
GRO ,,Tempo'', Zagreb	1	2,758	Hydromechanization Semberija
,,Litostroj'', Ljubljana	2	5,449	Hydroelectric power plants on the Neretva River
,,Rade Končar'', Zagreb	2	3,796	Hydroelectric power plants on the Neretva River
MIN, screws factory, Svrljig	3	4,484	VI loan for railways
ŽTP-Infrastructure, Zagreb	1	1,830	VI loan for railways
MIN-12. februar, NIŠ	2	3.054	VI loan for railway
RMK – Zenica	4	20,311	VI loan for railways
,,Energoinvest'', Sarajevo	3	1,751	VI loan for railways
,,Iskra'', Kranj	4	2,024	VI loan for railways
,,Put'', Priština	4	3,168	X loan for roads
,,Mavrovo'', Skopje	1	32,288	X loan for roads
,,Pelagonija'', Skopje	1	24,005	X loan for roads
,,Jugoslavijaput'', Belgrade	1	1,667	X loan for roads
,,Vojvodinaput'', Novi Sad	1	1,825	X loan for roads
,,Vijadukt'', Zagreb	3	5,516	X nad XI lonas for the TYN
,,Granit'', Skopje	1	11,570	X loan for roads

PARTICIPATION OF YUGOSLAV WORKING ORGANIZATIONS IN WORLD BANK-FINANCED PROJECTS IN OTHER COUNTRIES

nportance of participation in Vorld Bank-financed projects

he World Bank, as one of major ›urces and catalysts in engaging ›reign fund to finance projects in ss developed countries (LDCs), gnificantly contributes by its overall nancial and investment activities to e promotion of general evelopment in its member countries. also indirectly furnishes different lvantages and facilities to anufactuters and suppliers of ıpital goods and to performers of vestment activities once they are tively engaged (by means of ternational bidding) in nplementing World Bank-financed ›ojects. As the World Bank has eveloped and applied an traordinarily competent financial, vestment and professional-technical tivity related to the preparation, ›priasal and implementation of ›ojects, and as its policy is aimed at p priority projects – the programs investor countries – then it is ›ssible to evaluate the prospects and nportance of a successful nplementation of each project it nances, as well as the responsibility those, who by supplying goods and rvices, participate in their reparation and implementation. For anufacturer-suppliers of goods and rvices from the LDCs, like ugoslavia, in addition to safe and ıshpayments ensured by the Worldl ank, great importance derives from ofessional and technical assistance ıd experience, informative, legal and her types of assistance and perience gained by participating in e implementation of World ank-financed projects. Earlier ngstanding investment activities in e construction of basic frastructure facilities, the orld-wide professional training of stitutions and experts, its onomical operations and the manner in which it pursues its business activities are of significant benefit to those involved in implementing projects. Finally, successful deliveries of goods and successful extension of services help provide excellent references both in the recipient countries and elsewhere. Competitiveness thus gains in strength, penetration of new markets is easier, and inclusion in new contracts, where there is strong international competition and considerable advantages for firms from developed countries is possible. This is of particular importance for working organizations from Yugoslavia and from other LDCs whose development in their respective countries has already qualified them to seek a broader inclusion in the international labour division (energy, metal-processing industry, agriculture and agro-industry).

In their previous longstanding cooperation with the World Bank, mainly in implementing WB-financed development projects in Yugoslavia, a large number of Yugoslav enterprises, experts and institutions have received professional training, export potentials have increased and there has been a growing orientation towards broader and longer-term international cooperation, especially in implementing development projects in LDCs. More comprehensive and fruitful cooperation is being caried out in that field, new experience being gained and certain resuilts achieved.

In view of the fact that projects and development programs financing the needs of LDCs far exceed World Bank possibilities, the Bank is adjusting itself to these needs; the Bank is introducing new methods and ways of financing and intends to successfully carry out its role in catalyzing the foreign capital inflows coming from different bilateral, multilateral, official and private sources, with the aim of being a leading partner and coordinator of finance and assistance to LDCs' development. One way to ensure major inflows of financial resources to LDCs and to encourage their faster development is co-financing. Co-financing offers new possibilities to Yugoslav firms of taking part in implementing development projects in LDCs.

World Bank-financed projects involve both the external and internal cost components envisaged for project execution. This execution is carried out in line with a number of the World Bank's rules and procedures. Selection of the most advantageous supplier of necessary goods and services is also in line with regulated procedure, i.e. through international bidding (ICB – International Competitive Bidding).

By the end of FY84 more than 60% of World Bank and IDA disbursed funds was used for making payments to suppliers of goods and services outside the borrowing countries. The most important suppliers of goods and services, used in the implementation of World Bank projects, were from the developed countries, but suppliers from LDCs have been increasingly successful in winning new contracts. Therefore, their share of 7.7% at the end of FY79 increased to 16.5% in FY84. At the same time the share of local suppliers (from the borrowing countries) rose from about 20% at the end of FY79 and 37% in FY80 to 47% of all disbursed funds in FY84.

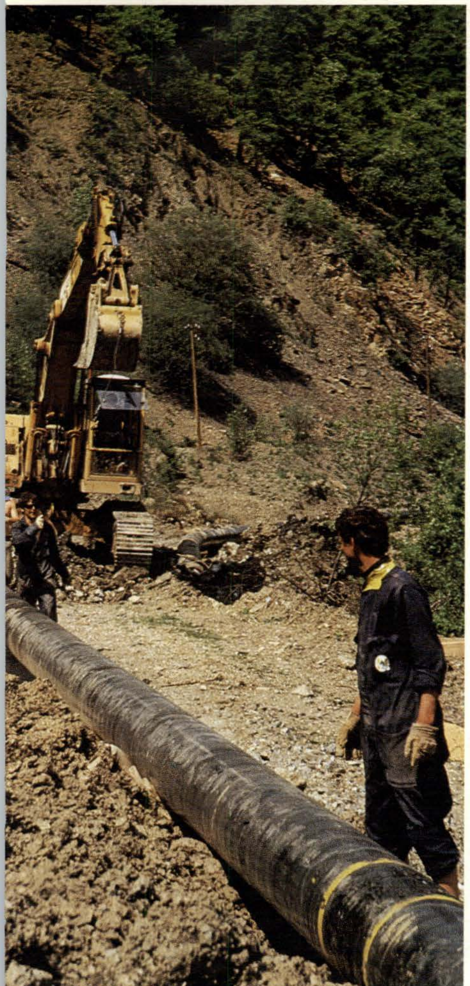
The Dam Radenić at Kosovo Province in Kosovo Province

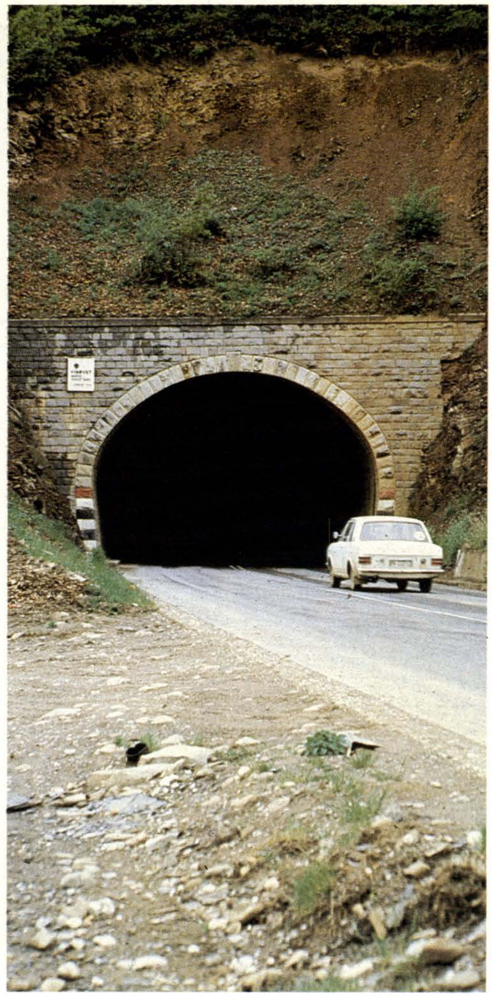
ccording to World Bank data for Y77–FY82 period in international iddings invited for projects financed y the World Bank Yugoslav firms on 37 contracts abroad totalling $ 50.1 million. The values of contracts warded per fiscal year (the number f contracts is given in brackets) were e following:

977	$ 8.9 million (6)
978	$ 31.7 million (5)
979	$ 25.1 million (7)
980	$ 56.6 million (6)
981	$ 8.8 million (6)
982	$ 29.0 million (7)
OTAL:	$ 160.1 million (37)

he contracts won were distributed among gions as follows (the number of ntracts is given in brackets):

	in million $
astern Africa Ethiopia, Kenya, Tanzania)	28.9 (7)
Western Africa Ghana, Nigeria)	9.2 (5)
astern Asia and the Pacific	0.0 (0)
othern Asia Burma, India, Sri Lanka)	0.9 (6)
orthern Africa and Iraq, ear and Middle East Algeria, Egypt, Iraq, DR of Yemen, yprus, Syria, Sudan, Tunisia, urkey)	117.2 (15)
atin America Brazil, Colombia, Mexico)	3.9 (4)
OTAL:	160.1 (37)





Ancient part of the City of Sarajevo Required Reconstruction of the Sewage System which required Sizeable Investments.

