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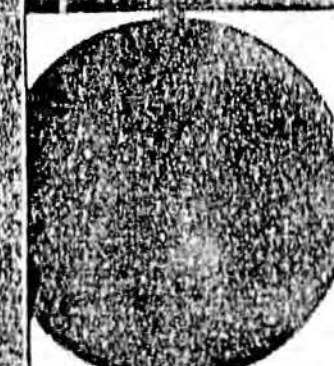
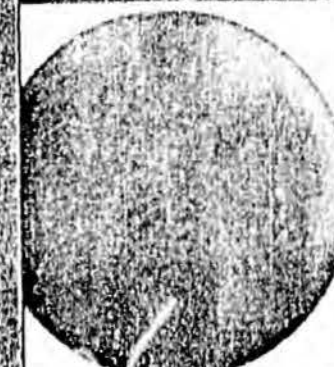
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Policies and Operations

The World Bank Group



Policies and Operations

The World Bank Group

September 1974

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Fiscal Year

The Bank Group's fiscal year is *July 1 to June 30*. The data reflect, in most cases, the situation at December 31, 1973, and are so specified.

Note on Dollar Amounts

Dollar amounts used in the text of this book for the capital of the Bank refer to United States dollars of the weight and fineness in effect on July 1, 1944, while those used for subscriptions and contributions to IDA refer to US dollars of the weight and fineness in effect on January 1, 1960. For all practical purposes, these are the same. Unless otherwise specified, all other amounts in US dollars refer to current dollars. One dollar for Bank capital and IDA subscriptions and contributions equals approximately 1.20635 current dollars.

WORLD BANK

Basic Data¹

(Amounts in US\$ millions)

	1946	1956	1966	1968	1973 ¹
Number of member countries	38	58	103	107	123
Subscribed capital	\$ 7,670	\$ 9,051	\$22,426	\$22,942	\$25,222
Borrowings ²	—	\$ 850	\$ 2,806	\$ 3,290	\$ 9,042
Reserves	—	\$ 228	\$ 954	\$ 1,160	\$ 1,741
Lending: Commitments ^{3,4}	—	\$ 2,667	\$ 9,584	\$11,247	\$21,009 ⁵
Number of loans ³	—	150	461	551	965 ⁵
Number of different countries assisted since 1946	—	42	79	84	90
Disbursements ³	—	\$ 1,964	\$ 7,259	\$ 8,821	\$14,465
Staff: Number of staff members	72	511	1,326	1,588	3,553
Number of nationalities represented	n.a	37	68	74	98

¹All figures are as of June 30 of each year shown, except for 1973, where figures are as of December 31, 1973.

²Principal outstanding.

³Cumulative figures from June 1946.

⁴Net of cancellations, terminations and refundings.

⁵Includes four loans to IFC, totaling \$297.4 million.

INTERNATIONAL DEVELOPMENT ASSOCIATION

Basic Data¹

(Amounts in US\$ millions)

	1961	1966	1968	1973 ¹
Number of member countries	51	96	98	112
Subscribed capital	\$ 906	\$ 999	\$1,000	\$1,062
Supplementary resources	—	\$ 763	\$ 773	\$5,166
Transfers from World Bank ²	—	\$ 125	\$ 210	\$ 815
Lending: Commitments ^{2,3}	\$ 101	\$1,365	\$1,788	\$6,142
Number of credits ²	4	89	122	414
Number of different countries assisted since 1960	4	32	40	66
Disbursements ²	—	\$ 682	\$1,343	\$3,521

Staff: The staff of the Association is the same as that of the World Bank (see pages 8 and 20).

¹All figures are as of June 30 of each year shown, except for 1973, where figures are as of December 31, 1973.

²Cumulative figures from September 1960.

³Net of cancellations, terminations and refundings.

The World Bank Group

ORIGIN AND NATURE

The World Bank Group consists of three international financial institutions—the World Bank itself (formally, the International Bank for Reconstruction and Development), and two affiliates—the International Development Association (IDA) and the International Finance Corporation (IFC). Each of the three institutions, which closely cooperate and coordinate their efforts, was established to fulfill a distinct function, but all are devoted to the same general objective—the provision of financial and technical assistance for economic development.

Associated with the Group is the International Centre for Settlement of Investment Disputes (ICSID), an autonomous institution established under World Bank auspices, which was designed to provide a forum for conciliation and arbitration of international investment disputes between States and foreign investors.

THE WORLD BANK

Early in World War II, the economic and financial experts of the Allied Nations began to consider what plans could be made to help meet the economic problems of the postwar period. They recognized that attention would have to be given not only to the immediate relief and physical reconstruction of economies disrupted by the war but also to “the expansion, by appropriate international and domestic measures, of production, employment, and the exchange and consumption of goods which are the material foundations of the liberty and welfare of all peoples...”¹ Discussions were held on a variety of proposals that were intended to help realize these goals.

From deliberations on these plans, the outlines of two complementary financial institutions emerged. The first—to become the International Monetary Fund (IMF)—was to promote international currency stability by helping to finance temporary balance-of-payments deficits and by providing for the progressive elimination of exchange restrictions and the observance of accepted rules of international financial conduct. The second institution—to become the International Bank for Reconstruction and Development (World Bank)—was, as its name implies, to help finance the reconstruction and development of its member countries.

By the spring of 1944, after prolonged discussions between representatives of the United States and the United Kingdom and consultations with

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By the spring of 1944, after prolonged discussions between representatives of the United States and the United Kingdom and consultations with

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representatives of other countries, the proposals for these two organizations had reached an advanced stage. A United Nations Monetary and Financial Conference was accordingly convened. Following preliminary meetings at Atlantic City, the representatives of 44 nations assembled at Bretton Woods, New Hampshire, USA, on July 1, 1944, and, three weeks later, completed final drafts of Articles of Agreement for the Fund and the Bank for submission to the participating governments.

The Articles of Agreement of the Bank were formally accepted by a majority of the participants by December 27, 1945; representatives of 29 governments had signed the Articles in Washington on that date. Six months later, on June 25, 1946, the Bank opened for business and proceeded to call up capital from its member governments. All the nations which participated in the Bretton Woods Conference, except the Soviet Union, eventually joined the Bank, although Cuba, Czechoslovakia and Poland subsequently ceased to be members. By December 31, 1973, the Bank had 123 members.

The Bank's Underlying Purpose

The participants at Bretton Woods realized that, at the end of the war, there would be a pressing need for international capital to finance both the reconstruction of productive facilities destroyed by the war, principally in Western Europe, and an increase in productivity and living standards, especially in the underdeveloped areas of the world. The requirements were recognized as being so great, and the risks of such a nature, that private capital would be unable to fulfill them without some form of governmental guarantee. The Bretton Woods Conference felt that the problem could best be solved by the creation of a new type of international investment institution which would be authorized to make or guarantee loans for productive reconstruction and development projects, both with its own capital funds and through the mobilization of private capital, and which would be provided with a financial structure under which the risk of such investment would be shared by all member countries roughly in accordance with their economic strength. This is the solution which was embodied in the Bank's Articles of Agreement.

The Articles establish the Bank as an intergovernmental institution, corporate in form, all its capital stock being owned by its member governments. The Bank's authorized capital initially was \$10,000 million but is now the equivalent of \$27,000 million, of which the equivalent of approximately \$25,222 million had been subscribed as of December 31, 1973. Only one-tenth of this, however, is paid in. The remaining nine-tenths of the Bank's capital is not paid in, but may be called by the Bank if required to meet its obligations arising out of borrowings or guaranteeing loans.

This capital structure provides the Bank both with substantial loan resources from its own paid-in capital and with guarantees enabling it to borrow even more sizable resources, mainly through the sale of Bank obligations to investors. Capital markets are the largest single source of

funds employed by the Bank to finance its lending operations. To December 31, 1973, the Bank had raised in the aggregate the equivalent of \$15,736 million by the sale of its securities to investors. Issues totaling \$9,056 million were outstanding at that date, of which an estimated three-quarters was held outside the United States. There were important holdings of the Bank's obligations in about 80 countries. By December 31, 1973, the Bank had also sold, or arranged to sell, to investors in the aggregate the equivalent of \$2,510 million of its loans to borrowers.

As the records of the Bretton Woods deliberations indicate, the emphasis from the beginning was not so much on what the Bank could lend directly out of its paid-in capital as on the concept of the Bank as a safe bridge over which private capital could move into the international field. Indeed, it is one of the unique features of the Bank that, although it is an intergovernmental organization, it relies mainly upon private investors for its financial resources.

Guarantees in international lending were not new. In the early interwar period, for example, several loans to European governments carried the guarantee of other European governments. The new feature was lending by an international institution, each of whose members was responsible up to the amount of the unpaid balance of its capital subscription for outstanding obligations. The amount of the risk thus guaranteed was limited by the requirement that the total outstanding amount of the loans made or guaranteed by the Bank was not to exceed the total of its unimpaired subscribed capital, reserves and surplus.

Basic Provisions

In drafting the provisions of the Articles of Agreement governing the use of the Bank's funds, the founders were acutely aware of the need to avoid the errors which had characterized much of the international lending of the past, and particularly of the interwar period. Capital raised through sales of securities in foreign capital markets had frequently made little or no contribution to the productive capacity of the borrowers. Many of the loans had been made without reference to the ability of the borrowers to service new, or even existing, foreign debt. These lending practices undoubtedly contributed to the widespread defaults in the 1930s.

To avoid these errors, the Bank's Articles contain a number of protective provisions. The Bank's loans must be for high-priority productive purposes and, except in special circumstances, must be used to meet the foreign exchange requirements of specific projects of reconstruction or development. The borrower may be a member government, a political subdivision thereof, or a business enterprise in the territories of a member, but if the borrower is other than a government, the loan must be guaranteed by the member government in whose territory the project is located, or by its central bank or some comparable agency. (In practice, the Bank has always obtained a government, as distinct from a central bank, guarantee.)

The Articles of Agreement enjoin the Bank to act "prudently" in making loans, paying "due regard to the prospects that the borrower, and, if the borrower is not a member, that the guarantor, will be in a position to meet its obligations under the loan..." The Bank, therefore, extends long-term loans to creditworthy countries and charges an interest rate which is somewhat lower than, but related to, market rates. The Bank is also specifically required to make arrangements to ensure that the proceeds of each loan are used only for the purposes for which the loan was granted, and to pay attention to economy and efficiency.

The Articles contain three other important provisions governing the Bank's operations. The first is that the Bank must be satisfied, before making any loan, that the borrower would be unable to obtain the loan from other sources on conditions reasonable for the borrower. Secondly, the Bank is prohibited from making "tied" loans: that is, it must not impose any conditions requiring the proceeds of its loans to be spent in any particular member country or countries. Thirdly, only economic considerations shall be relevant to the Bank's decisions; it must not be influenced by the political character of the member or members concerned. Nor must the Bank and its officers interfere in the political affairs of any member.

INTERNATIONAL DEVELOPMENT ASSOCIATION

In the late 1940s, there was already some discussion in the United Nations of the desirability of establishing an international agency which would finance development on terms exceptionally favorable to the less developed countries. This possibility was also touched on by the US International Development Advisory Board in *Partners in Progress* in 1951. The idea became more topical during the 1950s, when the developing countries as a whole were rapidly adding to their external debt, in many cases by increasing short-term, high-interest suppliers' credits. At the same time as the debt burden of the developing countries grew, their ability to make effective use of capital was tending to increase. The achievement of satisfactory rates of economic development, in many cases, began to require more external borrowing than could safely be provided by loans made on conventional financial terms.

The first formal proposal for the establishment of the International Development Association (IDA) took the form of a Resolution introduced in the United States Senate, in February 1958, by Senator Monroney of Oklahoma. In July 1958, the Senate adopted a Resolution calling for the US National Advisory Council on International Monetary and Financial Affairs (NAC) to study the feasibility of establishing an International Development Association to make multilateral development loans on terms more liberal than those then available. The Resolution further proposed that IDA should be an affiliate of the World Bank. The NAC reported favorably on the proposal in August 1959.

At the Annual Meeting of the Board of Governors of the World Bank in October 1959, the Board of Governors adopted a Resolution proposed by the US Governor requesting the Bank's Executive Directors to formulate Articles of Agreement for IDA. In January 1960, Articles of Agreement were approved by the Executive Directors for submission to the member governments of the Bank. By September 1960, countries representing a sufficient percentage of total subscriptions had accepted the Agreement for it to come into force. IDA then had 15 members. By December 31, 1973, it had 112 members.

The timeliness of the formation of IDA was underlined by the emergence, in the early 1960s, of a large number of newly independent countries in Africa, many of which needed finance for development on concessionary terms. These countries were not able to rely to the same extent as before on the financial support of the metropolitan powers with which they had been associated. Nor had they developed a credit standing of their own sufficient to enable them to borrow on the scale they required. Many newly independent countries became members of IDA during the first years of its operations.

Conditions and Resources

All IDA credits to date, except a very few for project preparation, have been for a term of 50 years, with a 10-year initial grace period and no interest charge, only a service charge of $\frac{1}{4}$ of one percent per annum. Because it is impracticable for IDA to raise funds from private investors, the Association relies primarily on the governments of its richer member countries for its resources. By December 31, 1973, the cumulative total of usable funds made available to IDA amounted to \$7,135 million. The bulk of this amount was accounted for by the initial subscriptions of member countries and three general replenishments of the Association's resources. Other components of this total were special supplementary contributions from several members, and two interest-free loans made by Switzerland plus a voluntary contribution from New Zealand, both non-members. Included also was an aggregate of \$815 million transferred to IDA by the Bank, representing that amount of the Bank's net income for the fiscal years 1964-73 which, after provision for reserves, might otherwise have been distributed as dividends.

Although IDA's sources of funds are different and the terms of IDA financing are easier, IDA resources are generally administered on the same principles as those of the Bank. The bulk has been extended for financing power and transportation, with growing amounts in recent years for agriculture and education.

IDA is legally and financially distinct from the Bank. Its Articles of Agreement, however, provide that countries must be members of the Bank to be eligible for membership in the Association. In addition, the President of the Bank serves *ex officio* as IDA's President and as Chairman of its Board of Executive Directors. Similarly, Governors and Execu-

five Directors of the Bank are *ex officio* Governors and Executive Directors of IDA, if the countries which they represent are members of both institutions. The Bank and IDA also have the same staff.

BANK AND IDA OPERATIONS— GROWTH, DIVERSIFICATION

Through the 1950s, Bank lending was concentrated on capital infrastructure—transportation, electric power, telecommunications, and irrigation and flood control.

As newly independent countries joined the Bank and IDA, and rapid rates of population growth put increasing pressure on the world's basic resources, by the early 1960s the requirements of such sectors as agriculture, education and industrialization, were recognized by the Bank and IDA to be crucial to social and economic progress.

The great majority of the populations of developing countries is engaged in agriculture. Industry is the main alternative occupation and is a powerful factor in rapid material growth. The lack of education is a major constraint in all sectors.

Greater emphasis was also placed by the Bank on technical assistance to help developing countries in formulating effective policies for their development, identifying and preparing projects, establishing appropriate development institutions, and in other complex tasks. The Bank made use of the experience it had gained over the years by playing an important role in aid coordination through participation in consortia and consultative groups which were being set up to ensure that aid from a number of different sources is used to a country's best advantage without duplication.

It was in 1968 that the first five-year plan for Bank and IDA was initiated, providing for a considerable expansion and diversification of their activities, and enabling the institutions to consider more thoroughly the place of particular projects in the development process. Special efforts were made to assist the poorest and "least developed" member countries.

During the plan period, Bank/IDA lending more than doubled as compared with the previous five fiscal years. At the same time, steps were taken to improve the qualitative impact of the institutions' activities. In addition to lending in the traditional sectors, operations greatly increased in the areas of agriculture and education, and much more attention was paid to the social aspects of economic growth, including population growth, employment, income distribution, health, malnutrition, and the impact on the environment. In recognition of the rapidly aggravating urban conditions in developing countries, the pattern of lending for urbanization projects was changed from infrastructure to introducing new concepts for relieving urban pressures. The Bank also began to make direct loans for tourism.

New Trends

A brief rundown of the major sectors in which the Bank and IDA are involved at present will point up the new directions in which their policies are moving.

Agriculture. The emphasis is being shifted from infrastructure (large dams and irrigation works) toward providing increased inputs of use to the individual farmer (farm credit, technical services, storage facilities, seeds, fertilizer, and pesticides), toward smallholder development and the alleviation of rural poverty. Projects are directed at practical action to improve the quality of life of the people of a whole area by including facilities for education, domestic water supply, health, and other social services.

Education. While formerly most assistance was for the construction and equipping of school buildings, more attention is now focused on the improvement of curricula and teaching materials, on ways to extend nonformal education to adults as well as children, on teacher training and training in business administration and management, and on the expanded use of educational radio and television.

Industrialization. A new dimension has been added to the Bank's work in the field of heavy industry (mining, steel, fertilizer, pulp and paper). Projects are planned in such a way that they will benefit a country's general economic strategy and be in line with industrial developments in the outside world. Also, new emphasis has been placed on labor-intensive small-scale industrial enterprises and others that are primarily export-oriented. And support of development finance companies (DFCs) has greatly increased in recognition of the fact that the activities of DFCs have a multiplier effect by reaching small enterprises which otherwise could not qualify for direct Bank loans, by assisting in the development of local capital markets, as well as by encouraging entrepreneurship and the acquisition of appropriate technology.

Population planning. Bank contributions in this new sector include technical assistance in the organization and planning, administration and evaluation of programs, the training of personnel, and communications. A large proportion of the funds for population projects has been used to construct clinics, maternity centers, maternity hospitals and training schools, and more recently for research activities.

Urbanization. Traditional Bank lending for transport, electric power and telecommunications has, for the most part, been directly urban-oriented. However, the endless stream of homeless and jobless immigrants from the countryside to the cities made it necessary to seek out new ways of dealing with urbanization problems and helping the poorer citizens. Among the most promising of the new types of projects is that of "sites and services" to cope with the acute housing shortages. The object is to help the urban poor to help themselves in building and improving their homes. Sites are provided with a minimum of services, including water

supply and sewerage, for houses, schools, markets, and other social needs closely related to employment and transportation opportunities. Research is being done on other new types of urbanization projects, taking into account a whole region rather than municipal limits, and involving mass transit, housing finance institutions, urban land and land policies. Some are in an experimental stage.

Tourism. The Bank recognizes that this sector can make an important contribution to the foreign exchange earnings of a number of developing countries and to reducing regional imbalances in income and employment. Preinvestment studies have been conducted in a number of member countries and some lending has been started in this field. But the Bank is very conscious of the social, environmental, cultural, and distributional aspects of lending for tourism and is proceeding cautiously. Evaluation studies are being made to assess the net benefits countries can derive from this sector.

Environmental impact. In all its lending operations, the Bank is showing a growing concern for the impact the projects it assists will have on a country's ecology and cultural heritage. Environmental, health and social considerations are taken into account as integral elements in project planning and execution.

Development Involves People

Thus, the more comprehensive view of the development process by the Bank has led to an increasingly integrated approach to lending by incorporating into projects a variety of activities which embrace many subsectors and often cut across sectoral lines. At the same time, the Bank is concerned that the benefits of its assistance should be distributed more widely, especially among the poorer sections of a country's society.

The Bank endeavors to be innovative and flexible in its approach toward finding solutions when dealing with the special requirements of a people to be assisted. In the final analysis, development can have no meaning unless it brings a better, fuller and more productive life to the mass of the underprivileged in poor countries.

Appendix A lists Bank and IDA cumulative lending operations by major purpose and region.

INTERNATIONAL FINANCE CORPORATION

The International Finance Corporation (IFC) was established in 1956 as an affiliate of the World Bank. Its object was to help the Bank fulfill the purpose expressed in Article I (ii) of the Bank's Articles of Agreement: to seek to promote private foreign investment by participating in private loans and other investments and, when private capital was not available on reasonable terms, by supplementing private investment from its own resources.

In its first decade the Bank did much, by means of loans to finance public works projects and otherwise, to provide developing countries with the infrastructure to support and expand industrial growth. But experience soon showed that the stimulation of private enterprise and private investment in developing countries required the help of a specialized international body. The World Bank itself could not play this role. The Bank's Articles require it to obtain a government guarantee for a loan to a private enterprise. But many governments are unwilling or unable to provide such a guarantee, and many businessmen are reluctant to accept one. In addition, the Bank makes fixed-interest loans; it is not authorized to buy equity shares or provide other kinds of risk capital. The Bank can only meet the varied needs of a wide range of private enterprises indirectly, through development finance companies.

In 1952, a report prepared by the staff of the Bank pointed out the need for increased private investment in the less developed areas and proposed the creation of an International Finance Corporation as an affiliate of the Bank.

During the next three-and-a-half years, discussions on the proposal took place among governments and with representatives of the investment communities in the developed countries. Eventually, in July 1956, the International Finance Corporation came into existence. Its initial membership consisted of 31 countries. By June 30, 1973, IFC's member countries had grown to 98.

The first projects offered to IFC covered a wide variety of activities. Financing was sought for enterprises in every important less-developed area of the world, although mainly in Latin America.

The Corporation concentrated its first operations (as it has done since) in the fields of manufacture and processing; these most readily attract private capital and provide the greatest economic multiplier through the transfer of technology and management skills and through employment and training. By the end of its fourth financial year, in 1960, IFC had made 33 commitments in 17 countries with a total cost of \$42 million.

By this time it had become apparent that the Corporation's effectiveness was hampered by the fact that, although it could make loans with equity features, its Articles did not authorize investment in equities. This restriction was, in fact, a serious handicap to the growth of IFC and its ability to mobilize private capital for foreign investment. Accordingly, in 1961, the member governments of the Corporation amended IFC's Articles of Agreement to enable the Corporation to invest in equities.

Expanded Activities

IFC was now able to play a full part in providing and mobilizing risk capital for investment in the less developed countries. It was able to promote projects itself and to reinforce projects in which it invested. It was able to work with sponsors in shaping and settling up investments in a way that would render them attractive to other private investors.

It also became possible for IFC, through underwriting or standby commitments, to help in spreading share ownership in the developing countries.

Another result of IFC's ability to invest in equities was that the way was opened for the Corporation to support private enterprise through local development finance institutions. IFC was created to do on an international scale what these institutions were established to do on a local scale. Their activities have thus been complementary, and there has been a constant interchange of information, with IFC passing to the local institutions projects too small for it to handle economically, and they, in their turn, passing to IFC projects beyond their scope.

By 1966, this new breadth of activity was clearly reflected in IFC's record. The total number of its investments had reached 124, almost four times as many as six years before, with a total cost of \$172 million, more than quadruple the figure for 1961. Notably, others had invested \$890 million in the same enterprises.

This growth was paralleled by a greater geographical spread in IFC's operations. They were now virtually worldwide.

New Resources

The increase in IFC's equity operations created a new problem. It became apparent that there was a demand for loan capital not guaranteed by member governments, and in larger amounts than IFC could supply. If IFC was to play its part in this situation, it now needed more funds. The problem was resolved by an amendment of the Articles of the Bank and of IFC which enabled IFC to borrow from the World Bank up to a limit of four times its own unimpaired subscribed capital and surplus. The result of these amendments was to provide IFC with additional resources for its own loans and release the Corporation's entire share capital and reserves for making equity investments.

Availability of these new resources led to a new upsurge in IFC activities. These were diversified still further, and IFC was able to invest larger sums in projects of greater size and complexity. In 1967, the cumulative total of IFC commitments reached \$221 million, or more than twice the Corporation's subscribed capital.

This upward progression has continued and at June 30, 1973, the cumulative gross total of the Corporation's investments in business enterprises amounted to \$848 million, invested in 203 enterprises in 51 developing countries. Other investors had provided \$3,364 million for those enterprises, making a total investment in them of \$4,212 million.

This last figure, rather than the cumulative total of IFC's own investments, provides the true measure of the Corporation's accomplishments. It was always central to the purposes for which IFC was set up that it should not invest alone but in association with private investors. The Corporation was to act as a catalyst, to bring together private foreign and domestic capital and investment opportunities, and to facilitate invest-

ment with its own funds. IFC's performance in that role may be judged by the fact that for every dollar so far invested by IFC others have concurrently invested approximately three dollars.

Although legally and financially IFC and the Bank are separate institutions, they are interlinked in various ways. Membership in the Bank is a prerequisite for membership in the Corporation. The President of the Bank is *ex officio* Chairman of IFC's Board of Directors. Governors and Executive Directors of the Bank also serve *ex officio* as Governors and Directors of IFC if the countries which they represent are members of both institutions. The Corporation has its own operating and legal staff, but draws upon the Bank for administrative and other services.

LEGAL STATUS, PRIVILEGES AND IMMUNITIES

The Articles of Agreement of the Bank, IDA and IFC contain provisions which accord legal status and certain privileges and immunities to the three institutions in the territories of each of their members. Each member government is required to take whatever action is necessary in its territories to make these provisions effective under its own law.

Although not a member of any of the institutions, Switzerland has entered into an agreement which recognizes the three institutions' international personality and legal capacity (including status in respect of suits by and against them). It grants privileges and immunities which correspond in large part to those which each institution enjoys in the territories of its members.

The more important of the relevant provisions of the Articles of Agreement may be summarized as follows:

Legal Status

The three institutions have full juridical personality with capacity to make contracts, to acquire and dispose of property, and to sue and be sued.

Judicial Process

Actions may be brought against any of the three institutions in the territories of any member in which it has an office, has appointed an agent for the purpose of accepting service or notice of process, or has issued or guaranteed securities, but no actions against it may be brought by its members or persons acting for or deriving claims from its members.

Privileges and Immunities

The Governors and Executive Directors, their Alternates, and the officers and employees of the three institutions are immune from legal process for acts performed by them in their official capacity, except when the institution waives such immunity. Unless they are local nationals, they are to be accorded by each member government the same immunities from immigration restrictions, alien registration requirements and national service obligations, the same facilities as regards exchange

restrictions and the same treatment in respect of traveling facilities, as are accorded to representatives, officials and employees of comparable rank of other member governments.

The archives of the three institutions are inviolable. Their assets are immune from seizure, attachment or execution prior to delivery of final judgment against them. Their official communications are to be accorded by each member the same treatment accorded to official communications of other members.

The three institutions, their assets, property, income, and authorized operations and transactions are immune from all taxation and from all customs duties. They are also immune from liability for the collection or payment of any tax or duty. No tax may be levied on any security issued by any of the institutions which discriminates against that security solely because it is issued by the institution, nor may any such tax be levied if its sole jurisdictional basis is the place or currency in which the security is issued, made payable or paid, or the location of any office of the institution.

INTERNATIONAL RELATIONS

Formal relationships between the Bank and the United Nations are governed by an agreement approved by the Bank's Board of Governors in September 1947, and by the United Nations General Assembly in November 1947. The Bank is a specialized agency within the meaning of Article 57 of the Charter of the United Nations. The agreement between the Bank and the United Nations recognizes that "by reason of the nature of its international responsibilities and the terms of its Articles of Agreement, the Bank is, and is required to function as, an independent international organization." The United Nations recognizes that "the action to be taken by the Bank on any loan is a matter to be determined by the independent exercise of the Bank's own judgment," and that "it would be sound policy [for the United Nations] to refrain from making recommendations to the Bank with respect to particular loans or with respect to terms of conditions of financing by the Bank." The agreement includes provisions governing such matters as reciprocal representation, consultation and exchange of other than confidential information. It provides that no formal recommendation will be made by either organization to the other without reasonable prior consultation.

Agreements subsequently entered into by the UN and the Bank's affiliates, IFC and IDA, are governed by the terms of the Bank/UN Agreement.

For many years, the Bank and the UN exchanged information and coordinated their technical assistance and other activities through an informal Liaison Committee. By a provision of the relationship agreement between the UN and IDA, this Committee was given formal status in 1961. The Liaison Committee is composed of the Secretary-General of the

UN, the President of the Bank, and the Administrator of the UN Development Programme (UNDP) or their representatives. It meets from time to time for consultations and exchange of information.

The Bank works closely with the UNDP. The President of the Bank is a member of the Inter-Agency Consultative Board which advises the Administrator of the UNDP on policy matters and reviews the program to be presented to the UNDP Governing Council. The Bank has frequently acted as Executing Agency for preinvestment studies financed by the UNDP (see page 68).

Bank representatives attend and participate in meetings of various UN organs, committees and subsidiary bodies, including, e.g., meetings of the General Assembly, the Economic and Social Council (ECOSOC), the Governing Council of the UNDP, the UN Conference on Trade and Development (UNCTAD), and the regional economic commissions.

The President of the Bank appears before ECOSOC each year, to present the Bank and IFC Annual Reports and to report on their activities. He is a member of the UN Administrative Committee on Coordination (ACC), composed of the Secretary-General and the heads of the specialized agencies, and of the Environment Coordination Board of the UN Environment Programme.

The Bank and the International Monetary Fund (IMF) maintain a close working relationship, and there is continuous consultation and exchange of data at the staff level. The agreement of the President of the Bank and the Managing Director of the IMF on various steps for collaboration, with special reference to missions, policy matters, and cooperation at headquarters and in the field, has been embodied in a series of joint memoranda.

Cooperative Programs

In 1964, to facilitate an increase in Bank lending for agriculture and education, the Bank entered into cooperative program agreements with the UN Food and Agriculture Organization (FAO) and the UN Educational, Scientific and Cultural Organization (Unesco). A cooperative program agreement was concluded, in 1972, with the World Health Organization (WHO) in the fields of water supply and sewerage. A similar agreement with the UN Industrial Development Organization (UNIDO) became effective on January 1, 1974. Under these agreements, assistance is provided to governments in the identification and preparation of projects for Bank financing. The agencies also provide staff assistance to the Bank in its studies of economic sectors within their respective fields, as well as support for Bank economic, appraisal and supervision missions. Costs of agreed work under the cooperative programs are shared by the Bank and the partner agency, 75 percent and 25 percent respectively. Since 1965, through June 30, 1973, the Bank's share of cooperative program costs has aggregated \$17.6 million; the cost in fiscal 1973 was \$3.9 million.

The Bank and WHO are also cooperating in the population field, meeting periodically to review their operational programs in countries in which they have current or planned projects, or other activities in, or significantly affecting, that field, and to exchange information on projects and programs during the implementation stage.

Other Relationships

The Bank maintains operational relationships with the four agencies additional to those developed under the cooperative programs. It also has informal, but substantial, *ad hoc* relationships with such UN organizations as the International Labour Office (ILO), the International Telecommunications Union (ITU), the UN Fund for Population Activities (UNFPA), and the United Nations Children's Fund (UNICEF).

The Bank participates in a number of arrangements involving several other UN organizations. The Consultative Group on International Agricultural Research (CGIAR), sponsored jointly by the Bank, FAO and the UNDP, is described on page 64. The Bank is associated with WHO, FAO and the UNDP in a twenty-year program to control river blindness in seven countries of Western Africa. The Bank has organized a Joint Coordinating Committee for the control effort and has undertaken to mobilize funds on an international basis to finance the first, six-year phase of the program. Since the latter part of 1972, the Bank has been a sponsor and financial contributor to the Protein Advisory Group of the United Nations System, in which it is associated with FAO, WHO, UNICEF, and the United Nations.

The Bank works closely with the Inter-American Development Bank, the Alliance for Progress, the African Development Bank, the Asian Development Bank, and other regional development organizations on matters of common interest. It maintains close contact with the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) through the Bank's European Office in Paris.

The World Bank and IDA

MEMBERSHIP AND ORGANIZATION

MEMBERSHIP AND VOTING RIGHTS

Under the Articles of Agreement, only member countries of the International Monetary Fund (IMF) may be considered for membership in the Bank. As of December 31, 1973, the Bank had 123 member countries and IDA 112. Membership in the Bank is a prerequisite for membership in IDA.

Subscriptions by member countries to the capital stock of the Bank are based on each member's quota in the IMF, which is designed to reflect the country's relative economic strength. Voting rights are related to shareholdings. Each member of the Bank has 250 votes plus one additional vote for each \$100,000¹ of capital stock subscribed by it. The Articles of Agreement provide that, with certain exceptions, all matters before the Bank are to be decided by a majority of votes cast.

This is also stipulated by the Articles of Agreement of IDA, in which voting rights are presently related to the amount of each country's initial subscription to the Association. Each member of IDA has 500 votes, plus one for each \$5,000¹ of its initial subscription. The Board of Governors' Resolution on the Third Replenishment of the resources of the Association provided for adjustment of the voting power of all participating members. The Resolution on the Fourth Replenishment, which was adopted on January 31, 1974, contains a similar provision. The subscriptions and voting power of members in the two institutions, as of December 31, 1973, are shown in Appendices C and D.

If a government ceases to be a member of the IMF, its Bank membership is terminated automatically after three months unless Governors exercising three-fourths of the total voting power decide otherwise. A government may withdraw from the Bank or IDA at any time, or it may be suspended if it fails to fulfill any of its obligations. Suspension is by majority vote of Governors exercising a majority of the voting power in the organization concerned. After one year, suspension results in automatic termination of membership unless the member is reinstated by a similar vote. If a government belonging to IDA ceases to be a member of the Bank, or if its membership in the Bank is suspended, its membership in IDA is automatically terminated or suspended as well.

¹Dollar amounts used for the capital of the Bank refer to United States dollars of the weight and fineness in effect on July 1, 1944; for the subscriptions and contributions of IDA, to United States dollars of the weight and fineness in effect on January 1, 1960.

Of the Bank's original members, Poland withdrew in 1950; Czechoslovakia failed to pay its full subscription and ceased to be a member in 1954; and Cuba and the Dominican Republic withdrew in 1960. The Dominican Republic joined again in 1961. Indonesia which first joined the Bank in 1954, withdrew in 1965. It was readmitted to membership in April 1967.

Termination of membership in the Bank or IDA does not relieve a government of any direct or contingent obligations to the organization assumed before it ceased to be a member. Specifically in the case of the Bank, the former member remains liable for calls on the 90 percent unpaid portion of its subscription with respect to Bank loans or guarantees contracted before the membership ceased. Repurchase of the member's shares in the Bank, or repayment of amounts paid on its subscription in the case of IDA, is contingent upon satisfactory fulfillment of its direct financial obligations to the organization.

POLICY DIRECTION

The Bank and IDA have essentially the same organizational structure for policy formulation and executive supervision, as specified in their respective Articles of Agreement.

Board of Governors

All powers in each institution are vested in a Board of Governors, which consists of one Governor appointed by each member country. Typically, a Governor is his country's Finance Minister, central bank Governor, or a minister or an official of comparable rank. Governors of the Bank whose countries are also members of IDA serve *ex officio* as Governors of IDA. Each member has the right to designate an Alternate Governor.

While the Boards of Governors may delegate most of their authority, certain powers are specifically reserved to them by the Articles of Agreement. These include the powers to admit or suspend members; to increase or decrease the capital stock of the Bank, or, in the case of IDA, to authorize and fix the terms and conditions of additional subscriptions; to decide appeals resulting from interpretations of the Articles of Agreement given by the Executive Directors; to conclude formal cooperative arrangements with other international organizations; to suspend operations and distribute the organizations' assets; to determine the distribution of Bank and IDA net income; and to approve amendments to the Articles of Agreement.

The Boards of Governors are required to hold an Annual Meeting, which by custom is held usually in September in conjunction with that of the IMF. The practice has developed of alternating two successive Annual Meetings in Washington with one in a member country away from headquarters. Of the 28 Annual Meetings held so far, 18 were in Washington,

the others in London (1948), Paris (1950), Mexico City (1952), Istanbul (1955), New Delhi (1958), Vienna (1961), Tokyo (1964), Rio de Janeiro (1967), Copenhagen (1970), and Nairobi (1973). A majority of Governors exercising at least two-thirds of the total voting power constitutes a quorum. At each Annual Meeting, the Governors elect the Chairman and Vice-Chairmen for the meeting of the following year. Between Annual Meetings, the Governors are polled by mail or cable on issues requiring their votes.

Executive Directors

The Board of Governors of each institution has delegated most of its authority to the Executive Directors. The President of the Bank serves as Chairman of the Executive Directors, but may vote only in the case of an equal division. The Articles of Agreement give the Directors responsibility for interpretation of the provisions of the Articles, subject to appeal to the Boards of Governors, and for "conduct of the general operations" of the institutions. Proposals for loans or other financing, borrowing, major technical assistance operations, budgets, reports, and recommendations to the Boards of Governors, and matters involving policy issues are submitted by the President to the Executive Directors for their consideration and decision.

On December 31, 1973, there were 20 Executive Directors of the Bank. Each of the five largest shareholders (France, the Federal Republic of Germany, Japan, the United Kingdom, and the United States) appoints a single Executive Director. The remaining 15 Executive Directors are elected for two-year terms by the Governors for other members, each Governor casting the number of votes to which his country is entitled. Each Director appoints his own Alternate. An Executive Director of the Bank serves *ex officio* as a Director of IDA, if the member country which appointed him, or one or more of the member countries whose votes counted toward his election, also is a member of IDA.

A majority of Executive Directors exercising not less than one-half of the total voting power constitutes a quorum. Each appointed Director casts the number of votes to which the country which appointed him is entitled, and each elected Director the total of the votes of the members whose votes counted toward his election, which he must cast as a unit.

Chairman and President

The combined effect of various provisions of the Articles of Agreement and practice is to make the President of the Bank, who is selected by the Executive Directors, the Chairman of the Directors and President of the Bank and IDA.

The only statutory requirement concerning eligibility is that the President may not be a Governor, Director or Alternate of the Bank. The duty of the President, officers and staff of the Bank and IDA is solely to the respective organizations and not to any other authority. Each member country undertakes to respect the international character of this duty and

to refrain from all attempts to influence any employee in discharging his official responsibilities.

Subject to the direction of the Executive Directors on questions of policy, the President is responsible for the conduct of the ordinary business of the Bank and for the organization, appointment and dismissal of its officers and staff.

On April 1, 1968, Mr. Robert S. McNamara became the Bank's fifth President. He began his second five-year term on April 1, 1973. The first four Presidents were: Mr. Eugene Meyer, June 18 to December 18, 1946; Mr. John J. McCloy, March 17, 1947, to June 30, 1949; Mr. Eugene R. Black, July 1, 1949, to December 31, 1962; and Mr. George D. Woods, January 1, 1963, to March 31, 1968.