To Regulate Land Reclaming System at Kosovo Province a Tunnel was Built.

uring FY83, in international bildings vited for World Bank-financed projects other LDCs Yugoslav firms won the llowing contracts:

›untry	Type of contract	Contract value in mil. of $
›banon	Consulting services	0.871
›nya	Construction works	6.341
orocco	Electrical equipment	0.750
›lombia	Electrical equipment	0.315
›azil	Mechanical equipment	0.243
ınisia	Mechanical equipment	0.225
ırkey	Construction works	0.225
›ypt	Electrical equipment	1.757
R of emen	Consulting service	0.140
›tal:		10,897.00

Out of this total figure World Bank financed contracts worth $ 9.0 million, while IDA financed constracts totalling $ 1.897 million.

Contracts were won in the following regions (the number of contracts is given in brackets):

	million $
Northern Africa and Near and Middle East (Lebanon, Morocco, Tunisia, Turkey, Egypt, AR of Yemen	3.998 (6)
Latin America (Brazil, Colombia)	0.558 (2)
Eastern Africa (Kenya)	6.341 (1)
Total:	10.897 (9)

Major contracts won in FY83 were:

○ Kenya – construction works valued at $ 6.341 million („Put" of Sarajevo),

○ Egypt – export of electrical equipment valued at $ 1.757 million („Iskra" of Ljubljana).

The structure of contracts won (in terms of value) was the following:

Less than 1.0 milion $	7 contracts.
Less than 1-7 milions $	2 contracts.

The distribution of contracts won, per sub-sectors, was the following:

	million $
Electrical equipment	2.822 (3)
Mechanical equipment	0.468 (2)
Consulting services	1.011 (2)
Construction works	6.341 (1)
Construction material	0.255 (1)

Compared with FY82, in FY83 Yugoslav firms won more contracts (2 contracts more), but their value was $ 18.1 million lower.

As in the preceding six years, in 1983 Yugoslav firms won the largest number of contracts in the North African and Near and Middle East countries – 37% and in those of East Africa – 58% out of the total number of contracts.

Electrical al equipment export contracts were by far the largest in number – 3 contracts, followed by exports of mechanical equipment – 2 contracts and by consulting services – 2 contracts.

Product from Textile Combine Gnjilane Exported to Numerous Countries. The Combine Used the Loans Extended by the World Bank.

Yugoslavia is Exporter of Shoewear. The Factory KOŠUTA – Cetinje, Montenegro is One of Big Manufacturers

ːxperience indicates that many ctivities have to be performed prior ͻ defining sources of financing and ubmitting tenders at internationally ıvited biddings. Technically, dministratively and financially, rocedures relating to World ɜank-monitored projects are very trict and precise. Therefore, one hould be thoroughly acquainted with ıem and fully respect them at all tages. Seminars organized by the 'BIEC with the object of ransmitting information on these rocedures and other activities in this espect contribute to a better and more successful relationship with the World Bank and to the access of Yugoslav organizations to the projects it finances. Such general and specialized seminars should continue in future as well.

In view of the existing possibilities and export orientation of the Yugoslav economy, and the World Bank's own assessment that expanded exports are essential for Yugoslavia's further development (i.e. proceeds from exports), a Program of Measures and Activities envisaged by the World Bank Structural Adjustment Loan Agreement (SAL I) laid down, inter alia, a commitment on the part of Yugoslavia to have the YBIEC trained in terms of organization building, and in its personnel and institutional aspects in order to proffer information on markets of investment goods and services (marketing). To this end, a Program of Activities was worked out, while a project for a General und Up-to-Date Information System, needed for exports of capital goods and services, whose implementation should start in early 1985, is at present being worked out.

As part of the Structural Adjustment Loan (SAL I) is disbursed by Yugoslav exporters through the YBIEC (for the needs of importing parts and components for the preparation of products are financed by the YBIEC), the above-mentioned institutional training of the Bank is directly linked to further promotion of the export deals it supports and thus to the utilization of new similar World Bank loans in supporting exports of Yugoslav capital goods.

World Bank development project financing in cooperation with other creditors Inter-American Development Bank, African Development Bank, Asian Development Bank, the OPEC Fund, banks and funds for OPEC development, other similar institutions for public financing, private banks, export financing banks is known as co-financing. It has become very important in engaging additional sources of funds, in increasing capital flows to LDCs and in the better utilization of generally available sources of funds and assistance for development. The World Bank's role in co-financing differs and depends on such factors as: the wishes of its beneficiaries and the possibilities and experience of other creditors and types of co-financing sources. That role may

Detail Shows Tough Building Conditions from the Sites of One Hydro Power Plant at the River Neretva in Hercegovina

Thus, on the basis of interest manifested by Yugoslav firms in the Kiambere hydropower project construction in Kenya, the YBIEC entered into co-financing of part of the project relating to a large earth dam. As the most advantageous bidder among those offering tenders for this dam in 1983, „Energoprojekt" was awarded the contract, worth more than \$80 million, while upon the Investor's request, the YBIEC undertook to finance part of the Yugoslav equipment and services procured for the dam. The World Bank, as prime financier, provided \$37.1 million for this part of the project, the African Development Bank \$21.7, the Saudi Development Fund \$11.5 and the YBIEC \$11.4 million.

Cooperation between the YBIEC, the World Bank and other co-financiers in the Kiambere hydropower project is the first example of this type of cooperation for the Yugoslav Bank for International Economic Cooperation. Successful implementation of this project is expected to give good references for cooperation in other projects of interest to Yugoslav firms and activities by the YBIEC aimed at further improvement and expansion of initiated cooperation to other projects are already underway.

The YBIEC assesses that realistic conditions and needs exist for a major involvement in co-financing arrangements with the World Bank and other international financial organizations. In this sense, its export credits might support exports of Yugoslav equipment and the execution of complete works and facilities in LDCs and thus facilitate their involvement in developing long-term cooperation in sectors of mutual interest.

The main attitude is that participation in co-financing arrangements and links between the Bank and multilateral sources of financing, respectively, ensure a higher degree of safety and more efficient access to contracts whose general financing is too big a bite for the YBIEC's limited funds. The Yugoslav Bank for International Economic Cooperation is basically interested in those co-financing arrangements which make possible links between participation in financing and the export of Yugoslav goods and services.

For the YBIEC's participation in parallel financing the existing

THE INTERNATIONAL FINANCE CORPORATION AND YUGOSLAVIA

'he International Finance 'orporation belongs to the World ›ank Group. This affiliation is eflected in common goals: helping to timulate economic development and aise the standard of living by ›roviding funds from the developed › the developing countries; the same nembership; an identical approach to ›roblems of economic development ı developing member-countries and heir solution; similar principles and nechanisms in project financing; lmost the same organization and nanagement characteristics (voting ›ower of member countries in lecision-making being proportionate › the share capital they hold); almost dentical methods and criteria of ›roject identification and commercial, inancial and technical appraisal and legotiations on external financial upport. Membership of the World ›ank is a pre-condition for IFC nembership.

'he Corporation was established in 956, as a World Bank affiliate, ledicated to furthering economic levelopment in its developing nember-countries by promoting and upporting private productive nterprises, particularly those located n the less developed regions of a ountry. Seeking to accomplish this, he Corporation:

I) financially assists together with ›rivate investors, in establishing, nodernizing and expanding private nterprises which aid development in nember-countries, but without overnment guarantees, whenever ›rivate capital cannot be obtained in ufficient amounts or under ommercially acceptable and justified erms;

(II) helps bring together investment opportunities and domestic and foreign investment capital and managerial skill;

(III) promotes and creates conditions favouring domestic and foreign capital flows to productive enterprises in member countries (Article 1 of Articles of Agreement).

At the beginning, the Corporation's membership was 21 and authorized capital one hundred million dollars; at the end of fiscal 1984 (June 30, 1984) it was 125 and share capital 650 million dollars, of which 544.2 million paidin. In response to the successful operations and requirements of recipient member-countries it was agreed by all (developed and developing countries) to double authorized IFC capital to 1,300 million dollars.

The plan of future expansion of the Corporation is built on IFC's strong performance during previous years: on June 30, 1984 the total capital invested in the developing countries amounted to 3.2 billion dollars, of which 1,989 million on its own account and 1,254 million dollars held and administered for participants in IFC financings (commercial banks and other financial institutions).

In pursuing its aims IFC relies on its own funds and expertise as well as those from other sources, primarily commercial and helps establish direct business contacts between private enterprise in member-countries and private domestic and foreign financial sources or indirect by acting on its own behalf but for the account of others.

Traditional sources of Corporation financing have been subscriptions to authorized capital by member-countries and borrowings from the World Bank. Although IFC may borrow on the international capital markets under its Articles of Agreement, it was in 1984 that the Corporation was allowed to borrow „experimentally" on international capital markets "up to a maximum of 100 million dollars", provided, however, that the terms and conditions match those of the World Bank. Further sources of IFC funding are the income from interest charged on previous lendings and dividends on shares.