ORGANIZATION

The organization of the World Bank and IDA is outlined in the chart on pages 22 and 23. Since the Bank and IDA differ chiefly only in the sources of their funds and the terms of their lending, the officers and staff of the Bank serve IDA as well. They also perform certain common services for IFC, although IFC has its own operating staff. (For details of IFC's organization and operations, see pages 80-82.) The total staff of the Bank at December 31, 1973, numbered 3,553, comprising nationals of 98 countries.

The operational structure of the Bank and IDA, reorganized in 1973 along regional lines, consists mainly of five Regional Offices at the Bank's headquarters—for Eastern Africa; Western Africa; Asia²; Europe, Middle East and North Africa; and Latin America and the Caribbean. Each office is responsible for planning and supervising the execution of the Bank's development assistance programs within its assigned countries. Each has under its direct control most of the experts—such as sector specialists, financial analysts, economists, and loan officers—required to carry out its responsibilities. The Regional Offices are headed by Regional Vice Presidents, who report to the Senior Vice President, Operations. Within each Regional Office are two Country Programs Departments and a Projects Department, with its own specialists—for agriculture, education, public utilities, and transportation. Three of the Regional Offices also have their own technical staff for development finance company projects. The Bank's missions stationed in developing countries report to the Regional Offices responsible for their area of operations.

This "decentralized" structure is designed to serve three main aims. Firstly, it permits the Bank to maintain and improve the effectiveness of the development assistance it provides to borrowing countries as the growth in its activities continues. Secondly, it establishes the framework for close working relations between the "country experts" and the "sector specialists," and thus enables them to gain a deeper understanding of

²Effective July 1, 1974, the Asia Regional Office will be divided into two new regional offices—for East Asia and Pacific, and for South Asia.

the development problems, needs and opportunities of the countries they serve. Thirdly, it permits optimum utilization of Bank staff in dealing with more complex programs which require a multidisciplinary team approach in preparing, appraising and implementing projects.

At the same time, provision has been made for a broad range of policy and operational support to the five Regional Offices. This includes policy formulation; the assurance of quality and consistency in Bank operations; and technical innovation. The support is provided by the Central Projects Staff (CPS) and by the Development Policy Staff (DPS).

Specialists engaged in relatively new types of project work and those that are too few in number to be assigned to individual regions are appointed to the Central Projects Staff. They are responsible for projects in industry, population and nutrition, rural development, tourism, and urbanization. In addition, the CPS also deals with sector policy matters in the decentralized sectors and with project issues. The CPS is headed by the Vice President, Projects Staff, who also reports to the Senior Vice President, Operations.

The Development Policy Staff (DPS), reporting to the Vice President, Development Policy, deals with global and country specific development policy issues and sector policies in industry, rural development, population, urbanization, and public and private finance. It is responsible for maintaining and improving the quality of the Bank's economic work and the methodology for carrying it out. It coordinates policy work throughout the Bank; operates the Bank's economic data and projections systems; provides central guidance to Regional Offices on establishing priorities for economic work in member countries; reviews the economic analysis supporting country lending programs; provides specialist resources in support of the Regional Offices' country economic work; and manages the Bank's program of research.

As a further measure to assure quality and consistency in the Bank's work, lending operations proposed by the Regional Offices are reviewed by the Loan Committee. The Committee consists of the Senior Vice President, Operations; Vice President, Finance; Vice President and General Counsel; Vice President, Projects Staff; and the Regional Vice President responsible for the loan being considered. It is the responsibility of the Committee to ensure that each loan is financially sound, and has been prepared in accordance with the Bank's policies and procedures.

In addition to the existing Internal Auditing Department, the recent establishment of the Operations Evaluation Department reflects the increased emphasis the Bank places on an independent evaluation of the effectiveness of its operations. Both departments report to a Vice President who has no other operating responsibilities.

The organization chart shows the structure of the support and service departments of the Bank Group. Of these departments, one—the Legal Department—serves only the Bank and IDA. The others service IFC as well.

At December 31, 1973, in addition to its main office in Washington and small offices in New York for contact with the financial community and the financial press, and at UN headquarters for liaison with the United Nations, the Bank had 19 offices spread over the globe.

The European Office in Paris, largest of the Bank's overseas offices, provides continuing representation of the Bank and IFC with European governments, central banks and other financial institutions, European headquarters or activities of other international organizations, and the European information media, academic institutions and business community. As required, it represents the Bank and IFC at meetings and conferences, and provides administrative and secretariat services for Bank and IFC missions going to or through Europe. There is a small office in London.

The Tokyo Office is concerned with facilitating liaison between the Bank and the Japanese Government and the Japanese financial community. It also serves as a source of information for the Japanese press and public.

The Bank's Regional Mission in Eastern Africa, stationed in Nairobi, and its Regional Mission in Western Africa, stationed in Abidjan, are responsible for assisting governments in their respective regions in formulating development projects and for providing technical assistance in economic and financial matters. The Regional Mission in Bangkok is concerned with project preparation and implementation in Thailand and Malaysia.

Since mid-1968, the Bank has had a Resident Staff in Indonesia to assist and advise the Government of Indonesia in the formulation and implementation of economic policies, the preparation and execution of specific sector and project plans, and the coordination and mobilization of technical assistance.

The Bank stations Resident Representatives in a number of countries to facilitate and supervise Bank operations and, as the need arises, to provide advisory assistance. Resident Missions are located in Afghanistan, Bangladesh, Colombia, Ethiopia, Ghana, India, Nepal, Nigeria, Pakistan, Sudan, Tanzania, Zaire, and Zambia.¹

Appendix E lists the Bank's offices and missions and their addresses.

¹In August 1974, a Resident Mission will also be established in Upper Volta, and in September 1974, one in Venezuela.

The Bank has three primary sources of funds: the paid-in capital of member governments, borrowings and the net income from its operations.

CAPITALIZATION¹

To September 1959, the authorized capital stock of the Bank was \$10,000 million in terms of United States dollars of the weight and fineness in effect on July 1, 1944. It was divided into 100,000 shares of the par value of \$100,000 each.

Under the Articles of Agreement, the capital subscription of each member is divided into three parts:

1. Two percent of each subscription is payable in gold or United States dollars, which may be used freely by the Bank in any of its operations.
2. Eighteen percent of each subscription is payable in the currency of the subscribing member. These funds may be lent only with the consent of the member whose currency is lent. The Articles of Agreement require each member to maintain the value of the Bank's holdings of currency derived from this portion of the member's subscription, if the par value of its currency is reduced, or if the foreign exchange value of its currency depreciates to a significant extent in the member's territories. Similarly, if the par value of a member's currency is increased, the Bank is required to return to the member the increase in the value of such currency held by the Bank. From time to time, the Bank has been settling with members by receiving or paying additional amounts of currency pursuant to these requirements.²
3. The remaining 80 percent of each subscription is not available to the Bank for lending but is subject to call if required by the Bank to meet its obligations on borrowings or on loans guaranteed by it. Payments on any such call may be made either in gold, US dollars, or the currency required to discharge the obligations of the Bank for which the call is made.

The uncalled capital under (3) constitutes assets which are available for use by the Bank if needed for such purpose. No call, however, has been made against this portion of subscribed capital. The obligations of the members to make payment on such calls are independent of each other; in other words, default of one or more members would not excuse any

¹Dollar amounts used in the text of this chapter for capital of the Bank refer to United States dollars of the weight and fineness in effect on July 1, 1944. Unless otherwise specified, all other amounts in US dollars refer to current dollars. One dollar as used for Bank capital equals approximately 1.20635 current dollars.

²Some members have converted part or all of the Bank's holdings of their restricted currencies into United States dollars to be used without restriction in the Bank's operations, subject to the right of the Bank or the member to reverse the transactions.

other member from its obligation to make payment. Calls need not be deferred until the obligation has actually matured but may be made sufficiently in advance of maturity to enable the Bank to meet the obligation as it becomes due. No member may be required to pay more than the unpaid balance of its capital subscription. On the other hand, as has been pointed out, even withdrawal from membership does not relieve a government either from its direct obligations to the Bank or from its contingent liabilities (including its obligations to make payments of calls on the unpaid portion of its subscription) for losses on loans or guarantees contracted by the Bank before the government concerned ceased to be a member.

Thus, the uncalled portions of the subscriptions, while not available for lending by the Bank, constitute in effect a guarantee of the Bank's obligations by the Bank's members, with each member putting its own credit behind Bank obligations to the extent of the uncalled portion of its own capital subscription.

CAPITAL INCREASES

In buying the Bank's bonds, investors attach great importance to the security provided by the Bank's ability to call on the unpaid subscriptions of the member countries. By the end of 1958, the outstanding borrowings of the Bank had risen to nearly \$1,800 million. Three-quarters of this was in the form of US dollar obligations, and it was felt that the Bank's future borrowing in the United States would be facilitated by an increase in its capital.

Early in 1959, the Board of Governors decided to increase the authorized capital stock of the Bank from \$10,000 million to \$21,000 million, effective from September 15, 1959. Each member was given an opportunity to double its subscription compared to what it was on January 31, 1959. Since the purpose of the capital increase was to raise the Bank's guarantee resources, rather than to obtain cash funds from member governments for lending, one of the Resolutions adopted by the Board of Governors provided that the two percent and 18 percent portions of this general increase of subscriptions were to be called only when required to meet obligations of the Bank arising out of its borrowings or guarantees. While this Resolution is not legally binding on future Boards of Governors, it does record an understanding among members that these portions of subscriptions shall not be called for use by the Bank in its lending activities or for administrative purposes.

The doubling of member countries' subscriptions without an increase in the paid-in portion has meant in practice that one percent of each member's total subscription to the Bank (rather than two percent) has been payable in gold or US dollars, and nine percent (rather than 18 percent) has been payable in the subscribing country's currency. In addition to the doubling operation, a number of countries, including Canada, Ger-

many and Japan, were given an opportunity to make further special increases in their subscriptions. To preserve parity of treatment between members, the subscription of these special increases involved the payment by the member countries concerned of one percent in gold or US dollars and of nine percent in the currency of the member.

Similarly, when further countries have become members of the Bank since the 1959 capital increase, the statutory provisions affecting the two percent and 18 percent portions have been applied to only half of these countries' total subscriptions, so that one percent of each subscription has been payable in gold or US dollars and nine percent in the currency of the subscribing member, the remaining 90 percent standing in unpaid form as additional backing for the Bank's borrowings. The same treatment has been accorded to special increases in subscriptions which have been approved from time to time at the request of individual members.

In view of the fact that the authorized capital of \$21,000 million had been almost entirely subscribed, and that there were a number of new countries wishing to join the Bank as well as existing members wishing to increase their subscriptions, the Bank's capital was again increased, in 1963, by a further \$1,000 million. A similar situation developed in 1965; the capital was then increased by an additional \$2,000 million, bringing total authorized capital to \$24,000 million.

Upon the recommendation of the Executive Directors in 1970, the Board of Governors approved special increases in the subscriptions of 75 of the Bank's member countries corresponding to the selective element of the increases in their IMF quotas resulting from the Fund's Fifth General Review of member countries' quotas. In order to accommodate these increases and to provide the Bank with sufficient authorized capital for new members' subscriptions and future increases in individual members' subscriptions, the Governors also approved an increase of \$3,000 million in the authorized capital stock of the Bank, from \$24,000 million to \$27,000 million. The increase became effective on December 31, 1970. The authorized capital stock of the Bank has remained at \$27,000 million since then. By December 31, 1973, subscribed capital of the Bank amounted to \$25,221,900,000. A statement of subscriptions to the capital stock of the Bank is given in Appendix C.

FUNDS FOR LENDING

1. *Capital Subscriptions.* The portion of the subscription of all members which is payable in gold or US dollars, and the nine percent portion paid in national currency but converted by the subscribing members into US dollars (see footnote 2 on page 25) which is freely available for lending, amounted to \$343 million on December 31, 1973. On the same date, member countries had paid in the equivalent of \$2,180 million as subscriptions in their own currencies to the Bank's capital. As already mentioned, these subscriptions are available for Bank

lending only with the consent of the member country concerned. However, the Bank may freely use such subscriptions to defray its administrative expenses in member countries. As of December 31, 1973, the total of these subscriptions that the Bank had been able to use in its lending operations, including amounts allocated to future disbursements, was \$1,845 million. The use of the remainder for Bank lending was still governed by restrictions.

2. *Sale of Bank Obligations.* The Bank has obtained the principal part of its lending resources from borrowings. As of December 31, 1973, the Bank had sold its own obligations in various currencies in an aggregate principal amount equivalent to \$15,736 million, of which approximately \$9,056 million was then outstanding. A fuller description of the Bank's borrowing activities is given in the following chapter.
3. *Net Income.* The Bank's net income, which is derived mainly from interest, commitment charges on loans and earnings from investments, rose from \$5.3 million in fiscal 1948 to \$186 million in fiscal 1973. Most of these net earnings have been allocated to a Supplemental Reserve against Losses on Loans and from Currency Devaluations, and may be used in Bank operations. An amount aggregating \$815 million of the Bank's net income has been transferred to IDA over the fiscal years 1964-73. As of December 31, 1973, the Supplemental Reserve and unallocated net income amounted to \$1,557 million.

As loans are repaid or sold to investors, the proceeds generally become available for reuse by the Bank. As of December 31, 1973, the total amount sold to investors of parts of Bank loans aggregated the equivalent of \$2,510 million. Such sales have declined in recent years, the decrease having resulted mainly from the general scarcity of capital and the fact that the Bank could not offer yields on portfolio sales as attractive as those available on other investments. Total principal repayments of loans, including prepayments, amounted at December 31, 1973, to \$5,609 million, of which \$3,520 million was repaid to the Bank and \$2,089 million to investors who had purchased parts of Bank loans.

THE BANK AND CAPITAL MARKETS

The international capital markets constitute the largest single source of funds for the World Bank. As of December 31, 1973, the funded debt of the Bank consisted of 131 issues of obligations, denominated in 14 different currencies, totaling the equivalent of \$9,056 million.¹ This figure, however, does not indicate the full size and scope of the Bank's marketing operations, as it represents the net outstanding amount. In all, the Bank has marketed 230 issues of securities, aggregating \$15,736 million.

Bank borrowings to December 31, 1973, are summarized below:

Currency of Issue (Amounts in US\$ millions equivalents)	No. of Issues	Original Amount ¹	Outstanding Amount	Outstanding Issues (No.)
U.S. Dollars	83	8,307.9	3,431.4	26
Belgian Francs	4	81.1	69.0	3
Canadian Dollars	9	210.8	151.7	6
Deutsche Marks	61	3,490.3	2,317.0	39
Financial French Francs	1	30.7	30.7	1
Italian Lire	3	98.2 ²	98.2 ²	3
Japanese Yen	15	1,784.0	1,681.2	15
Kuwaiti Dinars	6	439.1	385.6	6
Lebanese Pounds	1	30.4	30.4	1
Libyan Dinars	2	135.1	84.4	2
Netherlands Guilders	9	208.7	175.3	8
Pounds Sterling	4	69.7	43.6	3
Swedish Kronor	2	32.7	32.8	2
Swiss Francs	30	817.3	524.8	16
	230	15,736.0	9,056.1	131

¹Including amounts receivable under contracts.

²Includes Financial Lire (Lit 20,000,000,000 = \$32,459,997).

As required by the Articles of Agreement, the Bank has created a special reserve, invested in liquid assets, which may be used only to meet the Bank's own obligations arising out of borrowings or guarantees. Under the Articles, during the first ten years of the Bank's operations a commission of not less than one percent and not more than 1½ percent per annum had to be charged on the outstanding portion of all loans made by the Bank out of borrowed funds and on all loans guaranteed by the Bank. The commission was, in fact, fixed at one percent and with a few exceptions was included in the interest rate. All commissions received were set aside in the Special Reserve. This practice was discontinued on July 1, 1964, when the Special Reserve had reached \$288 million. Since then all loan charges, including the one percent previously segregated as commission, have been considered as part of the Bank's regular income, with the exception of commissions on a few early loans. The commission charge on these loans subsequently raised the Special Reserve to over \$292 million on December 31, 1973.

¹Expressed in current US dollars. All further amounts relating to borrowings by the Bank are expressed in current dollars.

The Articles of Agreement restrict the amount of loans by the Bank to 100 percent of its unimpaired subscribed capital, reserves and surplus. In fact, however, the Bank's outstanding loan commitments are far from this maximum and are not likely to approach it in the foreseeable future.

The following table summarizes the resources behind the Bank's obligations as of December 31, 1973:

Due from banks and other depositories		\$	221,606,000
Investments (including time deposits)			3,569,730,000
Receivable on account of subscribed capital			437,603,000
Disbursed loans outstanding held by Bank ¹			15,250,463,000
Accrued income on loans			164,775,000
Receivable from purchases on account of effective loans agreed to be sold			81,936,000
Special reserve			292,509,000
Miscellaneous assets			233,212,000
			<u>20,251,834,000</u>
Less: Due to IDA	\$404,888,000		
Miscellaneous liabilities	<u>285,802,000</u>		<u>690,690,000</u>
			\$19,561,144,000
Uncalled capital subscriptions			<u>27,383,763,000</u>
Total			<u>\$46,944,907,000</u>

¹Undisbursed loan commitments amounted to \$5,561,971,000 on December 31, 1973.

DEVELOPMENT OF MARKETS FOR BANK OBLIGATIONS

While the United States market has been a major source of Bank funds, it has been the Bank's policy to develop as broad an international market as practicable for its operations. As an active international lending institution which must go to the market periodically to finance its operations, it is important that the Bank should be able to tap as many sources of capital as possible and not be unduly dependent on any one source. The creation of a broad demand for Bank obligations strengthens the position of the Bank's outstanding securities and facilitates future borrowing operations. Through the years, the Bank has built up a wide market for its obligations, their rating in the international investment community is of the highest.

Holdings of Bank securities are widely distributed, being held by private investors and governmental institutions in some 80 countries. As of December 31, 1973, about one-quarter of the Bank's outstanding securities was held in the United States; the remaining three-quarters was held in other countries, including holdings by central banks.

The increased rate of lending now under way and planned for the future has required a corresponding increase in funds available to the Bank for its operations. More intensive efforts have been made in recent years, therefore, not only to increase the Bank's borrowings but also to find new sources of funds. This has taken place at a time when competing demands for capital have made it more difficult and, in general, more costly for the Bank to borrow. The Bank can offer securities only with the con-

sent of the governments in whose markets they are to be sold. Furthermore, to obtain funds, it must offer yields to investors which are competitive with those available on similar types of securities. Thus the average cost of all Bank offerings during fiscal year 1973 was 6.93 percent. In the first six months of fiscal year 1974, the cost of borrowing rose substantially.

As a result of its intensified efforts, the Bank borrowed a gross amount equivalent to \$7,770 million in the five years ending December 31, 1973. Its borrowings of nondollar currencies increased sharply during this period, in which the Bank placed its first issues denominated in French Francs, Japanese Yen, Lebanese Pounds, and Libyan Dinars.

The Market in the United States

In the Bank's early years, only the United States market was able to provide it with sizable funds, since capital markets in Europe were preoccupied with the financing of domestic postwar recovery and reconstruction. When the Bank prepared to approach the US market for the first time, it encountered major problems, due in part to investor attitudes toward foreign investment and in part to legal regulations affecting security sales and purchases.

To overcome these difficulties, in 1947 the Bank embarked on programs to disseminate information concerning its purposes, capital structure, organization, policies, and operations. One program was designed to reach investment institutions, investment bankers and dealers, and investment advisory and rating services, which together make up or influence the bulk of the bond market in the United States. The other was directed toward State and Federal authorities in the United States to make the Bank's securities eligible investments for institutional investors.

Both programs were successful. The Bank's securities are readily offered and traded by numerous investment banks and dealers, and the principal rating services have listed them as Triple A, the highest investment rating.

The first public offering of Bank bonds in the United States was made in July 1947, about two months after the first Bank loan. All subsequent issues in the United States were public offerings as well. Currently, 19 of these issues are outstanding in an amount of \$2,571 million.

The Market outside the United States

In addition to postwar limitations on capital markets abroad, the Bank, when it sought to establish a market for public issues in various member countries, found that it was faced with problems similar to those it encountered on first entering the US market. Prospective investors and the financial communities had to be informed about the purposes, organization, policies, and operations of the Bank, and the legal status of the Bank and its securities had to be determined. All member governments cooperated in helping the Bank to overcome these obstacles, as did Switzerland, a nonmember.

The Bank has marketed its obligations outside the United States by public offerings of its securities and by placing securities privately, mainly with central banks and government agencies. Parts of its public issues in the United States have also found buyers in other countries.

Public Offerings

To December 31, 1973, the Bank had publicly offered 72 issues of securities on markets outside the United States. These issues totaled the equivalent of \$2,918 million, of which 59 issues totaling \$2,486 million were outstanding in whole or in part. They included issues denominated in Belgian Francs, Canadian Dollars, Deutsche Marks, French Francs, Italian Lire, Japanese Yen, Kuwaiti Dinars, Netherlands Guilders, Pounds Sterling, Swedish Kronor, and Swiss Francs.

The principal sources of funds derived from public offerings outside the United States have been the investment markets in Germany, Japan, Kuwait, and Switzerland. The German market was the largest of these sources of funds. Beginning in June 1959 and to December 31, 1973, 14 World Bank issues aggregating DM 3,120 million (\$1,153 million) were publicly offered in Germany. Of these issues, DM 2,858 million (\$1,057 million) was outstanding at the end of 1973.

The first public offering of World Bank bonds on the Japanese market was made in 1971, in an amount of ¥ 11,000 million. Altogether, six such offerings have been made in an aggregate of ¥ 98,000 million (\$350 million), all of which was outstanding on December 31, 1973.

Since 1968, the Bank has made five public offerings on the market in Kuwait in an aggregate of KD 130 million (\$439 million), of which KD 12.5 million (\$42.2 million) was on a delayed delivery basis until February 1974. Aside from bonds on delayed delivery, total outstanding Kuwaiti Dinar bonds amounted to KD 114 million (\$386 million) on December 31, 1973.

Although Switzerland is not a member of the Bank, negotiations between the Bank and the Swiss Federal Council resulted in the signing of a formal agreement in mid-1951, under which Switzerland recognized the international personality and legal capacity of the Bank, and granted it facilities corresponding in large part to those accorded the Bank in the territories of member countries. Since then, the Bank has offered 19 public issues in Switzerland, totaling Sw F 1,445 million, of which 12 issues totaling Sw F 956 million (\$294 million) were outstanding in whole or in part on December 31, 1973.

Private Placements

All private placements of World Bank obligations have been with purchasers outside the United States—mainly central banks and other governmental institutions. These issues, one hundred and thirty in number, have been denominated in various currencies, including United States dollars. As of December 31, 1973, the amount of private placements

aggregated the equivalent of \$9,128 million, of which \$3,995 million was outstanding.

The largest source of funds through private placements, as well as the largest single holder of World Bank obligations, is The Bank of Japan. Between February 1970 and the end of 1973, The Bank of Japan lent in Yen the equivalent of some \$1,300 million to the World Bank, virtually all of which was outstanding on December 31, 1973. The Deutsche Bundesbank—the central bank of Germany—has been a major source of funds to the World Bank since 1958. To December 31, 1973, Bundesbank purchases of World Bank Deutsche Mark obligations aggregated the equivalent of \$1,300 million, of which \$950 million was outstanding.

In addition to these central bank issues, the World Bank has outstanding four issues of two-year US dollar denominated bonds with central banks in 75 countries and with other governmental agencies and international organizations. The total outstanding on December 31, 1973, was \$810 million. The Bank began placing these short-term dollar issues in the mid-1950s. None of them is held in the United States. The last placement was in September 1973, when a \$170 million issue of two-year US dollar bonds was sold to central banks and other governmental agencies in 50 countries other than the United States and to one international agency.

Status of Bank Securities

Securities issued by the Bank are its direct obligation. None is secured by a pledge of specific assets and, as required by the Articles of Agreement, the securities state that they are not obligations of any government. As explained earlier (pages 18, 25 and 26), however, member governments are obliged to make payments on their uncalled capital, if this is required by the Bank to meet its obligations on borrowings. Thus, the uncalled capital provides strong backing for the Bank's securities.

All the securities contain a provision to the effect that, with a minor exception relating to purchase money security, the Bank will not pledge any of its assets to secure other debt unless the securities share *pro rata* in such a pledge. Many outstanding securities of the Bank contain sinking fund provisions obliging the Bank to purchase or redeem securities for sinking fund purposes during the life of the issue.

Under the Articles, holders of Bank obligations do not, as such, enjoy any general exemption from taxes on interest paid to them. The securities and the interest thereon, however, are not subject to any tax (a) which discriminates against the securities solely because they are issued by the Bank, or (b) if the sole jurisdictional basis for taxation is the place or currency in which the securities are issued, made payable or paid, or the location of any office or place of business maintained by the Bank. Also, under the Articles the Bank is not obligated to withhold or to pay any tax on the interest on the securities.

Sales of Loans

By December 31, 1973, the Bank had sold or arranged to sell to invest-

tors parts of its loans in a total amount equivalent to \$2,510 million, of which \$2,090 million had been repaid. Nearly all sales were made without the Bank's guarantee.

In some cases, sales are made after the loan contract has been signed and disbursements have been made, and these are designated as "portfolio sales." In other cases, sales are arranged at the time the loan contract is signed and funds are called when disbursements are made. The latter are designated as "participations." Portfolio sales accounted for \$1,863 million of loan sales to December 31, 1973, and participations for \$647 million.

For about five years, loan sales were an important source of replenishment of the Bank's lendable funds. The peak was reached in the fiscal years 1962 and 1963, when sales were \$319 million and \$273 million respectively. Loan sales declined thereafter due to the worldwide scarcity of capital in recent years and the resulting increase in the general level of interest rates. This increase has made it difficult for the Bank to offer yields on loans in its portfolio as attractive as those available on other investments.

As in the case of the Bank's securities, loan sales have been on a broad international scale. United States private investors have purchased 30 percent of the total. The remainder was bought by investors abroad, including purchases by governmental agencies of their own government's obligations to the Bank.

**Loans Sold and Agreed to be Sold
to December 31, 1973**
(in US\$ millions equivalents)

	Amount	Percent of Total
Purchased by investors outside US	1,762	70
Purchased by US investors	748	30
	<u>2,510</u>	<u>100</u>

FINANCIAL STRUCTURE OF IDA

By its Articles of Agreement, IDA in a legal sense is an entity separate and distinct from the Bank. At the same time, its particular function is to provide finance "on terms which are more flexible and bear less heavily on the balance of payments than those of conventional loans, thereby furthering the developmental objectives of [the Bank] and supplementing its activities."

IDA's primary lending resources have been the subscriptions and supplementary resources, consisting of three replenishments and special contributions provided by member countries, chiefly its 20 wealthiest. The World Bank has made grants to IDA out of its net income, and the Association has a small net income of its own. In addition, IDA has received two interest-free loans from a Switzerland and a voluntary contribution from New Zealand, neither of which is a member.

SUBSCRIPTIONS¹

The Articles of Agreement provided for initial subscriptions by all members of the Bank at December 31, 1959, since all were eligible for membership in IDA. They were based on a total of \$1,000 million, with each member's subscription proportioned to its subscription to the capital stock of the Bank. In general, the same formula has been applied to new members.

In accordance with the Articles of Agreement, members of the Association are divided into two groups: Part I countries, consisting of the countries which are more advanced economically; and Part II countries, comprising the developing countries. The two groups make their payments on subscriptions in different ways. The entire subscriptions of Part I countries are in convertible form and are usable by the Association in its lending operations, while only 10 percent of the subscriptions of Part II countries is in convertible funds. The remainder is paid in the member's own currency and may not be used by IDA without the member's consent.

Seventeen of the Bank's more highly industrialized members were named in the Articles of Agreement as being eligible for original Part I membership. Fifteen of these had joined as original members by the end of IDA's first fiscal year, June 30, 1961, and Belgium and Luxembourg joined in 1964. Kuwait became a Part I member when it joined all three World Bank institutions in 1962, while Iceland became a Part I member in 1971, and Ireland in 1973. As of December 31, 1973, IDA's membership consisted of 112 countries, of which 20 were Part I and 92 were Part II members.

The initial subscriptions of Part I members, all of which have been paid in, aggregate \$754,475,000, or approximately 74 percent of total initial

¹Dollar amounts used in the text of this chapter for subscriptions and contributions of IDA, the Swiss loans and the grant from New Zealand, refer to United States dollars of the weight and fineness in effect on January 1, 1960. Unless otherwise specified, all other amounts refer to current dollars. One dollar of 1960 equals approximately 1.20645 current dollars.

subscriptions. As of December 31, 1973, initial subscriptions of the 92 Part II members represented 26 percent of the total and aggregated \$269,897,000. Of this amount, \$26,989,700, or 10 percent, had been paid in convertible form.

Under the Third Replenishment, as will be explained later, it was provided that additional subscriptions by members could be made to the Association in such a way that roughly the same proportion would be maintained. As a result, by December 31, 1973, 19 Part I members had made additional subscriptions in the amount of \$28,405,920, and 69 Part II members had taken up their rights and made additional subscriptions amounting to \$9,223,040, of which \$801,100 were in convertible funds. In addition, by the same date, a number of Part II members had released all or part of the remaining 90 percent portions of their initial subscriptions, totaling over \$24.7 million, for use by the Association under various terms and conditions.²

Thus, IDA's total usable resources available from initial plus additional subscriptions by December 31, 1973, amounted to \$835,391,000. The Association held another \$226,610,000 in currencies and notes not yet available for use, representing the unreleased balance of the 90 percent portions of initial subscriptions and the additional subscriptions of Part II members.³

ADDITIONS TO RESOURCES

Under the Articles of Agreement, the Association was directed to review the adequacy of its resources in the light of the schedule of payments on initial subscriptions, which were to be completed over a period of five years and approximately each five years thereafter, and to authorize a general increase in subscriptions if thought desirable. The Articles also authorize the receipt of supplementary resources from any member, on terms and conditions to be agreed upon. Increases in subscriptions, replenishments in the form of supplementary resources and special contributions to IDA are subject to approval by the legislatures of the individual member countries.

First Replenishment

The Executive Directors reviewed the adequacy of IDA's resources in 1963, and recommended that they be replenished. It was agreed that replenishment should take the form of supplementary contributions rather than a general increase in subscriptions, which would involve adjustments in voting rights and other complications.

In June 1964, a First Replenishment of the Association's resources was approved by the Board of Governors: IDA was authorized to receive sup-

²Some of these funds are available only for use in the member country.

³Compensating payments by the Association or the member are required, as appropriate, to maintain the initial value of these currencies, so long as they shall not have been initially disbursed or exchanged for the currency of another member. This applies also to the currencies of Part I members.

plementary contributions aggregating \$741,375,000, including contributions agreed to by Belgium and Luxembourg, which became members in mid-1964. Initial subscriptions of these two countries increased the replenishment to \$750 million, available for commitments for the period up to at least June 30, 1966. In addition, Kuwait decided to participate by making a contribution equal to its initial subscription of \$3,360,000, raising the total replenishment to \$753,360,000. Each contribution was payable in freely convertible currencies in three equal installments, the last of which was payable on or before November 8, 1967.

Second Replenishment

In September 1968, the Board of Governors approved a Second Replenishment of IDA's resources, authorizing IDA to receive contributions aggregating approximately \$1,200 million. This amount was made up as follows: \$1,170,480,000 from the then 18 Part I countries; special supplementary contributions (*see also* page 40) totaling \$17,520,000 from five of these countries—Canada, Denmark, Finland, the Netherlands, and Sweden; and a 50-year, interest-free loan equivalent to about \$12 million from the Swiss Confederation (*see Other Resources*, page 40), not a member of IDA. These funds were to be made available to IDA at the rate of \$400 million annually for three years. The date for the first payment was originally set for November 8, 1968, but because of delays in bringing the Second Replenishment into effect, was finally deferred to August 22, 1969.

Because of the balance-of-payments problems of the United States, the replenishment resolution provided that, during the three years ending June 30, 1971, and for so long thereafter as permitted by the state of its resources, IDA would call upon the US contribution to meet disbursements on new credits only for the amount needed to finance procurement in the United States. Amounts deferred, however, would be subject to subsequent call, thus permitting the entire amount of the replenishment to be committed. As a necessary corollary to this arrangement, a number of other participating countries agreed to permit a compensating acceleration of IDA's drawings upon their contributions in order to meet disbursement requirements. The report of the Executive Directors accompanying the Second Replenishment Resolution provided that sympathetic consideration would be given to any other contributing member which in the future, on grounds of serious balance-of-payments difficulties, requested deferment of drawings upon its contribution to the Second Replenishment.

The US Congress did not act on the replenishment in 1968, so that the Second Replenishment did not come into effect that year. This reduced the funds available to IDA for commitment, causing a diminution in IDA's lending activities in the first half of fiscal 1969. Therefore, 11 other participating countries—Australia, Austria, Canada, Denmark, Finland, Germany, Japan, the Netherlands, Norway, Sweden, and the United

Kingdom—took steps to make advance contributions against their pledges for a total amount of \$244,520,000. Canada and Australia made available for immediate commitment their entire contributions of \$75 million and \$24 million respectively, while the remaining nine countries made available the first installment (one-third) of their total contributions.

The replenishment agreement came into force on July 23, 1969, when requirements had been met that a minimum of 12 contributing members had formally notified IDA that they would contribute at least \$950 million of the proposed total of \$1,200 million. By January 31, 1971, IDA had received the full amount of \$1,188 million from Part I member countries.

Third Replenishment

In February 1971, the Board of Governors approved a third general replenishment to increase IDA's resources. This provided that 18 Part I and three Part II countries would make available to IDA about \$2,409 million for the three-year period ending June 30, 1974, subject to any necessary legislative action. The 21 members included Ireland, Spain and Yugoslavia, in addition to the then 18 Part I countries. These amounts were to be made available in the form of additional subscriptions and contributions carrying no voting rights. Subsequently, Iceland, which had been a Part II member, changed to a Part I member and agreed to make a contribution under the Third Replenishment.

Switzerland also agreed, subject to parliamentary approval, to make the Association a 50-year interest-free loan equivalent to about \$35 million (Sw F 130 million), payable in three equal installments in 1971, 1972 and 1973 (see Other Resources, page 40).

In order for the Replenishment to have become effective, member countries, including at least 12 Part I countries, pledging not less than \$1,900 million, were required formally to notify IDA that they would make their specified contributions. Although the original target date was June 30, 1971, delays in notification by a number of members made it necessary to postpone the effective date several times.

Since by the end of June 1971, all of IDA's available funds had been committed for specific projects, 15 members made advance contributions toward the Third Replenishment during fiscal year 1972, amounting to \$448 million, without waiting for the agreement to become effective. These countries were: Australia, Canada, Denmark, Finland, France, Germany, Iceland, Ireland, Japan, Kuwait, the Netherlands, Norway, Sweden, the United Kingdom, and Yugoslavia. Two of these—Ireland and Yugoslavia—were Part II members of IDA. In addition, Mexico, also a Part II member, made \$2 million available by releasing part of the 90 percent portion of its initial subscription.

By June 30, 1972, 16 of the 19 Part I countries had sent their notifications to IDA but their combined contributions were still \$561 million below the mandatory amount agreed upon for the replenishment to become effective. Finally, following completion of the action necessary to

Replenishment came formally into effect on September 22, 1972.

In connection with the Third Replenishment, it had been agreed that the voting power of each of the Part I members should be adjusted to reflect more accurately their share in the total financial contributions of all of the Part I countries in the Association. This adjustment was effected by providing that a portion of each Part I member's contribution under the Third Replenishment would be in the form of an additional subscription which would carry voting rights. Part II members had the right to make additional subscriptions to the Association in order to permit them to maintain the relative voting power of all Part II countries as a group.

Fourth Replenishment

IDA's resources, including those provided by the Third Replenishment, were expected to be fully committed by June 30, 1974. Accordingly, consultations with the Association's member governments were initiated in 1972 on the need for a further replenishment to provide additional commitment authority by July 1, 1974. In September 1973, 24 members of IDA plus Switzerland came to an agreement that this should be done through a Fourth Replenishment in an amount equivalent to \$4,500 million in current US dollars over a three-year period.

Under the agreement, Ireland and New Zealand were to join for the first time as Part I members in a proposal to replenish IDA, Ireland having become a Part I country during 1973 and New Zealand joining the Association as a Part I country under the new replenishment. Part II members participating were Israel, Spain and Yugoslavia, Israel proposing for the first time to join as a contributor. Switzerland, although not an IDA member, announced its intention to participate also in this Replenishment by seeking parliamentary approval of a 50-year interest-free loan.

The contributions recommended under the Fourth Replenishment agreement were in the following amounts:

Part I Countries	US\$ (equivalent) ¹	Part I Countries	US\$ (equivalent) ¹
Australia	90,000,000	New Zealand	11,745,000
Austria	30,600,000	Norway	49,500,000
Belgium	76,500,000	South Africa	9,000,000
Canada	274,500,000	Sweden	180,000,000
Denmark	54,000,000	United Kingdom	499,500,000
Finland	25,200,000	United States	1,500,000,000
France	253,545,000		4,415,790,000
Germany	514,500,000	Part II Countries	
Iceland	1,350,000	Israel	1,000,000
Ireland	7,500,000	Spain	13,333,000
Italy	181,350,000	Yugoslavia	5,000,000
Japan	495,000,000		19,333,000
Kuwait	27,000,000	Switzerland	66,179,147
Luxembourg	2,250,000	Total	4,501,302,147
Netherlands	132,750,000		

¹At official New York noon exchange rates of September 27, 1973.

The Board of Governors, in a Resolution adopted on January 31, 1974, approved the Fourth Replenishment of IDA's resources. Similar to procedures under the Third Replenishment, the Resolution provided for an adjustment of the voting power of all participants under the Fourth Replenishment, including arrangements which would permit Part II members to maintain relative voting power as a group.

Special Supplementary Contributions

As has been noted previously, special supplementary contributions totaling \$17,520,000 were made by Canada, Denmark, Finland, the Netherlands, and Sweden under the Second Replenishment of IDA's resources. Moreover, Sweden has made seven additional special supplementary contributions aggregating the equivalent of \$49,500,000, while Denmark made another one of \$15 million. Norway has also made a special supplementary contribution amounting to \$1,320,000. A full statement of subscriptions and contributions to IDA is given in Appendix D.