In view of the intensity and scope of financial cooperation between IFC and Yugoslavia (20 enterprises were financed with over 421 million dollars) a positive evolution should be noted in the IFC's interpretation of the meaning of „private enterprise", „private ownership", „private sector" and the like in Yugoslav terms. The fact that IFC does not identify the Yugoslav organization of associated labour with „public" or „state" or „shareholding" forms of ownership is of great significance for Yugoslavia, in political and socio-economic terms. The Corporation accepted that „enterprises in Yugoslavia are socially owned, that is belong to the people of Yugoslavia, not the state".

IFC does not insist on its finance being spent in specific countries. However, procurement of goods and services has to be made in one of the 146 member-countries of the International Bank for Reconstruction and Development, and Switzerland. The approach to and flexibility of the forms the finance can take („the Corporation may invest in the way it considers appropriate under the

otel Complex BABIN KUK –
ubrovnik. Widely Known Touristic
entre For Most Choosy Guests From
hroughout the World

The rescheduling practice has evolved in the last few years since the debt crisis hit a large number of countries. In consequence, however, IFC had to expand its loss coverage fund. In the course of its thirty-year operations IFC has had some losses, but it nevertheless ended each year with a profit. To recall the Articles of Agreement – no member-country is liable for the IFC obligations by virtue of its membership.

Cooperation of Yugoslavia with the Corporation

Since IFC is an inter-governmental organization, Yugoslavia as one of its member-countries, is obliged to subscribe to IFC's equity, expansion and diversification of its activities. Since it joined IFC in 1968, Yugoslavia has committed 591 thousand dollars to IFC's authorized capital. Together with other member-countries, Yugoslavia accepted the capital increase of 1978 and committed another 2,879 thousand dollars. Both commitments were honoured. It is Yugoslavia's intention in spite of its serious economic and balance of payment difficulties, to participate in the latest increase of IFC capital in the 1985–1989 period. To maintain the present level of its shares (0.53%) Yugoslavia would have to pay in somewhat above 3.4 million dollars in the next five years, in equal instalments of 687 thousand dollars each. The first instalment is due on August 1,1985. Each instalment brings in turn a corresponding number of 1,000 dollar shares. This means a corresponding number of votes, i. e, influence on the IFC management. The voting power of Yugoslavia as of June 30, 1984 was 3,129 votes or 0.54% of the total.

The World Bank and Federation Fund Invested Sizeable Funds in the Undeveloped Republic of Montenegro for a Number of Industrial Facilities. Detail from Packing Facility of Quality Marble for Shipment to Foreign Customers

First phase of building the railway bridge Mala Rijeka at the railway line Beograd – Bar.

'C helped finance 20 work
ganizations in the 1970–1984
eriod. Altogether 28 loans were
included, two per year on average.
ome work organizations had two,
hers three loans in a row.

he International Investment
orporation for Yugoslavia (IICY)
as IFC's first investment in
ugoslavia.

IICY was established in December 1969, with the consent of the Federal Executive Council and in agreement with the Yugoslav banks concerned, IFC and a number of foreign banks.

IICY has 55 shareholders and is registered as an international stock company in Luxembourg with 13.5 million dollars of share capital. Its official seat is in Luxembourg, but it operates from its head office in Vienna (until recently in London) and a representative office in Yugoslavia.

At the end of 1974, project implementation was transferred to Yugoslavia. The president of the Corporation is a foreigner and the executive vice-president a Yugoslav.

Under the IICY Articles of Agreement no single bank or group of banks may hold a major interest in its capital. IFC is the biggest individual shareholder with 12% of the shares, 12 Yugoslav banks hold 28.8% and 42 foreign banks from 11 countries (Austria, France, the Netherlands, Italy, Japan, Kuwait, the USA and FR of Germany, Switzerland, Sweden, Great Britain) have a total of 59.2% of the shares.

IICY was established to promote joint ventures between domestic organizations of associated labour and foreign firms. Its objective is to assist local organizations (legally, commercially, financially and technically, with a view to selecting the best partner), to invest its own funds in the form of contribution, assist foreign partners in consulting Yugoslav regulations and other conditions in the country. At the end of 1974 IICY established a marketing service.

Automatic block installation manufactured by ISKRA, Ljubljana. A prewired and bench tested cabin is crane-lowered into its foundation.

fiscal 1970, TAM and lockner–Humboldt–Bentz A. G. of e German Federal Republic ncluded joint venture aimed at the pansion and modernization of AM's production of light and edium-sized trucks and buses from 500 to 13,000 units and production a new type of diesel engine. The tal estimated cost of the project was out 120 million dollars, of which 80 illions was invested in plants and uipment and about 40 million in orking capital.

1980, SAVA–SEMPERIT mpleted the Phase II expansion oject (from 24,500 to 36,300 tons of dial automotive tyres a year). IFC lped finance another increase in oductive capacity with 11 million ollars.

1973, BELIŠĆE undertook, with C assistance, a joint venture volving a group of West German d Austrian companies. The vestment went into the expansion of per output from 38,000 to 95,000 ns and container board and ntainers from 30,000 to 60,000 tons year.

C granted an 11.1 million dollar an in the course of 1973.

1980 the second stage of panding and modernizing paper d cardboard production was dertaken. IFC invested 80 million ollars.

Železara Jesenice, Yugoslavia's second-largest steel producer, embarked on joint venture for a special steel cold-rolling mill with ARMCO and other suppliers from the USA. IFC granted a 10 million-dollar loan in 1974.

Tvornica ANHOVO, an important cement producer in Yugoslavia, received an IFC loan of 10 million dollars for the construction of a new facility of 850,000 tons capacity a year in 1974.

RMK Zenica is Yugoslavia's largest steel producer. In 1976, IFC invested 50 million dollars. Thanks to this loan and capital from other foreign and local sources, Zenica expanded its otuput of crude steel by 1.4 million tons and its rolling mill capacity of 1.1 million tons for manufacturing various profiles and forms.

*ınd Reclamation System Ibar – Lepenac
Kosovo Province, surface 73.000 ha –
ıilding of the Dam Gazivoda, Height
)0 m*

ıillion dollars and 10 million DM yndicated among foreign commercial anks.

Jnder the loan agreement each bank ommitted 1/8 of the credit line or ,250 thousand dollars and 1,250 housand Deutsch marks. Eighty per ent of the line was allocated to the ocial sector and 20% to the private.

n the social sector, eligibility of rganizations of associated labour as tied to their number of mployees, 125 at most. The naximum amount per recipient was 300,000 dollars. These ceilings were intended to safeguard the purpose of the loan-small-scale enterprises.

On the whole, these investments have been very useful. About 200 sub-projects were implemented and number of new jobs created. Numerous bottlenecks were eliminated. Exports went and sometimes import substitution achieved.

Project preparation for the „Dr Simo Milošević" Institute of Physical Medicine and Rehabilitation started in 1980, resulting in a loan agreement concluded in 1981.

The Institute recorded good results in the treatment of all types of rheumatic (particularly, arthritic) pulmonary and cardiovascular patients.

Thus, another building was constructed with 814 patient beds, mainly for foreigners (80%).

INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA)

'ugoslavia joined the International)evelopment Association in 1962 and aid its initial subsription. According) IDA's categories of membership, 'ugoslavia was not obliged to make upplementary contributions in ubsequent replenishments of IDA unds. Namely, Yugoslavia, being a eveloping country, was classified as Part II member. The money was to e provided entirely by IDA's Part I nember countries (developed).

Nevertheless, Yugoslavia decided, in onformity with its long-term policy f fostering comprehensive economic ooperation with the developing ountries and assisting them, within s possibilities, to participate oluntarily in the third replenishment f IDA's fund in 1969.

n this way Yugoslavia manifested its upport of IDA aims and its olidarity with the least developed mong the developing countries. The 'ugoslav example was followed later y other developing countries, so that he number of Part II members articipating in the seventh eplenishment in 1984 rose to ten. 'he importance of the Yugoslav lecision of 1969, which triggered roader support by the developing ountries of IDA's programmes, xceeds its nominal value at the time.

'ugoslavia participated in all ubsequent replenishments as follows: t contributed 4 million dollars in the hird replenishment, 5 million in the fourth, 8 million in the fifth and 16 nillion dollars in the seventh eplenishment.

The very low-income countries, characterized by excessive population growth, a low capital-generation rate, and suffering from the consequences of colonial rule, were badly in need of external aid to finance large investment projects so as to increase their output and per capita income. What they needed was another permanent source of external development funds.

It was evident from the beginning of IBRD'a operations that the terms and conditions of their loans (interest rates slightly below commercial ones, relatively short repayment periods, finance for imported equipment and technology only) did not take into account the problems of developing countries that had to finance projects with a low, slow or non-existent rate of direct self-repayment. Many countries, particularly the newly-liberated ones, were in urgent need of an infrastructure, not only roads and ports, but numerous health, education and housing facilities. Private capital could not be attracted to such projects while IBRD could not fit them into standard eligibility criteria. Moreover, many newly-liberated countries were not creditworthy, and automatically non-eligible.

It is clear that the poor developing countries, and there were many, needed a source of concessional funds such as grants, soft loans and credits, repayable over several decades, with a grace period of 10 years, with low or no interest rate, which could be applied not only towards costs of procurement of equipment but local costs, too.

A decade passed before the idea was materialized, however partially and in principle, in the establishment of IDA.