Transfers from the Bank

The Bank has made ten grants totaling \$815 million to IDA out of its net income for the fiscal years 1964 through 1973: \$50 million from income earned in the fiscal year 1964, \$75 million each in 1965 and 1966, \$10 million in 1967, \$75 million in 1968, \$100 million each in 1969 and 1970, and \$110 million each in 1971, 1972 and 1973. When the first transfer to IDA was approved in 1964, the Board of Governors of the Bank adopted the following statement of policy, which remains in effect today: "Any transfers to the Association will be made only out of net income which (i) accrued during the fiscal year in respect of which the transfer is made, and (ii) is not needed for allocation to reserves or otherwise required to be retained in the Bank's business and, accordingly, could prudently be distributed as dividends."

Other Resources

Under the Articles of Agreement, IDA is authorized to borrow funds and to issue and guarantee securities. In June 1967, the Association entered into an agreement with the Swiss Confederation, ratified by its Parliament, under which Switzerland lent IDA the equivalent of US\$12.1 million. The loan was made on the same terms as those on which IDA itself extends credits for projects: the loan is interest-free and is repayable in forty annual installments beginning July 1, 1979. The proceeds are freely convertible and usable in any member country and Switzerland.

A second loan agreement for the equivalent of US\$35 million was entered into by IDA and the Swiss Confederation in November 1972. Its terms are the same as those of the first loan, with repayments to commence on November 8, 1983.

In December 1970, New Zealand, which is not a member of IDA, agreed to make a voluntary contribution to IDA equivalent to US\$5.6 million, payable in five equal annual installments beginning in 1971.

Net Income

IDA's operating income has been derived from the service charge of 1/4 of one percent on the disbursed portion of credits and from interest on invested funds. Through December 31, 1973, cumulative net income totaled \$79,788,500.

The Articles of Agreement made the Board of Governors responsible for determining the disposition of net income, "having due regard to provision for reserves and contingencies." So far, no separate reserve has been established and no disposition of net income has been made.

Usable Funds Available to IDA

as of December 31, 1973

(expressed in current US\$)

<i>Initial Subscriptions</i>		
Part I countries (100% of subscriptions)	\$ 910,159,800	
Part II countries (10% of subscriptions)	32,559,000	
Part II countries (part of 90% portion of subscriptions released)	29,820,200	\$ 972,539,000
<i>Additional Subscriptions</i>		
Part I countries (100%)	\$ 34,267,400	
Part II countries (released)	966,400	35,233,800
<i>Supplementary Resources</i>		
First Replenishment	\$ 898,410,000	
Second Replenishment	1,433,142,100	
Third Replenishment	2,754,569,500	
Special Supplementary (Sweden, Denmark and Norway)	79,395,800	5,165,517,400
Loans from the Swiss Confederation		55,983,100
Contributions from New Zealand (non-member)		7,112,500
Repayments		9,679,100
Participation		100,000
World Bank transfers (less authorized grants by IDA for agricultural research)		809,020,000
Accumulated net income		79,788,500
		<u>\$7,134,973,400</u>

LENDING POLICIES AND PROCEDURES

In most major respects, the lending policies and procedures of the Bank and IDA are identical. Both institutions lend only for projects or programs which are of high priority for the borrowing country's economic development, which are economically and technically sound, and which have satisfactory prospects of being carried out and operated successfully. The two institutions apply the same methods and standards in determining for what purposes loans or credits should be extended and in deciding what conditions need to be established to assure that these purposes will be achieved.

The two institutions differ, however, in the character of their financing and in their terms. The Bank lends to creditworthy countries at long term and at interest rates lower than, but related to, market rates. IDA was set up to assist countries whose balance-of-payments prospects do not justify their borrowing on conventional terms all the capital they need, and its Articles state that it is to provide finance "on terms which are more flexible and bear less heavily on the balance of payments than those of conventional loans." IDA, therefore, lends for 50 years, charges no interest and makes only a small service charge to cover its expenses.

Economic Considerations

The basic purpose of Bank and IDA financing is the effective promotion of a member country's economic development. To ensure the effectiveness of this financing (and that provided by others) and to be able to help countries in all phases of their development, the Bank has to know and understand the economies of its member countries and keep in touch with their progress. It seeks to obtain a comprehensive picture of the structure and development prospects of the economy by assessing its agricultural, mineral, industrial, and human resources, its basic facilities, such as transport and electric power, the quality of its public administration and education, its external trade and payments, and its internal finances. Against this background, it discusses with the government the country's development plans for the next few years, and their feasibility and probable effectiveness. This is a continuous process which includes the preparation of periodic reports, and frequent contacts with political leaders, government officials, and the financial and business community. For countries in which the Bank is particularly active, formal and informal contacts result in a continuous dialogue on economic policies, the direction of development and the flow of development finance. A frequent exchange of views and review of specific problems is especially important for countries for which the Bank has organized or helped to organize consortia and consultative groups, discussed on pages 59-63.

An important part of this task is carried out through country economic missions which the Bank sends out periodically. The work of country economic missions has expanded continuously in recent years, in the number of countries covered, in the scope of reports and in their frequency.

The missions serve a number of different purposes. They assist governments in the analysis and formulation of economic development programs and policies. They also provide the basic information needed to determine the Bank Group's own strategy in terms of the size of its lending operations and the sectors and areas to which the lending is directed in accordance with economic and social priorities.

An important task of these economic missions is to form an opinion of what is sometimes referred to as the country's "performance," i.e., the manner in which it is handling its economic affairs and the progress it is making toward achieving its economic and social development goals. This leads to judgments about a country's "creditworthiness," a subject which is discussed below. The missions vary in size according to the size of the economy they are studying and the complexity of the problems involved. They are composed mainly of Bank staff, with participation from time to time of officials of various specialized agencies of the United Nations and of individual consultants and members of consulting firms.

The reports of these missions are made available to the Executive Directors, assisting them in their consideration of individual lending operations. They serve as the documentation of aid coordination groups by evaluating the progress of the countries reported on and their needs. Regional development agencies, the United Nations and its agencies, and others engaged in development financing are also supplied with these reports. The Bank has recently instituted a program of publishing selected country economic reports, subject to the approval of the country in question in each case.

Studies of the whole economy of a member country are often supplemented by more specialized studies of particular sectors or subsectors of the economy, such as agriculture or highway transportation, and by studies of issues such as urbanization, employment and income distribution. The importance of preinvestment programs in setting investment priorities and determining the feasibility of projects and the basic conditions necessary for their success is recognized, and the Bank is working in this field in close cooperation with UNDP (see pages 67 and 68).

LENDING STANDARDS

In making a loan, the Bank is obliged under its Articles of Agreement to pay "due regard to the prospects that the borrower, and, if the borrower is not a member, that the guarantor, will be in a position to meet its obligations under the loan." The Articles further enjoin the Bank to act "prudently" in the interests both of the borrowing country and of the members as a whole. Even apart from these provisions of the Articles, it is implicit in the concept of the Bank as a continuing institution designed to operate on a sound business basis and with funds borrowed in the market, that it should make loans only where there are reasonable prospects of repayment. A country meeting this test is often referred to as creditworthy.

Bank loans are made in foreign exchange, not in the borrower's own currency. The Bank is, therefore, concerned with the ability of the borrowing country to make foreign exchange available for service payments. Before a loan is granted, a judgment is made as to whether it is in an amount and on terms which the prospective borrowing country can reasonably be expected to service, taking account of its existing and prospective debts not only to the Bank but to all external lenders.

The amount and structure of a country's existing and prospective external debt is a major element in this judgment. The outstanding external indebtedness of the developing countries has risen rapidly in recent years, to the point where some countries are now devoting 20 percent or more of their foreign exchange earnings from exports of goods and services to the servicing of their debts. In some instances, serious problems are being created by the peaking of debt-service obligations in a short period and by excessive borrowing on short term.

A country which would not be able to service all the capital it could effectively use, if it had to borrow on conventional terms, may nevertheless be justified in obtaining capital from abroad on concessional terms. Such a country is eligible for IDA credits, provided its economic performance is satisfactory. However, IDA credits are not confined to countries which have completely exhausted their creditworthiness for conventional loans. In some countries, creditworthy by Bank standards, the external capital required to achieve an adequate rate of investment is so large that the debt-service burden would quickly reach a critical level if the whole of this capital were borrowed on conventional terms. In the circumstances, it may be justifiable for IDA or other sources of "soft" funds to provide assistance even while some creditworthiness for conventional borrowing still remains. Bank/IDA "blend" lending may be achieved by joint Bank and IDA financing of the same project or by separate Bank and IDA operations in the same country.

With the supply of IDA funds limited and with the great needs of the poorer of the developing countries for capital on concessional terms, there is the problem of how to allocate IDA funds on some rational basis. As a rough measure of need, a per-capita income of around \$375 per annum is taken as the upper limit of a country's eligibility to receive IDA funds. There are some countries below this limit which have sufficient creditworthiness for borrowing on conventional terms and so do not receive any amounts (or any significant amounts) of IDA funds. Countries below these limits, if their economic performance warrants it and they have worthwhile projects ready for financing, receive amounts which are based on various considerations, including population, poverty, the need for external capital, economic performance, and the capital likely to be forthcoming from other sources.

The Bank, charged under its Articles to encourage international investment and itself a creditor, has a direct interest in the creation and maintenance of satisfactory relations between its members and their foreign

creditors. Where the Bank or IDA are contemplating lending to a member country whose credit is impaired by the existence of a dispute over a default on its foreign debt or over compensation for foreign-owned property which has been expropriated, it must first be satisfied that the government is making reasonable efforts to reach a settlement.

Purposes of Lending

The Bank's Articles of Agreement require that "loans made or guaranteed by the Bank shall, except in special circumstances, be for the purpose of specific projects of reconstruction or development." The objective of this provision is to assure that loans are used for the most productive purposes. It does not commit the Bank to a single inflexible lending technique, and many different sorts of undertakings for the purposes of Bank lending, considered to be projects.

The term "project" is interpreted as comprising a homogeneous investment (like a dam with power plant and transmission line), or a series of related or similar investments in a particular sector (scattered schools or highway sections, or a time slice of a railway's or telecommunication authority's long-term investment program), or in different sectors (e.g., urban projects, including housing, transportation and water supply elements in specified urban areas). Some "projects" only provide technical assistance for the preparation of specific investments, or for more general investigations or studies. A project can also consist of a loan to a financial intermediary to finance its activities generally, or a specific development program in a particular subsector. The former is typically the case in loans to development finance institutions which relend to subborrowers in the industrial sector. Examples of the latter are loans to agricultural finance institutions to help finance specific programs, such as pasture and livestock improvement, construction of small irrigation works and on-farm distribution systems, or the introduction of mechanical equipment, fertilizer and seeds. Projects consist normally of both tangible elements (e.g., the construction of civil works or the provision of equipment) and intangible ones (e.g., institutional improvements, policy changes or the training of management and staff). IDA follows the same practice.

In special circumstances, the Bank and IDA may make nonproject or program loans where they provide the most effective way of helping the development of a member country. Such special circumstances may arise when a borrowing country presents a development program, with supporting economic and financial policies, judged to provide a satisfactory basis for external assistance in a given amount, but the needed transfer of resources from external lenders in support of the program cannot be achieved effectively and expeditiously by financing individual projects. Most of the program lending has taken the form of the provision of foreign exchange to enable materials and equipment to be imported which are important to the effective use of existing productive facilities. The procedures for examining and processing program loans and credits are similar to those for project loans.

PROJECT IDENTIFICATION AND PREPARATION

The lending operations of the Bank and IDA are formulated and evaluated within the framework of a country's development program. Through a close working relationship which Bank staff maintains with officials in the planning and technical ministries of borrowing governments, the Bank examines the sectoral priorities and the relationship between given projects and those priorities in order to determine which projects should make up its lending program. At the same time, it tries to work with the borrower from the earliest stages of project formulation in order to ensure that the project will be of a type and provide a rate of return to which the Bank can respond favorably with a minimum of changes in the project.

Borrowers can, therefore, avoid devoting substantial resources to project identification and preparation (often extremely costly), only to find that the Bank has quite different views on the priority or technical feasibility of the proposed approach. Involvement in the early stages of a project has another advantage: It greatly facilitates forward planning within the Bank, allowing the operational departments to see the size, shape and timing of the work load ahead, and the financial departments to make appropriate provision for future levels of lending.

Involvement in the early stages of current projects leads naturally to the Bank being concerned, in a preliminary way at least, with borrowers' plans for future projects. The Bank does not, of course, commit itself in advance to financing particular projects or groups of projects. But by assisting governments in the formulation of development programs, and by working with borrowers to prepare high-priority projects for external financing, it ensures that by the time a formal request for financing is submitted, many critical issues will already have been raised and agreements reached. Through this process, up to and including the stage of project appraisal, it is often possible to introduce modifications in a project to fit sectoral priorities better, to reduce its cost, increase its efficiency, or improve its financial or organizational features. Sometimes a substitute project or one conceived on a somewhat different scale has been found to be more productive than the one originally proposed.

While some of the work of investigating the suitability of a project for financing is carried out by staff members attached to various field offices of the Bank, particularly in Africa, most of the work is done at the Bank's headquarters in Washington. Here, the staff studies all available information about the country and the project. In addition to studying its own files, the staff takes advantage of material available from other institutions, national and international, public and private. Information from all these sources is supplemented by information specifically requested from the borrower.

Use of Consultants

The borrower has the final responsibility for the preparation and implementation of the project. Frequently, however, the borrower lacks the

capability to deal with the variety and complexity of all the factors involved, and the Bank may require that it engage qualified consultants to advise it in this work. The tasks for which consultants may be needed vary greatly from project to project, but they may include some or all of the following: sector or feasibility studies; management or organizational studies; special economic or environmental studies; preliminary engineering or detailed design of the facility; preparation of specifications and invitations to bid; analysis of bids and recommendation to which bidder the contract should be awarded; inspection of the equipment ordered, and arrangements for shipping and insurance; supervision of construction and installation; design and implementation of training programs; and the initial control of operations of the completed facility.

When, in the Bank's opinion, consulting engineers or other experts should be brought in to assist those responsible for a project, the Bank often helps the borrower prepare detailed terms of reference. The choice of consultant is made by the borrower, but the Bank satisfies itself that the consultant chosen is suitably qualified: It believes that a selection should be made on the basis of qualification to perform the work, not on price. If the chosen consulting firm is owned by or associated with a contractor or manufacturer, the firm is required to limit its role on the project to providing consulting services, and to disqualify itself and its associates from construction work or supply of equipment.

PROJECT APPRAISAL

No study at headquarters, however, can provide all the information and understanding required. At some stage in the processing of a loan or credit, one or more missions are sent to the borrowing country to gain first-hand knowledge of the project. The composition of the mission and its responsibilities depend on the task at hand. It may consist of one or two persons, or of half a dozen or more of various qualifications. The mission members are normally drawn from the staff but, since the Bank cannot keep on its permanent staff a sufficient number of experts in each of the many fields which it may be called upon to examine, it frequently employs independent consultants for specific short-term assignments, or borrows technical experts for this purpose from member governments, international agencies or private firms.

Under the arrangements for a close working relationship with various UN and other international agencies, as detailed on pages 14-16, the Bank has access to their expertise and experience, while these organizations have acquired a financial partner with a special interest in their respective fields. The result has been that the number and scope of projects coming forward for Bank financing has increased and their quality has improved.

As already indicated, an analysis of a country's economy provides the general framework within which an assessment of any particular project presented to the Bank for financing is made. This analysis indicates whether the project is in a sector which is of priority for the economic

development of the country concerned. The appraisal of the project itself usually involves the investigation of six different aspects: economic, technical, organizational, managerial, operational, and financial. The relative importance of these different aspects can vary considerably according to circumstances and to the type of project.

Economic Aspects

The economic aspects of the appraisal are fundamental. They logically precede all other aspects since the Bank will not finance a project unless it can be demonstrated that the project represents a high-priority use of a country's resources. A purely financial analysis normally does not provide an adequate basis for judging a project's value to the economy, since financial analysis looks at a project only from the limited viewpoint of the values entering the project's own accounts. An economic or social analysis looks at the project from the viewpoint of the whole economy, asking whether the latter will show benefits sufficiently greater than project costs to justify investment in it.

The economic benefits produced by a project normally take the form of an increased output of goods or services, either directly or indirectly (as in the large class of cost-reducing projects). This increased production will generate many different forms of additional income, such as increased wages or employment for labor, larger government revenues, higher earnings for the owners of capital, or, most frequently, some combination of these income benefits.

In the large majority of cases, it is possible to quantify project costs and benefits, and to construct a rate of return or some other appropriate test. Streams of future costs and benefits are calculated, using either market or shadow prices, as appropriate. These cost and benefit streams are discounted to arrive at the project's estimated rate of return. The latter is then compared with the minimum earning power of capital judged appropriate for each country. While the rate of return is an important test that all projects with quantifiable cost and benefits must pass, it is easy to exaggerate its importance and to misinterpret its significance. The rate of return is a necessary confirming test of projects that have to be justified within a much wider frame of reference, in which basic project objectives and the nature of project benefits (e.g., foreign-exchange savings, increased employment and improved income distribution) play major roles.

Technical Aspects

The appraisal of the technical aspects of a project involves the investigation of the detailed engineering and other plans for its construction, implementation and operation. The main items coming under this heading include the proposed scale of the project, the types of process or equipment to be used, the location and terrain of the project, its layout and design, environmental consequences, and the availability of the various factors of production, such as labor, power and raw materials. The technical staff available to the borrower, both for carrying out the project

and for operating it, is evaluated, and a judgment is reached whether outside help is required.

An important part of the technical appraisal of a project is an investigation of the assumptions on which the cost estimates have been calculated. This includes a detailed review of cost estimates and contingency allowances, and an investigation of the proposed arrangements for buying materials and contracting construction work. The Bank is concerned that the borrower shall obtain the best value for the money spent — an objective normally obtained by requiring international competitive bidding for orders and contracts (see pages 53 and 54).

Organizational, Managerial, Operational Aspects

As a lender and as a development institution, the Bank places particular stress on the organization and management of the entity responsible for the execution of the project. During appraisal, the suitability of the organization, and the adequacy and competence of the management are examined. If one or the other is found wanting, remedial steps are recommended to the government and may be conditions for the Bank's assistance. These measures could include short-term remedies, such as the recruitment of individuals or an organization qualified to assist in running the enterprise, at least during the initial phase; or those for the longer term, such as a management study, a reorganization or the creation of a new autonomous agency to operate the project. In either case, the need for training local staff to fill positions at all levels is examined, and training programs may well be included as part of the project. The objective of this aspect of the appraisal is to make sure that the project is adequately carried out and that a locally staffed institution, capable of contributing effectively to the development of the sector in question, is created.

The difficulty of recruiting qualified management is particularly acute in agriculture. To help alleviate this problem in Africa, the Bank has established at its Regional Mission for Eastern Africa in Nairobi an Agricultural Development Service which consists of a group of experts available, on a reimbursable basis, for employment by governments in Eastern Africa to assist in the execution and management of agricultural projects. In other parts of the world, in a few exceptional cases where it has proven impracticable to make other arrangements, the Bank has engaged individual experts whose services have been made available to borrowers, on a reimbursable basis, to help in the organization and management of agricultural and other projects which it has financed.

Financial Aspects

The purpose of the appraisal of the financial aspects of the project is generally to ensure that the financial conditions for sound implementation and efficient operation of the project are met. The scope of this aspect of the appraisal varies, of course, considerably with the nature of the project and whether it is revenue-producing (e.g., industry, utilities, agriculture) or not (e.g., education, most highway projects).