The IDA's Articles of Agreement made it legally and financially distinct from IBRD. Only the members of IBRD can join IDA. The President of the Bank is IDA's President and at the same time presides over the Board of Executive Directors. In the same way Governors and Executive Directors of the Bank serve as IDA's Governors and Executive Directors, provided the countres they represent in the Bank are the members of the Association. Therefore, IDA has no staff of its own, but draws upon the Bank for administrative and other services. This is both rational and practical.

The IDA's Charter provided for two categories of membership: Part I which includes economically developed countries and Part II which is composed of the developing countries. These two groups of countries pay different subscriptions. Each Part I member pays its full subscription in convertible currencies that can be applied towards financing procurements under IDA credits to developing countries. Subscriptions and contributions provided by Part II member countries are paid in the member's own currency and only 10 percent in convertible funds. The other 90 percent, paid to IDA's account, can be used for lending (with the consent of the contributor) to other developing countries.

The initial subscription by Part I member-countries amounted to about 74 percent of all IDA funds. On the other hand, 89 Part II member countries subscribed the other 26 percent of the total.

*'he Dam at the River Neretva, Vicinity of
Iostar, Herzegovina. The Electric Current
Generated by the Hydro Power Plant
alakovac will be Used by the Factory of
lumina of Mostar*

To Crash Rocky Mountains Powerful Machinery is Required. Hilly Regions of Herzegovina Assisted by the Dams at the River Neretva Are Becomming Fertile Land For Growing Early Fruit and Vegetable.

The Yugoslavs have a highly developed sense of solidarity and foster bilateral and multilateral economic cooperation among the non-aligned and developing countries, and full awarness of the concrete economic interest of Yugoslavia, being one of more advanced developing countries in this field of cooperation.

Whenever the contributions of IDA donor countries are written about or spoken of, there is hardly any mention of the benefits they themselves have. This is a sort of „taboo" topics in some countries, and not by chance.
Therefore it seems appropriate to give a brief explanation.

According to IDA Articles of Agreement, member – countries (as well as non-member countries participating in replenishments, such as Switzerland) are entitled to bid at international tenders for projects financed by IDA. Since the awarded contractor is paid in cash, these tenders are quite attractive, competition harsh, particularly among firms from the industrially advanced countries. The contracts usually involve supplies of equipment, technology and various technical and expert services (studies, designing, consulting, supervision, project management, training of local staff and the like) and are obviously beneficial to the economy of the supplier country, as a whole.

'rude Oil Processing Equipment and
'acility at Omišalj – S. R. Croatia

'ugoslav contractors earned 100 nillion dollars in the 1962-June 1979 eriod, participating in the execution f IDA-financed projects in the eveloping countries. In the following ive years, 1980–1984, however, the mount was only 16.4 million dollars. 'his is not much, but in view of the elevance of exports to our tabilization programme and enhanced economic cooperation with the developing countries, it is significant. Thus, Yugoslav organizations of associated labour have a major task in the years to come, to intensify their activities and secure more deals, if competitive, solidary and technically and commercially superior.

'EN-YEAR SURVEY OF IDA OPERATIONS 975–1984

'iscal Years

In US$ millions

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
'redits committed	1,576	1,655	1,308	2,313	3,022	3,838	3,482	2,686	3,341	3,575
'redits disbursed	1,026	1,252	1,298	1,062	1,222	1,411	1,878	2,067	2,596	2,524
lumber of new credits	68	73	67	99	105	103	106	97	107	106
lumber of countries enefiting credits	39	39	36	42	43	40	40	42	44	43
'otal number of IDA nember countries	114	116	117	120	121	121	125	130	131	131*

Two applications for membership (Mozambique and Portugal) arè being processed.

TOTAL IDA FUNDS

(in US$ million)

	Original amount	In 1981 dollars
Initial subscriptions	757	3,128
Replenishments:		
The first replenishment (1965–68)	745	2,844
The second replenishment (1969–71)	1,271	3,466
The third replenishment (1972–74)	2,441	4,495
The fourth replenishment (1978–80)	7,732	8,688
The sixth replenishment (1981–83)	12,000	11,204
TOTAL:	29.,447	40.,025

NEW ACTIVITIES OF THE W🌐RLD BANK

he Place and Role of the ıternational Bank for econstruction and evelopment in Economic ecovery and Settlement of the ıternational Debt Problem

ıe problem of the indebtedness of e developing countries is one of the ajor economic concerns of our time. lthough only the developing ıuntries are indebted, this affects the dustrially advanced nations, too, ecause of their claims as creditors ıd broadder economic interdependence of development"), cial and political implications. esides, the stability of the ternational capital markets, ırticularly their leading segment, is rectly linked to and dependent on e resolution of the debt crisis. debtedness if definitely a long-term oblem. The crisis broke out in 1982 ıd we do not know yet whether it is ıttoming out or not. In this context, e role of international financial stitutions, and of the World Bank, unavoidable in the present ternational economic and financial stem and irreplaceable for some btor countries. It is even more gnificant in view of the fact that ıce 1982 the outright default of the ajor debtor countries has become ıpossible for economic, political or cial reasons.

It is true that the governments of almost all countries in the world are faced with a debt problem. Developing and socialist countries have an external debt problem, while some industrially advanced countries (smaller, as a rule) have huge domestic debts. However, it is of vital importance to any country because of the economic, social and political dimensions of a debt (a) whether it is external of internal, and (b) whether the debtor is economically developed and its currency freely convertible, or a developing country with a non-convertible currency, suffering from basic economic problems and a low standard of living. These facts are highly relevant, firstly because servicing a domestic debt means the transfer of income from one group of people to another, while servicing an external debt reduces the total real income of a country; secondly, the terms and conditions of paying off debts are determined by entities outside the legal and economic sovereignty of the debtor country, led primarily by their own interest, which is not always purely economic, particularly not when the creditor is a government agency, not a commercial lending institution; thirdly, the developed countries have permanent access to fresh money on the domestic and foreign financial markets, so that they can maintain the pace of their investments, production, exports and debt servicing; this is not the case with the developing countries which, due to insufficient domestic capital generation and a lack of domestic financial markets, have to borrow abroad, where they have almost no access at present; finally, thanks to the convertibility of their currencies and the role they play in international payment transactions, the developed countries, by their monetary policies and high interest rates (domestic) and irrespective of their balance of payments position, can attract an additional inflow of private capital (even from over-indebted developing countries!), which again is not the case with the developing nations.

It is worth recalling here the address of the late President Tito at the Annual Meeting of the World Bank and IMF, held in October 1979, in Belgrade. In his remarkable speech, the late President warned those attending and world public opinion of the serious problem that was going to face the world:

„It is clear that there can be no stable and just peace or global progress without the solution of basic economic problems affecting the interests of many countries. The inequitable international economic relations prevailing today are an ever-increasing source of crises and conflicts."

„The present crisis in the world economy stems from wide differences, which are primarily due to the existing system of international economic relations because the system so adversely affecting the developing countries, holding vast human and natural resources on the margin of economic trends, unavoidably creates global difficulties in the world economy, including the developing countries... No one can assure his own welfare without global progress and prosperity for the whole international community. In short, the responsibility we have for the present and future world, whose fate we all share, must not be overlooked."

ıese adjustments and innovations in e operations of the World Bank ere reflected in the conditions and nge of cooperation with Yugoslavia, o. Moreover, Yugoslavia is a ember drawing on almost all cilities of the World Bank. The sults, thus far, are good, but there e still untapped opportunities. The tent of future cooperation will pend on both sides. It should be membered, though, that the Bank ıs been one of the major sources of ng-term finance of the Yugoslav onomy and will continue to be so the years to come.

or many developing countries, cluding Yugoslavia, economic velopment up to the end of the ntury is of vital and long-term iportance. It will largely depend on sumption of the balance of ıyments equilibrium in the years to me and the establishment of gular forms of financial cooperation ith foreign countries (international ıancial markets). A feasible solution clearly in the interest of the World ınk, because of its considerable posure in the developing countries ıd its maintenance of stability in the isting international economic and ıancial order. In this context, the 'orld Bank is seeking ways to volve itself in broader support of e overindebted developing untries, proceeding from the llowing assumptions:

rstly, the future of a country's onomic development lies in its own ınds, and is primarily that country's sponsibility;

secondly, apart from the need for national adjustment (first and foremost in the manufacturing sector which should be geared to higher exports, international competitiveness and greater mobility of savings) the international business environment is of crucial relevance for: (a) trade flows from the developing countries and (b) flows of external financial support to those countries;

thirdly, economic problems relating to the current and long-term development of each member country are different and quite specific;

fourthly, present balance of payments problems in the developing countries, specifically the difficulties encountered in their external debt servicing, being of a long-term and structural nature, call for solutions which will take some time to yield results.

Practical ways and means of implementing those assumptions do not depend on the World Bank alone whose principles of operation, organization and management were determined by the developed countries forty years ago, at a time of completely different international economic, financial, political and social conditions. Although the World Bank, like the International Monetary Fund, is a Bretton Wood's instituion, altghough the two therefore operate almost along the same lines, adjusted of course to specific aims and tasks, it is beyond doubt that cooperation between the World Bank and almost all the developing countries has been far less controversial.

Experience shows that the World Bank is rather flexible in its operations, within its statutory and managerial limits, of course. This is manifested in a number of spheres: the Bank is no longer limited to its traditional project lending, but increasingly oriented to balance of payments support and analytical and advisory services. In spite of the principle and practice of ceilings on some types of financial assistance (member countries cannot be granted more than 10% of the total annual lendings of the Bank, nor of the total annual lendings of the Bank, for structural adjustment purposes, and a structural adjustment loan to any country cannot exceed one third of total annual lendings to that country, etc.), the Bank makes exceptions, adapting its support to the concrete needs and specificities of each member. The Bank encourages faster disbursement of loans by increasing the share of the direct foreign exchange component and introducing instruments for quicker disbursement, and allows application of the loan proceed to local costs under certain conditions, etc. These activities were stepped up following the adoption of the Special Action Programme.

The Special Action Programme was approved in 1983, and its aims are basically as follows:

a) faster disbursement of the Bank's loans, for both on-going and new projects. Export-oriented projects are favoured, if their completion and commissioning can warrant an improvement in the country's balance of payments position; projects conceived along new lines of economic development, approved for the sake of surmouting existing economic difficulties, and action directed towards the elimination of bottle-necks in the final stage of project implementation;

doing this the Bank has pproached the role of the ternational Monetary Fund, which legal terms, is not strictly in line ith its traditional aims. Nevertheless, the time of establishment of the orld Bank it was laid down in rticle 1 (iii) of its Article of greement that the Bank „shall omote the long-range balanced owth of international trade and the aintenance of equilibrium in lances of payments by encouraging ternational investment...". oceeding from this and the practice the World Bank in approving ructural adjustment loans based on programme which aims at: (a) more fective mobilization and utilization domestic and external financial sources, (b) increased productivity, tionality and international mpetitiveness, (c) higher exports in der to bring the balanace of yments and trade flows into uilibrium and the establishment of eady economic growth, the rationale the World Bank in authorizing ese loans in the World's changing onomic and financial circumstances kes into account not only the praisal (commercial and financial) a given investment project and edit worthiness of a debtor – untry, but the global economic and stitutional framework in which the oject is to be implemented.

Since the programme of structural adjustment is jointly established with the Bank and since it coordinates its work with the International Monetary Fund, one might think that countries are reluctant to accept the „conditionality" of the World Bank, which often does not differ much from that of IMF. Different approaches by the two institutions are unavoidable in some formulations. That assumption could be reinforced if we remember the customarily low nominal amounts of structural adjustment loans (ranging from between 200 and 300 million dollars). As a rule, the World Bank puts limitations on those loans, about one third of the total regular lending to the member country. There are two points, however. The first is that a developing country opting for a structural adjustment loan is already faced with balance of payments and serious external debt servicing problems, as a rule. Coupled with the lack of external liquid resources and almost no access to international financial markets, their chances of borrowing on relatively reasonable terms, as are those of the World Bank, are minimal. On the other hand, the World Bank ties up all of its project and programme lending, in the process of negotiation or pending loan approval, with the outcome of structural adjustment loan negotiations, that is, the adopiton of a certain policy in key sectors (investment, foreign exchange, the credit-monetary sphere, prices). This is simultaneously negotiated with the IMF and other official and private creditors of the country concerned.

However, the borrowing country is the one which finally decides on the terms of the structural adjustment and the programme of economic adjustment and their justifiability and feasibility. In principle, however, the main objection may be the multiplicity of criteria and timing of their performance, as determined in the Letter on Development Policy. Economic development targets, jointly established with the World Bank may be achieved, as a rule, given the most favourable international economic circumstances and national austerity, within five to seven years, at best; however the Setter on Development Policy usually sets this period at only two or three years!

The mechanism, or collaterals for performance of criteria is the disbursement of proceeds in tranches (usually two) and a commitment by the Bank to approve further (maximum five) consecutive structural adjustment loans. There are, however, some unavoidable contradictions. One of the main characteristics of structural adjustment loans should be the quick disbursement of loan proceeds. On the other hand, this can be done in tranches, released only after the agreed policy has been implemented, including quite a number of significant measures, which as a rule, dramatically change the conditions of economic activity as a whole. Based on earlier experience, it may be said that the World Bank has become aware of these shortcomings and therefore adopted a rather flexible approach to the appraisal of criteria and timing of performance of some obligations.

arted authorizing others, but jointly ith other, mainly private sources. he additional loan was designated a "B" loan and could be in one of e following three forms: (i) direct ırticipation with additional funds om commercial sources; (ii) ıarantee of repayment of a ndicated loan over an extended eriod and (iii) commitment of funds.

irect participation of the World ank in a "B" loan is possible under e same financial terms governing ommercial credits, or at the interest te charged by the Bank on its gual "A" loans (fixed at six-month tervals to equal the cost of the ank's borrowing). In such a case the ırrency of denomination, valuation assets, computation of repayment, ıbmission of calculation at aturities through the agent bank ıd the similar, are the same as for gular Bank loans. The Bank accepts participate in a "B" loan, as a atter of principle, with any onvertible currency (at the moment, ost frequently the US Dollar), at the terest rate prevailing on the capital arkets for loans extended in the ıme currency.

he decision on the World Bank's ırticipation in co-financing in a "B" pe loan is taken in agreement etween the Bank and the recipient ountry. It is a joint decision about e market to be approached for the -financing partners and about ources (banks and other financial stitutions) to be tapped.

Although previous experience with the new forms of co-financing "B" loans is relatively modest, two things may be noted: first, preparation and conclusion of a "B" loan is extremely slow, procedure is quite complicated and loses of effectiveness; second, in the course of negotiations the World Bank appears in the capacity of a commercial bank not a factor of cohesion and mediation between the commercial banks and the borrower, as it should be in view of its aims and knowledge of the economic and financial status and legal position of a debtor country.

World Bank and Debt Rescheduling

The Articles of Agreement and the rules of the Bank did not explicitly stipulate the matter of debt rescheduling or any similar-mehanism for alleviating the debt burden of a member country. In its operations so far, the World Bank was involved in only two rescheduling exercises in the Sixties, at a time when the volume of credit financing of member countries was considerably lower than today and when the Bank itself borrowed much less on the international capital markets. Finally, at that time member countries formally requested rescheduling in exceptional cases only, and in so far as the public debt was concerned. Meanwhile, however, the operations of the Bank greatly expanded and the number of developing countries encountering balance of payments problems grew all the time.

In the Eighties, and particularly since the outbreak of the international debt crisis (1982), the number of countries seeking rescheduling of their external debts has been steadily rising as have the amounts involved in the exercise.

Parallel with the growing number of over-indebted countries and their ever shrinking opportunities of access to the capital markets, the pressure on World Bank lending increased. In the absence of greater contributions by the developed member countries (the traditional source of the Bank's funding) it had to rely increasingly on borrowings from the international financial markets. This trend was favoured, on the one hand, by the high liquidity of the international financial markets, and on the other, by higher risks involved in the direct lending of international private capital to developing countries, because of their mounting debt. As a result, the World Bank has become one of the major lenders to developing countries and at the same time one of the largest borrowers on the international financial markets.

Legally, the World Bank could reschedule its claims against member countries, as evidenced by two cases to date going back to the Sixties, and by the practice of the International Finance Corporation, its affiliate. This possibility therefore should not be ruled out in future, although its feasibility and conditions are quite uncertain.

The present official standpoint and practice of the World Bank are not to include outstanding claims in the programme of alleviation of the debt burden of its debtors, either by a moratorium, rescheduling or the like.

ainful adjustment to the new onditions and criteria prevailing on e international economic and nancial markets.

p to the Eighties Yugoslavia had een borrowing almost three-fourths ' its total convertible funds from ommercial sources. The major ortion was in the form of export upplier's) credits. To achieve its onomic revival targets and steady evelopment, Yugoslavia will need rge amounts of external commodity d financial credits in future.

ıstained viability of external quidity is still being sought by ocessing steadily towards lf-reliance in full cooperation with l commercial and financial partners overnments, commercial banks and ternational financial institutions) cluding the International Bank for econtruction and Development, our ngstanding and successful associate. he results achieved in the course of 983 and 1984 proved that this ooperation in the joint search for olutions to external liquidity roblems has been most fruitful and line with Yugoslavia's internal stem and long-term economic terests i.e. in line with the ientation laid down in our ong-Term Economic Stabilization rogramme concerning the country's ternal liquidity. Normally, this ooperation has not always been nooth but the difficulties have never nanated from the main options and rgets of Yugoslavia's social and onomic development.

n any case, thanks to successful ooperation with the World Bank, mong others, and unlike some other eveloping countries, Yugoslavia has anaged to meet its external bligations, never questioning further ooperation with the international nancial community.

World Bank loans to Yugoslavia, which helped finance priority projects, were highly relevant for the economic development of the country up to 1983. At the end of 1982, the share of World Bank loans in total Yugoslav external indebtedness was about 10.5%. Since 1983, however, the World Bank has been actively involved in multilateral activity on the part of governments, commercial banks and the International Monetary Fund, aimed at redressing current account deficits and tackling the debt problem. Confident of the structural character of economic problems in Yugoslavia, the World Bank extended additional long – term financial support to Yugoslavia, besides regular loans, assisted it in formulating sound economic development programme, postponed discussion on the graduation programme and helped Yugoslavia raise new credits on capital markets and from commercial sources.