For projects which involve the marketing of a product or service by an entity, the appraisal includes an investigation of the availability and cost of the raw materials, power, labor, and services needed for production, and the prospects for marketing the product or service profitably.

In every case, it is necessary to ensure that satisfactory accounts will be maintained to permit effective controls over expenditures and revenues, and to disclose the financial position of the project and entity carrying it out. In every case, also, since the Bank finances only a part of the investment cost of a project, it is necessary to ensure that funds from other sources are available on acceptable terms to meet the balance of the cost. This may be relatively simple where the government is able, without difficulty, to provide the rest of the necessary funds from budgetary sources; or it may be complicated, as in a project to expand or modernize a revenue-earning concern, where all the financial requirements of the concern during the construction of the project must be considered.

The financial appraisal also evaluates the earning power of revenue-producing investments from the standpoint of the entity, industrial sponsor or other investor who would make them, in order to ascertain that it is sufficiently attractive to warrant their participation. Establishing that the entity carrying out the project is in a position to manage its business in a cost-effective fashion, is another important aspect. Further, many of the entities which are beneficiaries of a Bank loan or IDA credit need to expand continuously to serve their development function. An essential purpose of the financial appraisal in these cases is to determine that such entities are able, through adequate earnings, to mobilize internally and/or externally the resources necessary for their growth.

TERMS OF LENDING

In the light of the projections and findings as a result of the investigation of the various appraisal aspects, arrangements are made, as necessary, to ensure the achievement of the objectives of the loan or credit, and to protect the Bank's or IDA's investment.

Bank Loans

The Bank normally makes medium- or long-term loans, with the principal repayments beginning at the end of a period of grace and thereafter spread over the remainder of the life of the loan. In establishing the length of its loans and the grace period, the Bank follows the principle that the terms should be related to the characteristics of the particular project, adjusted in appropriate cases to the prospective balance-of-payments and external-debt situation of the borrowing country. Normally, the grace period is designed to run until the project becomes operational and starts to yield economic benefits, while the calculation of the amortization period takes into account the estimated useful life of the project.

The rate of interest charged by the Bank on its loans is kept as low as is compatible with the need to maintain the Bank's financial strength and

reputation. In determining the rate, due regard is given to the trend of the Bank's earnings; the maintenance of an adequate ratio of Bank earnings to interest requirements on funded debt; the maintenance of a reasonable rate of return on capital and reserves; and the accumulation of adequate reserves. The standard rate for Bank loans at the end of 1973 was 7¼ percent per annum.¹

Interest on Bank loans is charged only on that part of a loan which has actually been disbursed. To compensate the Bank for the cost of holding funds pending their disbursement and to encourage borrowers to draw down loans promptly, a commitment charge is normally made on the undisbursed portion of a loan. This charge is now ¼ of one percent per annum and accrues from a date 60 days after the date of the loan agreement.

For all but one type of borrower, the terms of a loan are fixed at the time the loan is approved and remain unchanged throughout its life. The exception is a loan to a development finance company—a financial intermediary whose principal function is to provide medium- and long-term finance for investment in productive enterprises. Amortization is normally arranged to conform substantially to the aggregate of the amortization schedules of the loans made by the company using the Bank's money. A loan to a new development finance company—one which has not been able to build up its business to an adequate level may carry a commitment charge only from the dates the finance company itself commits funds to its borrowers.

IDA's Credits

In keeping with its directive to provide finance "on terms which are more flexible and bear less heavily on the balance of payments than those of conventional loans," IDA's development credits, to date, have virtually all been for a term of 50 years and have been interest free. There has been no commitment charge. A service charge of ¼ of one percent per annum to meet IDA's administrative costs is payable on the principal amount withdrawn and outstanding. The credits have carried grace periods of 10 years before repayment has to begin. Thereafter, one percent of the credit is repayable annually for 10 years and three percent annually for the final 30 years. The only exceptions made to these terms, as of December 31, 1973, were 15 small credits totaling \$17.1 million for technical assistance and engineering (project preparation). These credits were for a period of normally 10 years, with repayment due to begin after grace periods ranging from two to four years.

It was not intended that the concessionary terms of IDA's financing should result in the extension of financial subsidies to the actual projects on which IDA funds would be employed, or that IDA funds should be used to finance a project which could not satisfy normal criteria of economic and financial viability. Accordingly, when IDA finances a revenue-

¹On August 1, 1974, the Bank's lending rate will be increased to eight percent per annum for future loans.

producing project, the credit is extended to the government which then relends it for the project on more conventional terms. This has the effect of providing the government with the balance-of-payments relief intended, while avoiding any relaxation of the financial discipline required in the execution and administration of the project itself.

Formal Negotiations

If, after thorough investigations, the Bank is satisfied that a loan or credit can be made to the applicant country, and that the proposed project is suitable for financing, the potential borrower is invited to begin formal negotiations. Since most of the problems should have been settled during the course of the economic analysis and project appraisal, it is usually possible to complete these negotiations within a few days. When agreement has been reached on the project and on the terms and conditions of the financing, the loan or credit agreements and supporting documents are presented to the Executive Directors, together with the recommendation of the President, for their approval.

After approval by the Executive Directors and the signing of the loan or credit agreement, a further period elapses before the agreement becomes effective. The coming into effect of the agreement depends upon the fulfillment of certain prescribed conditions. Only after the agreement has become effective can the disbursement of funds begin.

Types of Expenditure Financed

Normally, a Bank loan or IDA credit provides foreign exchange for expenditures on imported goods and services required for the execution of a project. These include the foreign-exchange element represented by the imported component of domestically produced goods and foreign expenditures under civil-works contracts with local contractors.

The Articles of Agreement also permit the Bank in "exceptional circumstances" (IDA in "special circumstances") to lend foreign exchange to finance local expenditures. The circumstances justifying this kind of lending are typically those in which a country needs more funds for its development than it can provide from its own savings or from loans from external sources other than the Bank, and where these additional funds cannot be effectively transferred by lending only for imported goods and services required by high-priority projects.

The ability to finance local expenditures thus provides an element of flexibility, enabling the Bank and IDA to lend for projects of greatest benefit to the country's development, even though the foreign exchange requirements for these projects may be small. A decision whether to finance local expenditures, and to what extent, is made in the light of the particular circumstances prevailing in the country and the nature of the project to be financed.

Close scrutiny is made of requests for the reimbursement of expenditures incurred on projects before financing has been approved by the

Executive Directors. In those cases where some reimbursement of past expenditure is agreed to, the amount is usually relatively small. It is confined normally to expenditures on studies, preliminary engineering and other work essential for the preparation of the project, or for preliminary work such as site clearing and construction of access roads necessary for the project to be started promptly. Reimbursement for past expenditures for construction work, equipment or similar items forming the main items of expenditure on the project itself requires special justification.

METHODS OF PROCUREMENT

The Bank and IDA are required by their Articles of Agreement to ensure that the proceeds of their loans and credits are used with due attention to economy and efficiency. Though responsibility for project execution rests on the borrower or other entity specifically concerned, the Bank has a direct interest in seeing that the resources it provides are used in accordance with its Articles.

The action taken by the Bank with respect to the procurement procedures to be followed in the execution of projects depends very much on the circumstances, particularly on the nature of the project, and the way in which the Bank's financing is applied. In general, three considerations come to bear:

1. The need for economy and efficiency in procurement.
2. The Bank's interest, as a cooperative institution, in giving all its member countries, developed and developing, an opportunity to compete in providing goods and services financed by the Bank.
3. The Bank's interest, as a development institution, in encouraging the development of local contractors and manufacturers in the borrowing country.

The Bank has found that, in most cases, these needs and interests can best be reconciled through international competitive bidding, properly administered and with a suitable allowance for preferences for local or regional bidders, where appropriate. Normally, therefore, the Bank requires its borrowers to obtain goods and services (other than consultant services) through international competitive bidding open to manufacturers and contractors in all of its member countries and Switzerland.

Manufacturers and contractors located in the borrowing country are allowed to participate in the international competition. In the comparison of foreign and domestic bids for goods, the Bank accepts the principle that a degree of protection for the domestic bidder may be appropriate to stimulate the growth of local industries. However, in order to prevent undue advantage for the local bidder who may be protected by the existence of high tariffs on imported goods, the Bank and IDA normally allow a margin of preference for locally manufactured goods of 15 percent as compared to the CIF cost of competing imports or the actually prevailing import tariff rate, whichever is lower. In the selection of a contractor for

civil works, domestic contractors in countries with a per-capita income of less than US\$200 are presently afforded a margin of preference of 7½ per cent.

There are, however, a number of cases where international competitive bidding may not be appropriate for certain elements of the project or in special cases for the entire project. In these cases, other methods of procurement are used, but in each case the choice of the method to be used is determined in agreement with the Bank and in accordance with the considerations of economy and efficiency called for by the Articles. The exceptions include the following types of cases:

1. The character, size, location, or amounts of the civil works to be constructed or equipment and materials to be purchased are such that international competitive bidding is unsuitable and uneconomical, and other methods of procurement (e.g., local competitive bidding or normal government procedures) are more appropriate.
2. The needs for compatibility and standardization of the new with existing equipment or for early delivery sometimes require procurement from the original supplier or a limited number of qualified suppliers of similar equipment.
3. The equipment is proprietary in character (i.e., available from only a single manufacturer). Exceptions (2) and (3) usually are limited to only a small part of the procurement under a project.
4. The project consists essentially of the provision of funds to a financial intermediary for relending. In these cases, the funds are expended by a large number of subborrowers over a period of years for a variety of items, and international competitive bidding is not feasible.

In any event, the Bank satisfies itself that requests for exemption from international competition are justified, that the goods and services to be contracted are suitable for the project, and the terms of the contract are reasonable. Bidding procedures and the recommendation for the award of the bid are the responsibility of the borrower, subject only to review by the Bank with regard to the suitability of the goods or services and the reasonableness of the terms of the contract.

SUPERVISION AND DISBURSEMENT

The interest of the Bank in a project does not end when finance has been agreed and the necessary documents have been signed. Effective execution of the project is essential, if its developmental benefits are to be realized, and the Bank has a continuing concern with this process. Problems inevitably arise in the execution of projects, especially those involving large-scale and complex construction. Early warning of difficulties makes it possible to discuss solutions with the borrower in good time. In this way, a number of obstacles to the successful accomplishment of a project can be avoided or quickly overcome.

Accordingly, the Bank requires records to be kept and regular reports to be submitted on the progress of projects which it finances. While the form and detail of these reports vary, the information required is of a kind which any prudent businessman would want.

Reports from the borrower are supplemented by periodic visits to the project by members of the Bank staff. On these visits, staff members examine the work being done, scrutinize the accounts of the borrower, observe the use and maintenance of goods and equipment purchased with the loan or credit proceeds, and satisfy themselves that the management and administration of the project are satisfactory.

Problems arising in the course of implementing a project are discussed and solutions jointly explored. Changes in the specifications of a project are sometimes found necessary and are mutually agreed upon. Such changes, and also changes in financial conditions affecting wages and prices, may increase the cost of the project beyond the amount originally forecast. In this case, the borrower and the Bank will consult, as appropriate, on the measures that need to be taken to provide the extra funds and so assure completion of the project.

In keeping with the policy of carefully scrutinizing how its money is used, the Bank disburses funds only as expenditures are incurred for specific goods and services. By means of this procedure and the reporting system described above, it is possible to follow each item financed from the placing of an order to the delivery of the item and its actual use in the borrowing country. Disbursements are made on receipt of satisfactory documentation. Normally, this will provide evidence that the goods or services to be financed are covered by the loan or credit agreement, and that they are reasonable in cost and of proper quality.

When the required documents have been received, the borrower is provided with the currencies he has agreed to pay to his supplier or contractor, except that expenditures in the local currency of the borrower are reimbursed in a convertible currency. The particular currency needed by the borrower is obtained by the Bank either out of its own holdings of that currency or by purchasing it with other currencies.

In the first of these two instances, a Bank loan is repayable in the currency provided to the borrower; in the second instance, in the currency used to buy the currency furnished to the borrower. In the case of IDA, a credit is repayable in a convertible currency agreed with the borrower in an amount equivalent to that originally provided. With all loans and credits, a strict procedure is adopted to ensure that amortization, interest and other charges are paid punctually.

A detailed listing of the number of Bank loans and IDA credits by country appears in Appendix B.

AUDIT AND EVALUATION

The Bank and its affiliates have the responsibility of providing assurance to its shareholders and creditors that resources provided by them are adequately protected and are achieving desired results. This assurance is provided through audit and evaluation in five main areas:

1. financial accountability;
2. compliance with applicable policies and procedures;
3. reliability and adequacy of internal management information systems;
4. effective and efficient use of resources;
5. evaluation of the results of operations.

To achieve this, the Bank and its affiliates undertake a continuous program of independent examination and review of their activities from both outside and within their organizations.

An international firm of independent accountants and auditors is retained annually by the Bank and its affiliates to examine and to report on their financial positions and results of operations as reported in published financial statements. In addition to these services, the Bank maintains a substantial internal capability for audit and evaluation which is organizationally independent from units directly responsible for financial, administrative, lending, and other activities. This capability is centered in an Internal Auditing Department and an Operations Evaluation Department under a Vice President who has no other direct operational responsibilities.

The basic difference between the work of the two departments is one of emphasis rather than coverage, as both departments have unrestricted access to all activities of the Bank and its affiliates. In Internal Auditing the emphasis is on internal controls and related systems and procedures used in conducting and managing operations, whereas in Operations Evaluation the emphasis is on the economic impact of operations and their contribution to development. In carrying out their responsibilities both departments seek (a) to improve performance by identifying possible means of improving the efficiency and effectiveness of operations and of use of resources; and (b) to measure whether programs and activities meet stated objectives and are being conducted in accordance with applicable policies and procedures.

Internal Auditing

Internal auditing in the Bank and its affiliates has the overall objective of assisting all levels of management in the effective discharge of their responsibilities by furnishing them with independent and objective audits and appraisals of financial, administrative, accounting, and other activities. With the primary emphasis on controls, internal auditing is concerned with reviewing and appraising their soundness, adequacy and application, and in promoting effective control at reasonable cost. In addition

to being concerned with the effective utilization of resources, compliance with policies and procedures and with other means of protecting the interests of the Bank and its affiliates, internal auditing seeks to determine the reliability and validity of accounting, financial and other data used by management. Findings and recommendations developed during each audit are reported to the department concerned and to senior management to alert them to matters needing improvement. In its work, the auditing and reporting standards applied are those generally accepted by the accounting profession.

Operations Evaluation

In the course of its supervision work and dialogue on economic matters with member countries, the Bank accumulates a good deal of experience which it tries to apply in subsequent operations either directly or after special reviews of the policies or programs affected. Within about a year of the completion of loan/credit disbursements, projects supported by the Bank and IDA are briefly reassessed by the Operations Evaluation Department in the light of history up to that time and taking current prospects into account. The purpose is to determine whether the objectives, on the basis of which the financial commitment was made, are being achieved and what the reasons are for any deviations. Particular attention is given to any modifications in the project or in its institutional structure that resulted from the Bank's advice. Individual projects or groups of projects are sometimes selected for deeper evaluations, designed to identify more fully their impact and that of the Bank in its assistance to them, and to reconsider more broadly how far the original objectives were correct and how, with hindsight, they might have been improved. Systematic reviews are also carried out, on a selective basis, by the same department, of the application of Bank policies regarding the management and use of its resources, and its lending procedures and standards, with a view to assessing their efficiency and effectiveness in the light of experience. Suggestions that emerge from these various types of studies are discussed with the operating departments involved and follow-up reports are produced, reviewing their responses and the pertinent actions taken.

Joint Audit Committee

The activities and work programs of the two departments are subject to review by a Joint Audit Committee consisting of six Executive Directors. This Committee has the responsibility of satisfying itself that the internal audit and operations evaluation activities of the Bank and its affiliates are adequate and efficient. It also has the responsibility each year to nominate for Executive Directors' approval a firm of independent accountants to serve as auditors for the coming fiscal year. Meetings are held with representatives of the selected firm to discuss the scope of its examination, to review the audited financial statements and to consider its findings and recommendations.

The Committee serves as a focus for consideration by the Executive Directors of the financial control and operations evaluation procedures of the Bank and its affiliates. Its review of audit and evaluation activities and related discussions with responsible officials and the external auditors provide a continuing channel of communication to all the Executive Directors and help to assure them that the financial affairs of the Bank and its affiliates are being properly conducted. The Committee reports annually to the Executive Directors on its discussion with the independent auditors and on the results of its review of the internal audit and operations evaluation, submitting conclusions and recommendations as appropriate.

COORDINATION OF DEVELOPMENT ASSISTANCE

Effective coordination among multilateral and bilateral donors¹ of assistance, and between donors and recipient countries, is an important element in the development effort. It can help to assure that donors are supporting consistent development goals, and that financial and technical aid from different sources is applied efficiently to priority requirements. It can also facilitate better planning and execution by the developing countries, and so enable them to use assistance more productively.

AID COORDINATION GROUPS

The Bank has taken the lead in forming groups to coordinate the flow of financial and technical assistance to individual developing countries. Aid coordination groups provide a forum, in which a country may regularly inform donor governments of its problems and aspirations, and in which donor governments can exchange information about their respective programs and activities in the recipient country. They help to maintain a flow of aid to recipient countries; to coordinate the flow of external finance and technical assistance from different sources; and to facilitate its efficient channeling with a view to meeting recipients' priority needs. Coordination groups help to bring to light deficiencies or difficulties in recipients' economic performance and to assist in remedial actions. They also provide opportunities for mitigating the problems associated with aid tying and suppliers' credits.

The first aid coordination group was organized by the Bank in 1958, when interested donor governments and institutions joined in a Consortium to pledge emergency financial assistance to India. This was followed, in 1960, by a similar Consortium for Pakistan. For certain other developing countries the Bank has organized Consultative Groups which serve the same basic purposes as the Consortia, but do not endeavor to arrive at formal commitments of assistance on the part of the member governments. Specific aid commitments are negotiated bilaterally between the recipient and each donor.

By December 1973, the Bank was chairman of 16 aid coordination groups organized to assist the following countries: Colombia, the East African Community (Kenya, Tanzania, Uganda), Ethiopia, Ghana, India, Korea, Morocco, Nigeria, Pakistan, Peru, the Philippines, Sri Lanka, Sudan, Thailand, Tunisia, and Zaire. The Bank also participates in meetings of aid coordination groups, organized under other auspices, for Indonesia and Turkey. Twenty-six aid-providing countries have been associated with one or more of the Bank-sponsored coordinating groups.

Where appropriate, regional development banks and other international organizations, such as the Development Assistance Committee (DAC) of the Organization for Economic Co-operation and Development

¹In this section, the term "donor" means a government or intergovernmental organization which provides technical and/or financial assistance by way of grants or loans.

(OECD), the European Investment Bank (EIB) and the European Development Fund (FED) of the European Economic Community (EEC), and the Kuwait Fund for Arab Economic Development are also participating agencies. UNDP and IMF participate in all the Bank-sponsored groups.

In the Western Hemisphere, the Organization of American States has developed a regional system for reviewing country economic performance and problems as well as requirements for external assistance through its Inter-American Committee on the Alliance for Progress (CIAP). The World Bank and the Inter-American Development Bank, the International Monetary Fund, and USAID are closely associated with CIAP in this effort. The participating organizations coordinate their roles through an Inter-Agency Advisory Group which does preparatory work for the CIAP country reviews, thus strengthening and improving the program. The Bank's economic and other reports are part of the documentation for these reviews, and are also used by the CIAP Secretariat as background and supporting material.