Cooperation between the World Bank and the International Monetary Fund has come to the fore during the international debt crisis. Yugoslavia, being a member country of both institutions is also concerned. Informal cooperation between the Bank and the Fund has been going on since their establishment, but was formalized in 1966. It began with an exchange of information and documents and expanded to include coordination of technical assistance and assignment of joint missions and as of late, to a concerted effort to lay down conditions by which member countries can be assisted financially.

This cooperation flourished in the early Eighties, when a number of developing countries attempted to resolve their structural problems more decisively by overcoming existing already deep-rooted current account difficulties, i.e. when the World Bank introduced structural adjustment loans. Since then, almost no distinction can be drawn between the Bank's operations aimed at development and those aimed at redressing balance of payments deficits. In view of the numerous objections raised by the developed and some developing countries to that effect, a question of principle arises: is it possible and if so, to what extent, to draft and implement a viable economic recovery and structural adjustment programme for a country without taking into account its macro-economic backgroung; in other words, is a balance of payments equilibrium possible in the long term without a corresponding development programme. Moreover, it is known that International Monetary Fund programmes are short-term in principle and mainly concerned with urgent and short-term actions, while those of the Bank are medium-term and gradually implemented over long periods of time. The performance of certain criteria, laid down in the IMF programme, may be decisive for the Bank's programming of development in the long run, and vice versa. Basically, a programme aimed at improving the external current account position, which is usually insisted upon by the International Monetary Fund, permit sor at least should be aimed at permitting – the establishment of a macro-economic climate favouring the implementation of the World Bank programme of long-range structural changes. Thus, there is no doubt about the complementary efforts by the two institutions and the desirability of coordinating practical action in member countries so as to avoid nce bilateral assistance is largely otivated by political, military and eological interests, economic :nefits for the US economy and for her donors, it can be far less fective than that in goods and rvices procured and financed by ultilateral institution loans (the /orld Bank and its affiliates, IDA ıd IFC, regional banks and :velopment funds, etc.). Another ost relevant factor is the high ղidity in the commercial (private) ınking system and limited ɔportunities for use in the heavily debted developing countries. Given e fact that multilateral financial stitutions lack adequate funds, the wners of private capital have wider anoeuvering space to lend their ıpital through various market ıstruments at smaller risk if placed ıough multilateral institutions, ɔvernments and government ȝencies, specilizing in export credit ıarantees and insurance schemes. hus, the latest forms of „financial ıpport" to the developing countries :e often nothing but export credits om the developed to the developing ɔuntries; frequently they are not dequadte solutions for all eveloping countries or the most ıitable form of assistance. Finally, ɔme developing countries, facing roblems of economic development ıd shrinking exports, are unable to raw on the Bank's project lending in ıe volume and for the periods that revailed before the 1980's. Aware of ıis fact, the Bank endeavours to help s member-countries recover their conomic activity and achieve ıstainable growth, convinced that it thereby also serving the interests of ıe developed countries. The overnments of many developed ountries, however, do not favour the hanging character of the Bank's :nding and the shift from project to on-project financing. Their view of ıe Bank is traditional and conservative; it is a channel for exports of equipment and services from the developed nations.

Non-project lending permits larger portions of proceeds to be used for the procurement of raw materials and intermediaries in other developing countries, which explains the opposition to the new orientation of the Bank.

It would not be fair to think that the developed countries are unaware that the Bank could hardly play a new, broad role at the present level of finance. First, by opposing the proposals to increase paid-in capital, the developed countries have opted for a traditional role by the Bank and safe project lending to the developing countries. Second, instead of resorting to budgetary allocation of resources for the Bank, they force it to raise money on the international financial markets (still highly liquid), because of the great risks involved in direct private lending to the majority of developing countries. Third, bilateral flows of capital from the developed countries gain in importance under the circumstances, since they are more strongly tied to exports of their own goods and services and carry more weight in terms of political influence on the recipient country.

There are also objections by the developing countries to non-project lending, as being less favourable due to tighter macroeconomic conditionality. Two things at least should be borne in mind, however.

First, member countries of the World Bank and of the International Monetary Fund are suffering from serious external current account problems and consequently debt repayment at maturities. Therefore, irrespective of the conditionality of the IMF (contained in the Letter of Intent), and of the Bank (contained in the Letter on Development Policy) they pursue a very restrictive policy themselves in imports, foreign exchange allocation and investment (due to the lack of foreign exchange and insufficient domestic and external savings) in order to reverse balance of payments trends and create a solid basis for a sustained revival of economic growth. Another link in the chain is restoration of the credit standing of a debtor country on the international capital markets, access to new borrowings to help finance revival and then further economic growth. Each project loan of the World Bank directly or indirectly dictates a particular economic policy in one or more sectors, depending on the type and significance of the project, and on certain specific economic policy measures, often in the spheres of prices, investments and allocations of financial (domestic and external) resources. In project lending, however, the requirements of the Bank are narrower than in the non-project, due to the character of the latter and the fact that it is available when the country is already faced with a huge balance of payments deficit and a lack of foreign exchange with which to maintain regular production.

is known, however, that the share ' World Bank in various projects in ·inciple is one third of the total ›sts and loan proceeds are used to ›ver the procurement costs of ıported equipment. Great fficulties have keen encountered by mployers (Bank borrowers) for any years now in securing the ›mestic portion of the financing, ther from their own savings or from cal bank sources, in an ıfavourable domestic and ternational economic climate. ›oking for solutions to domestic :onomic problems they must often sort to a restrictive credit and onetary policy, tight investment ›licy, positive interest rates in real rms and a realistic exchange rate ›r the national currency, stringent nancial discipline and the like. A ajor role in these developments is ayed by the International Monetary und, joined as of late by the World ank. The present, highly complex ıd rather cumbersome disbursement ·ocedure with the World Bank (the ·inciple of direct payment to foreign ıppliers, the so-called direct foreign ‹change component and the ·inciple of reimbursement of dinar ıyments made to domestic suppliers ' equipment and contractors – the ›-called indirect foreign exchange ›mponent) results, with a time lapse ometimes several months), in a ›wer inflow of foreign exchange om payment initially effected in the ›cal currency, and hence in a further rop in the value of the local vis-a-vis ›nvertible currencies. The direct ıplications are: first, the Employer ›ceives less foreign exchange at the oment of reimbursement than he as actually entitled to at the time he aid the supplier; second, due to epreciation of the national currency ·haracteristic of almost all eveloping countries) the previons and current obligations of the Employer towards the World Bank go up, while domestic suppliers of equipment and contractors are less interested as they have to shoulder considerable exchange variations in the currencies they disbursed from the World Bank, and which were used to buy imported intermediaries for the manufacture of equipment; third, the share of the World Bank diminishes relative to that originally planned, from about 30% to less than a half of this, due to: (a) the high inflation rate and (b), the depreciation of national currencies against convertible ones. The diminishing share of the World Bank, irrespective of the causes, leads to difficulties in the new disbursement of loan proceeds and on the whole, discourages borrowers from drawing further on the Bank. Efforts on the part of the World Bank to eliminate these problems are evident. It keeps undertaking partial measures, however, and introducing „new techniques of financing and programming". However, more radical and courageous measures are needed to ensure success. One is undonbtedly, to do away with unreserved companionship with the International Monetary Fund, advocating a policy of real interest rates and having exchange variations shauldered by the borrower, because this approach by the latter adversely affects recipients of Bank's loans and the attainment of development targets in the developing countries – the main concern of the World Bank as a traditionally developmental institution.

Among various initiatives launched by the World Bank, the idea of establishing a „multilateral investment guarantee agency" and „Bank af the World Bank" are worth mentioning here. For the time being at least, they are being greeted by mixed feelings by the Bank's members. For it is widely believed that the implementation of those ideas would better serve the purpose of safeguarding private capital lendings from the developed countries through the usual safe channels and avoiding further funding by the World Bank.

As a result of the many years of effort by the developed countries in various international bodies (the UN, UNCTAD and others) to start negotiations between developed and developing countries on a mutually acceptable framework for faster economic development and adequate mechanisms of development financing of the developing countries, an agreement was reached at the last Annual Meeting of the International Bank for Reconstruction and Development and its affiliates, and the International Monetary Fund, held in 1984, within the Development and Interim Committee, to initiate, inter alia, a discussion on the fundamental issues relating to the external debt of the developing countries. This was one of the rare joint actions by the developed and developing countries in this sphere of cooperation. However, in view of the known stand of the major developed countries on (a) opening up the markets of the developed countries to exports from the developing nations, (b) provision of a higher and more steady inflow of new capital under terms acceptable to the developing countries, (c) a request for direct negotiations between creditor and debtor countries, the outcome of this action is quite uncertain.