Conditions and Responsibilities

The following conditions must be met before the Bank will take the initiative to establish an aid coordination group:

1. The country is receiving substantial external aid from several sources and there is *prima facie* need for coordination.
2. Both the recipient government and the aid-givers representing the bulk of external financing to the country agree that the Bank should organize some sort of coordinating machinery.
3. There are reasonable prospects that the Bank or IDA will itself be in a position to provide financing for the country's development.
4. A sufficient volume of projects can be expected to be forthcoming (with the help of technical assistance in project preparation if necessary) to provide an adequate vehicle for external assistance.
5. Governmental machinery should be in existence offering reasonable prospects that coordination can have constructive results.

The Bank's participation in groups organized by others depends on whether, in its judgment, these conditions (other than (2)) are met.

The Bank assumes several responsibilities in relation to coordination groups of which it is chairman or in which it participates. On the one hand, the Bank attempts to provide information and objective analysis, based on extensive field work, to assist donor countries in their deliberations. On the other hand, it assists the developing country, wherever possible, to assess needs and to use assistance effectively. It makes periodic comprehensive reports on the recipient country's development possibilities, problems and performance. It comments on the country's own estimate of aid requirements, and makes recommendations concerning the type and terms of aid which seem appropriate. When requested to do so, the Bank assists the recipient country to prepare or revise its development program, and advises on problems of execution. It may also

help the government to identify projects, arrange feasibility studies, determine major or key preinvestment technical assistance requirements, and establish priorities for investments.

The functions and mode of operation of Bank-sponsored coordinating groups may vary considerably from one country to another, and their role is evolving with time and experience. The Bank's approach has been pragmatic; varying techniques have been used as the different and changing circumstances of particular countries have required. In the Bank's view, it would be unwise to force all aid coordination activities into any particular predefined format.

Experience has shown the usefulness of regular meetings of local representatives of the principal aid donors and the recipient government. Some of these local coordination meetings are organized and chaired by the recipient government, others by local representatives of international organizations. In all cases, the Bank is willing to help prepare them and carry them out.

CO-FINANCING

Joint action can be useful for an individual project as well as for a national economy. On many occasions the World Bank has joined with other lenders in financing specific projects. Since 1969 alone—for example, the Bank has joined with Sweden in providing finance in 17 cases, including projects in Bangladesh, India, Ethiopia, Kenya, Tanzania, and Tunisia; with Canada for 15 projects, including projects in Bangladesh, India and Botswana, and other countries in Eastern and Western Africa and in the Western Hemisphere; with France for 24 projects in Africa; with the United States for 14 projects, *inter alia*, in Indonesia, Turkey and several countries in Africa; and with the aid agencies of Germany (six cases), Japan (two cases), Norway (two cases), and the United Kingdom (eight cases) for projects in various countries in Africa, Asia, Latin America, and the Caribbean.

The Bank has also financed projects in a number of Latin American countries, including Brazil, Colombia and Mexico, with the Inter-American Development Bank; in Indonesia and Thailand with the Asian Development Bank; in the People's Republic of Congo, Liberia, Malawi, and Somalia with the African Development Bank; and in Jordan, Sudan, Tunisia, and Yemen Arab Republic with the Kuwait Fund for Arab Economic Development.

Three projects, in Ivory Coast, Somalia and Turkey, were financed together with the European Development Fund of the European Economic Community, and two projects, in Senegal and Turkey, together with the European Investment Bank. Examples of larger projects which the Bank has financed jointly with other lenders are the Volta River power and aluminum project in Ghana, the Pusri fertilizer project in Indonesia, the Las Truchas steel project in Mexico, the Kainji Dam in Nigeria, and the Roseires Dam and irrigation project in the Sudan.

Bank-Sponsored Aid Coordination Groups
December 31, 1973

AID GROUPS	Australia	Austria	Belgium	Canada	China	Denmark	Finland	France	Germany	India	Israel	Italy	Japan	Kuwait	Luxembourg	Netherlands	New Zealand	Norway	Romania	Spain	Sweden	Switzerland	United Arab Emirates	United Kingdom	United States	Yugoslavia	ADB	AsDB	EEC	EIB	IMF	UNDP	IDB	DAC/OECD	CIAP	ICO			
<i>Consortia</i>																																							
India																																							
Pakistan																																							
<i>Consultative Groups</i>																																							
Colombia																																							
East Africa																																							
Ethiopia																																							
Ghana																																							
Korea																																							
Morocco																																							
Nigeria																																							
Peru																																							
Philippines																																							
Sudan																																							
Thailand																																							
Tunisia																																							
Zaire																																							
<i>Other</i>																																							
Sri Lanka																																							
Indonesia ¹																																							
Turkey ²																																							

Other Aid Coordination Groups in which Bank Participates

¹ Intergovernmental Group for Indonesia sponsored by the Netherlands.

² OECD-sponsored Consortium.

x = Member.

o = Observer.

p = Participating International Agency.

The Bank and IDA also joined with governments of eight countries to form the \$1,200 million Indus Basin Development Fund, which was set up in 1960 to finance the construction of irrigation and other works in Pakistan consequent upon the settlement of the dispute between India and Pakistan over the sharing of the waters of the Indus Basin. The main charge on the Fund was the cost of constructing the Mangla Dam on the Jhelum River, together with link canals and associated barrages. In May 1968, the World Bank and six countries established the Tarbela Development Fund to complete arrangements for financing the Tarbela Dam and power house on the Indus River.

Where Bank or IDA lending and official long-term development assistance on concessional terms from bilateral sources are combined to finance a project, the Bank often acts on behalf of all co-lenders in preparing the project as well as in supervising its implementation. In some cases of co-financing with official bilateral assistance, the bilateral funds can be used for purchases in many countries as freely as Bank or IDA funds. In these cases, all goods and services are procured after international competitive bidding, and each contract is financed *pro rata* from the several sources of funds. In other cases, funds from a participating country are available only to finance contracts placed in that country, either after international competitive bidding or from a separate list of goods and services that has been agreed among the parties in advance.

In a number of cases in the past, the Bank has also provided joint financing for large revenue-earning projects in conjunction with bilateral export credit agencies offering funds on commercial terms. In such cases, the Bank has played a major role in initiating, organizing and supervising the joint financing process which involved, in essence, arranging for export credit agencies to provide, on commonly agreed appropriate terms, an agreed share of the financing for a common list of goods and services to be procured under international competitive bidding.

In other instances, the Bank and the export credit agencies have each financed different lists of goods and services, with bidding on the list earmarked for bilateral financing open only to manufacturers or contractors whose countries had agreed in advance to provide credit on acceptable terms. In these cases, the borrowing country retained full responsibility for negotiating the bilateral credits and awarding contracts thereunder, and in particular reserved the right to take credit terms into account in the contract adjudication. The terms of bilateral financing have varied widely as to interest rates, period of grace and amortization.

Bank-Sponsored Aid Coordination Groups
December 31, 1973

AID GROUPS	Australia	Austria	Belgium	Canada	China	Denmark	Finland	France	Germany	India	Israel	Italy	Japan	Kuwait	Luxembourg	Netherlands	New Zealand	Norway	Romania	Spain	Sweden	Switzerland	United Arab Emirates	United Kingdom	United States	Yugoslavia	AMDI	ASDI	EFC	EIB	IMF	UNDP	IDB	DAC/OECD ¹	CIAP	ICD			
<i>Consortia</i>																																							
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Peru																																							
Philippines																																							
Sudan																																							
Thailand																																							
Tunisia																																							
Zaire																																							
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Sri Lanka																																							
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Turkey ²																																							
<i>Other Aid Coordination Groups in which Bank Participates</i>																																							
Yugoslavia																																							
United States																																							
United Kingdom																																							
United Arab Emirates																																							
Switzerland																																							
Sweden																																							
Spain																																							
Romania																																							
Norway																																							
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CONSULTATIVE GROUP ON INTERNATIONAL AGRICULTURAL RESEARCH

In May 1971, a Consultative Group on International Agricultural Research (CGIAR) was established under the sponsorship of the World Bank, FAO and UNDP. By December 31, 1973, in addition to the cosponsors, membership consisted of 13 donor governments (Australia, Belgium, Canada, Denmark, France, the Federal Republic of Germany, Japan, the Netherlands, Norway, Sweden, Switzerland, the United Kingdom, the United States), other governments representing each of five developing regions of the world, the Ford, Kellogg and Rockefeller Foundations, the African Development Bank, the Asian Development Bank, the Inter-American Development Bank, the European Economic Community, and the International Development Research Center. The Bank is Chairman of the Group and provides its Secretariat.

CGIAR was formed to mobilize financial support for international agricultural research efforts intended to raise the production of crops and animals on which the developing world depends for most of its food supply. The Group explores major new areas of possible investigation, taking account not only of technical but also of ecological, economic and social factors. Its objectives include helping to synchronize national and international agricultural research efforts; encouraging the application of research results in national programs; and discussing the financial requirements for high-priority international and regional research activities over a long period of time, keeping in mind the special needs of the developing countries.

The Centers

The Group is supported by a Technical Advisory Committee (TAC) consisting of 13 experts with wide experience in the agricultural problems of developing countries. The committee is responsible for advising the Consultative Group on the principal gaps in agricultural research, on the international and regional programs which deserve priority, and on the ultimate levels of financial support for the international agricultural research centers. At present, members of the Group are supporting 10 international research efforts. Six of these are the responsibility of institutions carrying out fundamental research on major crops, and some are additionally concerned with farming systems in their respective ecological areas. The institutions are: the International Maize and Wheat Improvement Center (CIMMYT) in Mexico; the International Center of Tropical Agriculture (CIAT) in Colombia; the International Potato Center (CIP) in Peru; the International Crops Research Institute for the Semi-Arid Tropics (ICRISAT) in India; the Institute of Tropical Agriculture (IITA) in Nigeria; and the International Rice Research Institute (IRRI) in the Philippines.

The centers exercise care that their programs are of a complementary rather than competitive nature. Each conducts research in crops or pro-

duction systems that promise improvement over broad regions of the developing world, and each has an international board of trustees and staff.

IRRI and CIMMYT date back to efforts begun in the 1940s. CIMMYT developed the new high-yielding strains of wheat, and IRRI the new strains of high-yielding rice which, as further adapted by local research, provided the basis of the so-called "Green Revolution" in the late 1960s.

So far, the "Green Revolution" has benefited mainly farmers who have regular irrigation water and can afford to buy fertilizer and other necessities. Each of the six crop centers is now engaged in trying to develop a package of varieties and cultivation methods which will directly benefit the small farmer who does not have access to these advantages.

Recent Initiatives

CGIAR also is supporting research activities to improve livestock production: CIAT in Colombia has programs concerned with cattle and swine, and two other centers are concerned with cattle production in Africa. The International Laboratory for Research on Animal Diseases (ILRAD) was established, in 1974, in Nairobi, Kenya, and discussions are in progress regarding the formal establishment of an International Livestock Center for Africa (ILCA) to be based in Ethiopia. ILCA will carry out cooperative research programs in the major cattle-producing countries of tropical Africa.

Finally, recent initiatives of the Group are leading to the establishment of a field-trials program of the West African Rice Development Association (WARDA) and of a network of plant gene collections for conserving biological material which will be of value in breeding plants with higher yields, better nutritional quality or greater resistance to disease and pests.

Members of the Consultative Group indicated that they intended to make a total of approximately \$34 million available for the centers' activities in calendar 1974. This amount is expected to include grants of about \$3 million by IDA from funds transferred to it out of the Bank's net income for fiscal 1973.

TECHNICAL ASSISTANCE

Technical assistance to member countries has become an integral part of the World Bank's activities. Many developing countries need assistance in identifying and preparing projects. They may also require help in carrying out many other tasks essential to their development: analyzing their economies, formulating appropriate development policies, establishing effective development institutions, preparing investment programs, studying sector development, determining project and other priorities, testing the feasibility of individual projects or finding solutions to particular problems. The Bank has given assistance on all these and other matters over the years.

Most of the Bank's technical assistance is provided in the normal course of financing activities. Advice on project preparation, for example, is frequently given by staff members during the examination of projects for which applications for finance have been received. This advice may relate to any matter affecting the successful execution and operation of a project, from the design of a plant to the arrangements for the project's management and organization.

Where the Bank believes that outside assistance is required, it normally suggests to the prospective borrower that proper technical services should be obtained from consulting engineers or other appropriate sources. In such instances, as indicated on page 46, the Bank stands ready to help the borrower to choose suitable consultants and to draw up terms of reference. When finance is finally agreed for a project, an amount may be included to reimburse the expert advice involved, both during the planning and execution stages. Finance may also be included to cover the cost of feasibility studies for related future projects. For example, in the fiscal years 1972 and 1973, loans and credits having a clearly identifiable technical assistance component, aggregating \$3,724 million (out of combined financing for the two years totaling \$6,374 million), included \$161 million for technical assistance. Of this amount, \$96 million was for the services of experts and consultants, \$44.4 million for feasibility studies, and \$20.3 million for training and overseas fellowships.

In addition, the Bank has provided, either on request or on its own initiative, a variety of assistance to member countries not immediately connected with loan operations. This assistance has been confined to fields where, because of its character as a development finance institution and the operational experience of its staff, the Bank could be considered to have particular qualifications or particular reasons for providing help, especially in cases where its assistance might be expected to facilitate new capital investment in high-priority projects.

The Bank has a small team of advisers in the International Relations Department who provide technical assistance to member countries regarding the appropriate machinery for the formulation and execution of development plans and programs. This assistance may include advice on

the choice of planning systems, the distribution of planning functions, the role, organization and location of a central planning organization, regional and local planning, planning machinery for project preparation and review, and the design of training programs for those concerned with planning. This staff also is responsible for implementing those projects of the United Nations Development Programme (UNDP) in this field, for which the Bank has been designated Executing Agency (*see below*).

From time to time, the Bank assigns resident planning advisers to member countries at their request.

PREPARING HIGH-PRIORITY PROJECTS

In many developing countries, particularly the Bank's newer members, there is a shortage of well-prepared, high-priority projects ready for financing. The Bank has, therefore, been giving technical assistance to project preparation and to the earlier step of project identification. Principal among the varying techniques which it has employed are sector and feasibility studies organized under cooperative arrangements with FAO, Unesco, WHO, and UNIDO, and by the Bank's regional missions in Africa and its Resident Staff in Indonesia. A good deal of project identification assistance is provided informally, through Bank economic missions, resident advisers, or in the course of the appraisal and supervision of other projects.

Sector and Feasibility Studies

A "sector study" is an analysis of the whole or part of a particular sector of the economy, e.g., transport or power, with a view to drawing up a coordinated investment program for that sector and identifying projects within it. The study may be countrywide; it may be limited to a region within a country; it may cover the given sector throughout a region embracing several countries. A "feasibility study" determines whether projects which have already been identified are technically feasible and economically justified. A common characteristic of these studies is that, unlike most other kinds of technical assistance provided by the Bank, they usually have been carried out by independent consultants, under Bank supervision. Some of the studies have been financed by the Bank, others by the UNDP, for which the Bank has acted as Executing Agency.

Bank-Financed Studies

The Bank has been financing the foreign exchange cost of sector and feasibility studies since 1961. Its policy is to give the UNDP first opportunity to consider all requests for financial assistance for such studies, since the UNDP is the member of the United Nations family specifically concerned with the financing of preinvestment studies. Unless the circumstances are exceptional, it has been the Bank's practice to undertake a sector or feasibility study only where there is a reasonable prospect that it will lead to financing by the Bank or IDA, or within the framework of an aid coordination group with which the Bank is associated. The Bank also

requires evidence of the interest of the country concerned, at least through a contribution to the local currency costs of the study.

While initially the Bank made grants for such studies, it now finances on a grant basis only in exceptional cases and only when a Bank contribution of no more than \$200,000 is sought. When larger amounts are involved, if UNDP financing or grant financing from other sources is either not available or is inappropriate, the cost can be included in a project loan or credit, or can be met by a technical assistance or engineering loan or credit exclusively for that purpose. In the latter case, if the project covered by the study is subsequently financed by the Bank or IDA, any balance outstanding on the technical assistance or engineering loan or credit may be incorporated in the new project loan or credit. Recently, the Bank has made several loans for preinvestment and technical assistance activities.

As of December 31, 1973, the Bank had financed on a grant basis 48 studies, allocating for this purpose \$15.3 million. Most of these grants were for sector and feasibility studies, but several have financed assistance to strengthen particular government institutions or organizations that have an essential role in development. Forty-five of these grant-financed studies had been completed by that date.

UNDP Studies with Bank as Executing Agency

The UNDP finances the foreign exchange costs of preinvestment studies on a grant basis, but usually does not itself carry them out. Instead, it makes use of the United Nations and the specialized agencies to administer studies for which it provides financing. A request that the Bank serve as Executing Agency may originate with the UNDP or with the country applying for UNDP assistance. Normally, the Bank's willingness to serve as Executing Agency depends upon the role it thinks it could usefully play in the country concerned and upon the availability within the Bank of the knowledge and technical competence required for organization and supervision of the study. When the Bank does serve as Executing Agency, it helps to draw up the Project Documents for the study, negotiates the terms of reference with the government and the UNDP, employs the consultants, supervises the field work, and reviews the consultants' report.

The Bank first served as Executing Agency in 1959 for a study of the power sector in Argentina. Through December 1973, it had been Executing Agency for 154 UNDP studies for which the UNDP had allocated \$110 million. Eighty-seven of these studies had been completed by the end of 1973. Of the Bank-executed studies, 69 had led directly to Bank loans or IDA credits totaling \$1,920.9 million, primarily for road and power projects. These and other Bank-executed UNDP studies have contributed indirectly to an additional \$1,411.7 million of loans and credits. In addition, studies executed by other specialized agencies—FAO, WHO, Unesco, and the UN—have led directly to Bank loans and IDA credits of \$297.9 million.

As a result of an extensive review of its operations, UNDP began, in 1972, to base its assistance on three- to five-year programs, developed by each country, for utilizing UNDP resources expected to be available to that country during the programming period. While the new procedures have involved considerable change in working arrangements, the Bank has continued to coordinate its operations with UNDP and has adjusted its own methods to the new structure. The reorganization of the Bank's operational departments along regional lines since 1973 has facilitated closer contact between the two agencies, both at headquarters and in the field.

ECONOMIC STUDIES, RESEARCH, AND PUBLIC INFORMATION

A major part of the Bank's economic work is performed, on a continuing basis, in connection with the country and sector economic reports which form the background for the Bank's lending policies.

These reports give an analysis of the structure of a country's economy and its development objectives, and of the mobilization and allocation of domestic and external resources and their effective use in attaining those objectives. Within that context, special emphasis is placed on population, employment and manpower training, and such matters of special concern as the environment, regional economic imbalances, income disparities, health, nutrition, and housing.

Country Analysis

To facilitate country analysis and the preparation of up-to-date historical and projected national aggregates and balance-of-payments data, the Bank's system of country economic data and projections is improved continuously. This system includes national accounts data; socioeconomic data indicators; commodity (production, export, import, and price) information; and general capital flow and debt statistics. This information makes possible a consistent intercountry comparison, and provides a "global framework" of projections which will enable the World Bank better to program its financial resources, to anticipate overall growth patterns, and to make projections of total exports of major commodities and the likely levels of world trade and external financial resources for each country.