YUGOSLAV WORKING ORGANIZATIONS REGISTERED AS CONSULTANTS WITH THE WORLD BANK IN 1980

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Progres Invest	Bulevar Revolucije 84 11000 Beograd Tel. 431-624 Telex 11101 YU Proinv Cables Proinvest
„Jugoinspekt"	Cargo Superintendence Corp. Trg Republike 3/1 11000 – Beograd Tel. 622-199 Telex 11424 YU Jugins Cables Jugoinspekt
Insitute of Forestry and Wood Industry at the Biotechnical Faculty	Vecna pot 2 61000 – Ljubljana Tel. (061) 264-761
Faculty of Transport & Traffic Engineering, University of Belgrade	Bulevar Vojvode Stepe 305 11000 – Beograd Tel. 468-120 (Director's office) 466-294 (Dean's office)
Hidroprojekat Consulting Engineers	Vele Nigrinove 16 11000 – Beograd Tel. 458-234; 458-222 Telex 11618 YU Contal Cables Hidro Beograd
Ruđer Bošković Institute	Bijenicka 54 41001 – Zagreb Tel. (041) 38-541 Telex 21383 Cables Instrubo Zagreb
IPK Osijek	Vinkovačka 63 54000 – Osijek Tel. (054) 25-522 Telex 28088 YU IPEKA Cables IPEKA OSIJEK
Institute for Social Development and Urban Planning	Vojkova 57 61000 – Ljubljana Tel. 346-161; 345-181
Turboinstitut – Ljubljana	Rovsnikova 7 61210 – Ljubljana-Sentvid Tel. (061) 51-522
Arhitektura i Urbanizam	Viktora Bubnja 5 11080 – Zemun Tel. 212-178; 218-490 Telex 11667 YU INTEXP Cables URBAN BEOGRAD

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ıize Research Institute Zemun Polje	Slobodana Bajića 1 P.O.B. 89 11080 – Zemun Tel. (011) 217-434 Telex 12363 YU Hibrid
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ıtitute for Town Planning and Communal tivities of SR Serbia	Drugi bulevar 109 11070 – Beograd Tel. (011) 601-524
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ıtitut za puteve	Ul. Kumodraška br. 257 11000 – Beograd Tel. (011) 466-133
ricultural Economics Institute	Cara Uroša 54 11000 – Beograd
ʼI – United Agriculture Food Industry and ıde – Institute	Butmirska cesta 22 71210 Ilidza – Sarajevo
K – Industry of Thermopower Plants, ocessing Equipment and Boilers	Žitnjak b.b. Zagreb Tel. (041) 217-420 Telex 21319 YU TPK ZG Cables TEPKA Zagreb
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ozef Stefan" Institute	Jamova 39 61000 – Ljubljana Tel. (061) 263-261 Telex 31296 YU Jostin

OJECTION OF THE BALANCE OF
YMENTS AND PROJECTION OF
IE FOREIGN EXCHANGE
LANCE (projekcija platnog bilansa i
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Yugoslavia contain mutually adjusted
ojections of the balance-of-payments
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goslavia's balance of payments and
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nsfer to the republics and autonomous
ovinces appropriate rights and
ponsibilities in reference with
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LF-MANAGEMENT AGREEMENTS
moupravni sporazum) are
f-management acts adopted, on equal
ms, by workers in organizations of
sociated labour and by workers in work
mmunities, communities of interest and
ner self-managing organizations, with a
ospect to coordinating mutual interests
purposes of more efficient
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labour and resources, and the
mation of work and other
ganizations of associated labour.
lf-management agreement is only
nding on those who have signed or
ceded to it.

LF-'MANAGING COMMUNITIES
INTEREST FOR FOREIGN
ONOMIC RELATIONS ON THE
EPUBLICS AND AUTONOMOUS
ROVINCES (samoupravne zajednice za
onomske odnose sa inostranstvom u
publikama i autonomnim pokrajinama),
e obligatory communities for all
onomic agents operating on the territory
a republic or autonomous province
hich realize or use foreign exchange in
eir business. The basic duty of such
mmunities is to help with the drawing
d coordinating of plans for foreign
economic relations, and in line with them to determine the extent of the right to import goods and services and to make international payments, and to define obligations concerning the realization of exports and foreign exchange earnings.

SOCIAL ACCOUNTING SERVICE (služba društvenog knjigovodstva). This is an independent and specialized service responsible for social accountancy. It performs activities related to: record-keeping, analysis and transmission of information in the use of social resources; supervision of the accuracy of data in the use of these resources; supervision of legality in the use of social resources; supervision of the execution of obligations of associated labour organizations, socio-political communities and other self-managing organizations and communities. This service is also in charge of all payments within Yugoslavia.

THE SOCIAL PLAN OF YUGOSLAVIA (društveni plan Jugoslavije) lays down development policy for the country as a whole and gives guidelines and frameworks for the adoption of measures ensuring general conditions for implementing this policy and directing social reproduction. The Plan is based on the agreement reached by working people, organizations of associated labour, self-managed communities of interest and other self-managed organizations and communities, and on the agreement reached by the republics and autonomous provinces. The Social Plan of Yugoslavia is passed by the SFRY Assembly in agreement with the republican and provincial assemblies.

SOCIALIST AUTONOMOUS PROVINCE (socijalistička autonomna pokrajina). This term denotes an autonomous socialist self-managing socio-political community, a constituent part of the Socialist Republic of Serbia. Its autonomous rights are defined by the SFRY Constitution and the Constitution of the Socialist Republic of Serbia. The socialist autonomous provinces have been formed on territories inhabited by a population of mixed ethnic composition (nations and nationalities).

SOCIALIST REPUBLICS (socijalisticke republike) are federated units of the Socialist Federal Republic of Yugoslavia. There are six socialist republics: Bosnia–Herzegovina, Croatia, Macedonia, Montenegro, Serbia (within which there are two socialist autonomous provinces: Kosovo and Vojvodina), and Slovenia. According to the SFRY Constitution of 1974, socialist republics are based on the sovereignty of the people and the power of and self-management by all working people and are socialist self-managing democratic communities of working people and citizens and of nations and nationalities having equal right.

WORK ORGANIZATION (radna organizacija). This term denotes a form of the pooling of labour and resources in which workers are united by their common interests in work. A work organization is an independent, self-managing organization of associated labour.

udružena banka hrvatske

41000 ZAGREB
KSAVER № 211
TEL. 038 (0)41/431222
TELEX: 22560 yu ubh
P.O. Box 865

ie Udružena banka Hrvatske, ;greb (UBH, Zagreb) was :ablished in mid 1983 and on ovember 15, 1984 it commenced international activities.

individual basic banks located the Socialist Republic of Croatia tered the Self-Management ;reement on Association into 3H, Zagreb, At present it is one the largest banking institution in ıgoslavia. Its 1983 concolidated lance sheet showed the total sets of 1.199,608 billion, dinar ıich equals US $ 9,35 billion, as r rate of exchange on 31 ecember, 1983.

e UBH, Zagreb becambe a ;nificant link in the domestic oney marketby servicing almost Croatia's associated labour.

It contributes to the improvement of relations with and amongthe other associated banks in the country, due to the fact that six of its member-banks are at the same time members of other associated banks in Yugoslavia. The aim of the UBH, Zagreb is primarily to coordinate and promote Yugoslavia's international economic relations, up to now, it has pooled member banks' foreign accounts, it has consolidated and updated wide international correspondent network, as well as of its representative offices, and it has taken over the foreign exchange management for its member banks. From the moment of its foundation it has been liable for all obligations undertaken abroad. Its responsibility is to organize international credit and guarantee activities to accept and issue international credits, short-term credit lines and deposits.

The UBH, Zagreb takes over its member banks' shareholdings in foreign banks, and it will continue to develop a network of offices abroad, particularly in the countries where Yugoslavia has its commercial interests.

The UBH, Zagreb operates in the SR of Croatia, and it has great possibilities to improve international trade. The export of goods from the SR of Croatia will substantially exceed US$ 3 billion in 1985. The SR of Croatia also takes an active part in invisible export (transportation, tourism, investment enterprising). The export to hard currency markets is likely to grow this year by 15% and the total export by 12%.

The import from hard currencies markets is expected to grow by 12% and total imports by 10%.

With a view of further improvement of national export, the task of the UBH, Zagreb will be to ensure funds at best for the export-related sector financing, as well as for financial consultings.

The UBH, Zagreb consolidated its member shareholding (its shareholding members) in the following banks abroad:

○ LHB International Handelsbank AG, Frankfurrt/M,
○ The International Investment Corporation for Yugoslavia S.A. Luxembourg,
○ Anglo Yugoslav (LDT) Ltd, London,
○ Adria Bank, AG, Vienna,
○ Bangue Franco Yougoslave, Paris,
○ The Development Bank of Zambia, Lusaka.

The UBH, Zagreb has representative offices in London, Frankfurt/M and Zürich.

udružena
beogradska
banka

(ASSOCIATED BELGRADE BANK)
Knez Mihajlova 2
P.O.B. 955
11001 BEOGRAD
Telephone: 624-455
Telex: 11712, 12709 Yu BG Bank

DRUŽENA BEOGRADSKA ANKA follows the work and velopment of almost Five ousands Yougoslav organizations. It done trough 19 basic banks which e: BEO-BANK, INVESTBANK, UGOSLAV Export and Credit ink, Agrar bank, bank of Nis, mmercial Bank – Nis, Belgrade nk – basic bank Ljubljana, as well basic commercial banks from ıčak, Loznica, Pirot, Požarevac, iboj, Prokuplje, Smederevo, Šabac, tovo Užice, Trstenik, Valjevo, and anje. Highly spread banking system t of Udružena Beogradska banka nsists of about 500 branches of sic banks throughout Yugoslavia.

iere is no economic or social affairs tivity which is not incorporated onomic organizations – members of isic banks in Udružena Beogradska inka system. Mutual cooperation id connections are among basic lvantages of this banking system.

ore than 5 million savers have their nnar and foreign currency accounts id perform finacial and credit ansactions through Basic Banks – of družena Beogradska banka system.

usiness with the world represents gnificant part of total buisness tivity of Udružena Beogradska inka.

Particular attention is paid to development of relations with the world financial market. This is confirmed by established correspodental relation with over one thousand banks throughout the world and exclusive accounts withwmore then 270 world banks.

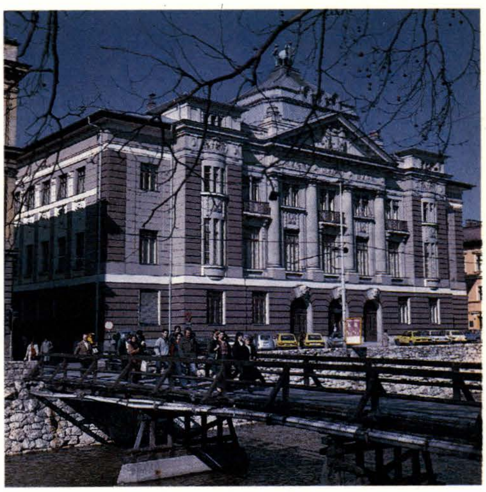
Particular attention is given to development of relations with the world finacial market. This is confirmed by established correspodental relaltion with over one thousand banks trougmout the world and opened unique accounts in more then 270 world banks.

Successesful inclusion of the Udružena Beogradska banka in world finacial market was enabled by its net of agencies, representing officies and information bureaus in New York, London, Paris, Frankfurt, Wien, Zurcih, Moscow, Marare, Tripoly, Stochlom, Amsterdam, Brussell Munchen, Hanover, Duseldorf, Stuttgart, Berlin, Hamburg and Köln.

Udružena Beogradska banka is one of the founders of mixed banks with residence in London, Luxembourg, Pris, Wien, Frankfurt, Lusaka and Kampala.

UDRUŽENA BANKA
PRIVREDNA BANKA SARAJEVO

(ASSOCIATED)
(ALLIED BANK-COMMERCIAL BANK
SARAJEVO)
71001 SARAJEVO
19, Vojvode Stepe obala
Telephon: (071) 33-143
Telex: YU P.B.S. 41-280
Cable telegram: privredbank
Yougoslavia



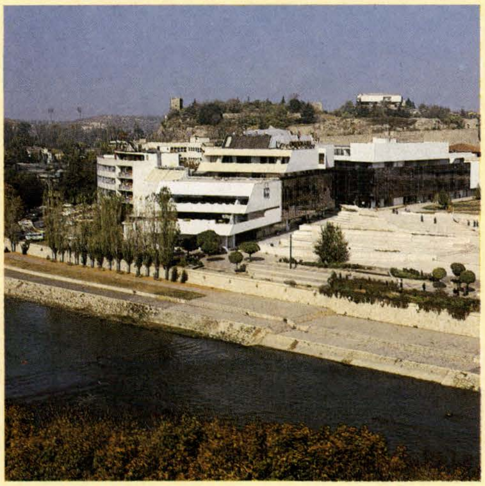
Privredna banka Sarajevo (P.B.S.) is a commercial and financial system consisting of 22 basic banks, 350 smaller and bigger business units and 7 representative officies troughout the world. Privredna banka Sarajevo has domicile in socialist republic of Bosnia and Hercegovina. With its credit potentials, Privredna banka Sarajevo is among leaders in Yugoslav banking system, and has significant plase among world banks.

Main directions of activity of Privredna banka Sarajevo is, maximal concentration and mobilisation of financial assets, giving priority to economic development, industrialisation on basis of domestic row material potentials, building of power plants, food production, streenhting export, services and productiv hendcrafts.

Modernisation of selfmenagement and tehnology of work in Privredna banka Sarajevo is under way, with main aim to activate economic and professional abilities in giving better quality service, and realisation of main aims and goals in long – therm program of Yugoslav economic stabilisation.

STOPANSKA BANKA
ZDRUŽENA BANKA SKOPJE
(STOPANSKA BANK - ALLIED
(ASSOCIATED) BANK - SKOPJE)
7, 11 Oktomvri street
91000 SKOPJE

ɔpanska bank is the biggest ıancial association of associated ɔour in Socialist Republic of ıcedonia, and among the six ggest in Yougoslavia. Stopanska nka incorporates 25 basic banks oughout Macedonia, located in all gger towns.
total banking assets of Macedonia, ɔpanska bank participates with out 90%, and it is the main ɔnomy and population creditor.
ɔpanska bank is the licenced bank operation with Federation Fund ets in order to credit faster velopment of economically developed republics and tonomus provincies among which is Socialistic Republic of Macedonia elf. At the same time Stopanska nk is a mediary in providing ıancial credits from abroad and arantor when the member banks e commercial credits.



Stopanska bank cooperates with over 300 world banks. Relations and contacts with I.B.R.D. from Washington are highly developed.
I.B.R.D. assets were used for financing medium and small industrial objects, especially agroindustrial complexes and general consumer goods industry.
Stopanska bank has provided from the World Bank 12 credit lines, since 1973, of total value of 362,4 million dollars. Seven credit lines, 240,6 million dollar value, were assigned for financing development of agroindustrial complexes in Socialistic Republic of Macedonia, while 85,8 million dollar credited the development of general consumer goods industry in the Republic.
Stopanska bank is one of the founders of Anglo-Yugoslav bank, Franco-Yugoslav bank, LHB-bank Frankfurt, as well as International Financial Corporation for Yougoslavia with residence in Luxembourg.

REPRESENTATIVE OFFICES:

London
103 Kingsway
Telefon: 01 405 6053
Telex: 229053 stabnk

Frankfurt
Prsellanhof str 4/III
Telefon: 0611 285 792, 285 793
Telex: 416770 stabnk

New York
Empire State Building
350 Fifth Ave, Room 4914
Telefon: (212) 594 6157 8

Sidney
323 Castereaqh street
Central Square
Telefon: 212 4058
Telex: 25124 stabnk

Toronto
741 Broad view Avenue
Telefon: (416) 46
Telex: 652 4072

INVESTICIONA BANKA TITOGRAD (I-B-T)
UDRUŽENA BANKA
(INVEST BANK – TITOGRAD –
ASSOCIATED BANK)
1, Bulevar Lenjina
telephone: (081) 44-555
telex: 6118 YU IBANKA

INANCIAL
EARER
F MONTENEGRO
EVELOPMENT

esticiona banka – Titograd,
ružena banka is the biggest
menaging financial organization of
Socialist Republic of Montenegro.
estbanka – Titograd incorporates
basic banks, all basic and other
anizations of associated labour,
-managing communitions of
erests and other social organizations
the territory of the Republic.

SIC BANKS – MEMBERS OF
-T – ASSOCIATED BANK

TOGRADSKA OSNOVNA
NKA – TITOGRAD
vaka Miloševa 8 a,
.: 081/44-555

NOVNA BANKA PLEVLJA
erlićeva bb. tel.: 084/81-406

ELOPOLJSKA OSNOVNA
NKA – BIJELO POLJE
. Slobode 40, tel.: 084/22-443

ERCEGNOVSKA OSNOVNA
NKA – HERCEG NOVI
egoševa 46, tel.: 082/43-444

NOVNA BANKA – IVANGRAD
limska 2, tel.: 084/61

BOKELJSKA BANKA OSNOVNA
BANKA – KOTOR
Partizanski put 1, tel.: 082/25-333

OSNOVNA BANKA ROŽAJE –
ROŽAJE, M. Tita 45, tel.: 084/54-135

OSNOVNA BANKA NIKŠIĆ –
NIKŠIČ
Radoja Dakića bb., tel.: 083/22-396

BUDVANSKA OSNOVNA BANKA
– BUDVA
Nova ulica bb., tel.: 086/41-744

CETINJSKA OSNOVNA BANKA –
CETINJE
Balšica bazar bb., tel.: 086/21-225

OSNOVNA BANKA ULCINJ –
ULCINJ
Ul. 26. novembra bb., tel.: 085/84-172

OSNOVNA BANKA U
BEOGRADU
Deligradska 12, tel.: 011/643-121

PRIMORSKA BANKA
OSNOVNA BANKA – BAR
M. Tita bb., tel.: 085/22-173

REPRESENTATIVE OFFICIES:

LONDON, tel.: 43-98-725,
telex: 21454

MILANO, tel.: 726-476, telex: 25896

FRANKFURT, tel.: 281158/59,
telex: 4189476

NEW YORK, tel.: 212/490-8990/1/2

Investiciona banka – Titograd – associated bank and basic banks, her members, perform all credit and banking services in the country and abroad.

BASIC BANKS BUSINESSES

Dinar and foreign currency savings accounts

Consumers credits (for industrial, and building materials and cars

Housing loans

Cush credits

Credits on basis of sold foreign currencies

Personal income payments

Foreign exchange

Money transfers from abroad and lawful opennings of foreign currency accounts

Current accounts

Insurance services

Complete privacy guaranted

THE NATIONAL BANK OF YUGOSLAVIA IS THE GUARANTEE FOR ALL SERVICES