The Bank reviews the economic condition of a country annually, biannually or triannually, depending on an internal system of country classification. Normally, a country, in which the Bank has significant operations and in which the economy is undergoing rapid change, is reviewed more frequently than countries in which the Bank's lending program is smaller. The Bank has recently begun a program of publication of selected economic reports, which are available to the general public.

Reporting of Indebtedness and Capital Flows

To assist countries in their debt management and to monitor requirements and costs of external finance, the Bank collects information on external debt and lending. A reporting system, based on data from debtor countries which have received Bank loans or IDA credits, has been in operation since 1952. A system, based on data from creditor countries which are members of the Expanded Reporting System on External Lending operated jointly by the Bank and the OECD, was inaugurated in 1967. Additional elements of the reporting system are in the planning stage and relate to suppliers' credits and borrowing by developing countries in the Euro-currency market.

This worldwide reporting system provides the basis for projecting service payments on external debt for use by the Bank in appraising credit-

worthiness for future lending, and also supplies data for analyzing problems of indebtedness on a global scale. An extensive network of international cooperative arrangements for an exchange of information about external finance and debt is maintained by the Bank with individual governments, intergovernmental groups, the Asian, African and Inter-American Development Banks, the International Monetary Fund, and the OECD.

Much of this information is, of course, confidential, but a statistical compilation, called *World Debt Tables*, showing debt outstanding and past transactions by country and future service projections by area, is published annually.

The Bank also collects data on foreign and international bonds and equities in major capital markets. This system, which goes back to 1946, is a supplementary source of information on the funded debt of Bank member countries. It is also used by the OECD for its studies of capital markets.

Commodities Studies

Trends in the production, consumption and prices of primary commodities—agricultural products and minerals—have a major influence on the prospects of most of the Bank's developing member countries. The commodity situation and outlook for about 40 primary products which figure prominently in the exports of developing countries is, therefore, continuously reviewed by the Bank as a guide both to lending policies and to assessments of prospects, problems and creditworthiness of borrowing countries.

The Bank can play an important role by helping developing countries to diversify their economies and take advantage of the economic opportunities open to them. The heavy dependence on exports of primary products with poor market prospects presents a particularly difficult problem for the smaller and poorer countries with limited domestic markets. The Bank, therefore, in its lending and technical assistance programs generally emphasizes measures to:

1. limit Bank financing of new production of primary products facing inelastic demand to countries with few exports alternatives, in order to minimize adverse price effects on other exporting countries;
2. expand assistance to the "least developed" countries in evaluating comparative advantage and formulating industrialization policies;
3. expand assistance for research in agricultural production, marketing and end-uses;
4. increase support for economic integration and trade among developing countries;
5. devote greater attention to export policies in country economic work and to export potential in project analysis.

Recent analytical work on commodities has been increasingly addressed to examining issues of investment policy. Studies have dealt, for example, with the world markets for tea, cocoa, palm oil, and beef, and the outlook for Bank lending for those commodities.

In view of the world energy situation, Bank work on commodities includes a significant effort in petroleum market analysis. Several papers have dealt with the implications of increased petroleum prices. The world food and fertilizer situation is also being kept under constant review. Other recently published papers have been concerned with the tropical hardwood trade in the Asia-Pacific region, the international market for iron ore, and with the world demand for jute.

Economic Research

The Bank's program of economic research reflects its concern with a wide variety of economic and social problems. The program assists general country economic analysis and project and sector analysis by providing the necessary factual and conceptual basis and analytical techniques. It also helps to improve understanding of basic development issues and processes in a systematic way. Increasingly, the research is being conducted in collaboration with national research institutes in member countries so as to promote the exchange of ideas and experience, and to concentrate the effort on the most important issues.

The program at present consists of over 80 studies, covering a wide range of subjects. The latter include economic planning, income distribution, agriculture and rural development, international trade, industry, education, labor and unemployment, urbanization, regional development, transportation, and public utilities.

The program seeks to meet the priority needs for research in each of these areas. Special emphasis is being given to income distribution, employment, rural development, urbanization, and regional development. Several studies have been initiated recently in these areas and more are being prepared. They are designed to assist policy formulation and operations in a number of ways. They generate and interpret basic data, examine the impact of policy instruments in both general and particular equilibrium settings, evaluate programs and projects in member countries, and suggest techniques of incorporating objectives other than economic growth in designing the Bank's operations.

The program includes a significant amount of research on trade and industrial policies, and on economic planning in developing countries. Studies are being made of alternative incentive systems (such as tariffs, quotas and credit preferences), industrial capacity utilization and industrial planning. Several studies are being conducted on educational policy. The subjects include the interaction of educational policies with labor markets, methods of educational financing and design of rural education projects.

The studies begun earlier on highway-design standards and capital-labor substitution in road construction and civil works are continuing. They are intended to provide primary data of basic importance to the planning of highways and civil works, and have attracted great interest in a number of member countries. Further extensions of these studies are being considered.

Individual studies in the research program are described in a publication entitled *World Bank Group Research Program*, which first appeared in September 1972 and is issued annually.

Considerable attention has been given to making the results of the Bank's research more widely known. An international meeting of Directors of Development Research and Training Institutes was sponsored by the Bank and the Organization for Economic Co-operation and Development, in September 1972, in Belgrade to establish contacts and promote collaboration. The Bank has established a program for the regular exchange of research documents with development research centers.

PUBLIC INFORMATION

Disseminating information regarding international economic development and the World Bank's role in this effort, is the responsibility of the Department of Information and Public Affairs. One of its main functions is to explain Bank activities and clarify Bank policy to the public, and to provide a link to the press, academic communities, and professional and business circles in the Bank's member countries.

Publications Program

The Department supervises the publication and distribution of those Bank studies and papers which are made available to the public. Many of the Bank's studies are published as "Staff Working Papers." Selected monographs are published by The Johns Hopkins Press for the Bank as "World Bank Staff Occasional Papers." Studies and publications are listed in the *World Bank Catalog* which is published annually.

Information material of a more general nature includes such statistical publications as the *World Bank Atlas* and *Trends in Developing Countries*, as well as booklets on the impact and volume of World Bank lending in various parts of the world.

Special mention should be made of the *World Bank Annual Report* which gives an account of the Bank's activities on a global basis during each fiscal year, highlighting major achievements and policy trends, and including statistical sections and the Bank's financial statements.

Audiovisual

The World Bank maintains an extensive library of photographs on a wide range of projects which have been assisted by the Bank in its member countries.

A variety of radio tapes are supplied by the Bank to broadcasting stations throughout member countries. Included are specially tailored types of brief broadcasts produced to fit into established local program formats. The Bank also participates in cooperative television broadcasts from time to time.

More recently the Bank has started the production of slide shows and motion pictures. A short motion picture, *Development Is People*, illustrates

in brief expressive scenes the importance of people in the development process.

A Plague upon the Land, a color documentary produced in 1973 on location in Western Africa, depicts the ravages which the river blindness disease inflicts upon the citizens of seven nations in the Volta River Basin. The film was made in cooperation with WHO and FAO in support of efforts to provide international financial resources for a twenty-year program to control and eventually eradicate the disease from the region (see page 16).

Requests for information or inquiries regarding the availability of press releases, publications, radio tapes, and films should be addressed to the Department of Information and Public Affairs, World Bank, 1818 H Street, N.W., Washington, D.C. 20433, USA. Inquiries may also be addressed to the Bank's Paris Office, 66, avenue d'Iéna, 75116 Paris, France; and to the Tokyo Office, Kokusai Building, 1-1 Marunouchi 3-chome, Chiyoda-ku, Tokyo 100, Japan.

ECONOMIC DEVELOPMENT INSTITUTE

The Economic Development Institute (EDI) was established by the Bank in 1955 with some initial financial support from the Ford and Rockefeller Foundations. The Institute's aim is to improve the quality of economic management in developing countries by providing training for officials concerned with development programs and projects. The courses are designed to give the participants a working knowledge of techniques of development programming and project analysis that may be useful in handling the particular problems which confront them in their work. The curriculum aims at combining sound technique and practical considerations. The close link between the Institute and the World Bank provides the essential foundation in experience required for such an approach.

Courses Offered

In the first six years, the Institute offered an annual General Development Course of six months' duration dealing with programs and policies related to economic development. In 1962, a version of this course was also offered in French. To meet the growing need for training in project analysis, two general project evaluation courses covering several economic sectors were introduced in 1963, in English and in Spanish. The gradual increase in the number of Institute courses in the 1960s permitted the more intensive treatment of project analysis by courses focusing on individual sectors. The Institute is currently giving courses in agriculture and rural development; industry, agro-industry and development banking; education; urbanization, water supply and transportation.

General project analysis courses are given principally overseas, where they are appropriate as an introduction to project work for officials dealing with more than one sector. The Institute is also increasing the number of its courses given in French and Spanish, and expects to have the capacity to give all of its courses in these languages in due course.

The number of courses given annually at the Institute's headquarters has steadily increased from one in 1956 to 10 in 1973 and is expected shortly to reach a maximum of 12. The Institute has also embarked upon an expansion of its course programs given overseas in association with regional and national training institutions.

Overseas Activities

Overseas courses started in the 1960s on an *ad hoc* basis at the rate of one or two a year. They are currently proceeding at the rate of 18 a year with the prospect of significant increases in the future under a deliberate program of expansion. Overseas regional courses are conducted for officials from countries sharing a common linguistic or geographic background, and are cosponsored by regional or subregional institutions in Latin America, Africa, Asia, and the Middle East. National course programs are also undertaken in cooperation with governments or national training institutions, usually in the larger member countries of the

Bank. These overseas activities are associated with the training of teachers from cosponsoring institutions in the Institute's Washington courses.

Students and Staff

The 25 participants in each course are selected from a much larger number of candidates nominated by governments or public agencies in the developing member countries of the Bank. In selecting participants, weight is given to the candidate's experience in matters related to the course, his present position, his ability to profit from his work at the Institute, and his prospects for making a significant contribution to the development of his country. By December 31, 1973, 1,841 officials from 112 countries and dependent territories and 13 international organizations had participated in courses given at EDI.

At present the Institute has a full-time teaching staff of 16 members. Additional lecturers are appointed each year for periods up to six months to assist the regular staff in conducting some of the courses. The Institute also has in residence visiting lecturers selected because of their outstanding contributions to the field of economic development. Staff members of the Bank and the International Finance Corporation, including economists, engineers, lawyers, financial analysts, commodity experts, and country specialists, frequently conduct sessions when their special knowledge and experience are applicable. Specialists from other international organizations, government agencies, universities, and private concerns are often invited to lead sessions related to their fields.

The courses of the Institute emphasize discussion and the exchange of experience to supplement the lectures given by staff members and others. Case studies, special exercises and group problem-solving are features of the courses.

Libraries

With financial help from the Rockefeller Foundation, the Institute undertook, in the early 1960s, a project of providing a limited number of small libraries on economic development in English and French to countries where materials on economic development were not available. With technical assistance from the Centro de Estudios Monetarios Latinoamericanos (CEMLA) and with financial participation from the Inter-American Development Bank, the Institute has also distributed libraries in Spanish and Portuguese. The Institute continues to send out annually small supplements to assist in keeping the basic libraries up to date.

EDI Publications and Teaching Materials

In its early years, the EDI produced work related to Bank policy, no doubt filling a need at a time when the research and policy work of the Bank was less adequately staffed and organized than it is today. In the 1970s, it was recognized that the main orientation of EDI research and publication should henceforth be upon the material required for its own teaching. This policy was adopted formally in 1972, and has resulted in the

publication of 15 titles (of which three were translations) to date. This crystallization of teaching materials in written form is reducing the repetitive burden of teaching, and is an indispensable basis for course programs given or supported outside headquarters. The Institute is now increasingly in a position to package courses for use by teachers in its partner institutions.

International Finance Corporation

The International Finance Corporation (IFC) was established in 1956 as an affiliate of the World Bank, to assist less-developed member countries in furthering their economic development by encouraging the growth of productive private enterprise. IFC's activities supplement those of the World Bank. IFC has its own subscribed capital, amounting to approximately \$107 million, and is empowered to borrow funds from other sources, including the Bank.

IFC's aim is to further economic development by encouraging the growth of productive private enterprise in developing member countries. It provides equity and loan capital for private enterprises in association with private investors and management, encourages the development of local capital markets, and stimulates the international flow of private capital. In particular, it supports joint ventures which provide opportunities to combine domestic knowledge of market and other conditions with the technical and managerial experience available in the industrialized nations.

MEMBERSHIP AND ORGANIZATION

MEMBERSHIP AND VOTING RIGHTS

The Articles of Agreement of the International Finance Corporation are patterned on those of the Bank. Countries that are members of the Bank are eligible for membership in the Corporation. Voting rights in IFC are related to member countries' capital subscriptions in the Corporation, and with certain exceptions all matters before the Corporation are decided by a majority of votes cast. Each member has 250 votes, plus one for each \$1,000 of capital stock subscribed. By June 30, 1973, IFC had 98 members. Details of members' subscriptions and voting power are given on page 79.

A government may withdraw from the IFC at any time, or it may be suspended if it fails to fulfill any of the obligations of membership. If a government belonging to IFC ceases to be a member of the Bank, or if its membership in the Bank is suspended, its membership in IFC is automatically terminated or suspended as well. If a government ceases to be a member, it remains liable for all amounts due from it to the Corporation. The Corporation will arrange to repurchase the capital stock of a government relinquishing membership, as part of the settlement of accounts with that government.

INTERNATIONAL FINANCE CORPORATION Statement of Subscriptions to Capital Stock and Voting Power June 30, 1973

Member	Subscriptions		Voting Power		Member	Subscriptions		Voting Power	
	Amount (in thousands of dollars)	Percent of total	Number of votes	Percent of total		Amount (in thousands of dollars)	Percent of total	Number of votes	Percent of total
Afghanistan	\$ 111	.10	361	.27	Malawi	\$ 83	.08	333	.25
Argentina	1,662	1.55	1,912	1.45	Malaysia	277	.26	527	.40
Australia	2,215	2.07	2,465	1.87	Mauritania	55	.05	305	.23
Austria	551	.52	804	.61	Mauritius	95	.09	345	.26
Belgium	2,492	2.33	2,742	2.08	Mexico	720	.67	970	.74
Bolivia	78	.07	328	.25	Morocco	388	.36	638	.48
Brazil	1,163	1.09	1,413	1.07	Nepal	55	.05	305	.23
Burma	166	.16	416	.32	Netherlands	3,046	2.84	3,296	2.50
Canada	3,600	3.36	3,850	2.92	New Zealand	921	.86	1,173	.89
Chile	388	.36	638	.48	Nicaragua	9	.01	259	.20
China	4,154	3.88	4,404	3.34	Nigeria	369	.34	619	.47
Colombia	388	.36	638	.48	Norway	554	.52	804	.61
Costa Rica	22	.02	272	.21	Oman	36	.03	286	.22
Cyprus	83	.08	333	.25	Pakistan	1,108	1.03	1,358	1.03
Denmark	753	.70	1,003	.76	Panama	2	*	252	.19
Dominican Republic	22	.02	272	.21	Paraguay	16	.02	266	.20
Ecuador	35	.03	285	.22	Peru	194	.18	444	.34
Egypt, Arab Republic of	590	.55	840	.64	Philippines	166	.16	416	.32
El Salvador	11	.01	261	.20	Portugal	443	.41	693	.51
Ethiopia	33	.03	283	.22	Saudi Arabia	111	.10	361	.27
Finland	421	.39	671	.51	Senegal	184	.17	434	.33
France	5,815	5.42	6,065	4.61	Sierra Leone	83	.08	333	.25
Gabon	55	.05	305	.23	Singapore	177	.17	427	.32
Germany	3,655	3.41	3,905	2.97	Somalia	83	.08	333	.25
Ghana	166	.16	416	.32	South Africa	1,108	1.03	1,358	1.03
Greece	277	.26	527	.40	Spain	1,108	1.03	1,358	1.03
Guatemala	22	.02	272	.21	Sri Lanka	166	.16	416	.32
Guyana	89	.08	339	.26	Sudan	111	.10	361	.27
Haiti	22	.02	272	.21	Swaziland	35	.03	245	.19
Honduras	11	.01	261	.20	Sweden	1,108	1.03	1,358	1.03
Iceland	11	.01	261	.20	Syrian Arab Republic	72	.07	322	.25
India	4,431	4.13	4,681	3.55	Tanzania	184	.17	414	.31
Indonesia	1,218	1.14	1,468	1.12	Thailand	139	.13	389	.30
Iran	372	.35	622	.47	Togo	83	.08	313	.25
Iraq	67	.06	317	.24	Trinidad and Tobago	18	.14	398	.30
Ireland	332	.31	582	.44	Tunisia	7	.12	383	.29
Israel	50	.05	300	.23	Turkey	476	.44	726	.55
Italy	1,994	1.86	2,244	1.70	Uganda	184	.17	434	.33
Ivory Coast	111	.10	361	.27	United Kingdom	14,400	13.43	14,650	11.17
Jamaica	148	.14	398	.30	United States	35,168	32.60	35,418	26.85
Japan	2,769	2.58	3,019	2.29	Uruguay	155	.15	405	.31
Jordan	33	.03	283	.22	Venezuela	116	.11	366	.28
Kenya	184	.17	434	.33	Viet Nam	166	.16	416	.32
Korea	139	.13	389	.30	Yemen Arab Republic	47	.04	297	.23
Kuwait	369	.34	619	.47	Yugoslavia	591	.55	841	.64
Lebanon	50	.05	300	.23	Zaire	332	.31	582	.44
Lesotho	18	.02	268	.20	Zambia	295	.28	545	.41
Liberia	83	.08	333	.25	TOTALS	\$107,211	100.00	131,711	100.00
Libyan Arab Republic	55	.05	305	.23					
Luxembourg	111	.10	361	.27					
Malagasy Republic	111	.10	361	.27					

General: \$12,000 from Malta and \$9,000 from Western Samoa have been received in account of their capital subscriptions pending admission to membership.

POLICY DIRECTION

As indicated earlier, the Bank, IDA and IFC have essentially identical organizational structures for policy formulation and executive supervision. The arrangements relating to the Boards of Governors, Executive Directors, the President and Chairman of the Directors, described on pages 18-20, apply to IFC. The President of the World Bank is Chairman of the Board of Directors of IFC. IFC has had four Presidents. Mr. Robert S. McNamara became President of IFC, as of the Bank and IDA, on April 1, 1968.

MANAGEMENT

The Executive Vice President of IFC is the deputy of the President and conducts the day-to-day affairs of the Corporation. In the President's absence, he acts as senior executive and presides at meetings of the Board. The Vice President is responsible for internal administration. In the absence of the President and Executive Vice President, the Vice President acts as senior executive of the Corporation and presides at meetings of the Board. Mr. William S. Gaud was appointed Executive Vice President of IFC in October 1969. Mr. Ladislaus von Hoffmann was appointed Vice President of IFC in July 1970.

The Corporation has Special Representatives in Europe, the Far East and Indonesia. The Executive Vice President is assisted by Special Advisers.

As of June 30, 1973, IFC's staff numbered 186, representing nationals of 39 countries.

INTERNATIONAL ADVISORY PANEL

The Corporation's activities and policies are reviewed periodically by an international panel of investment bankers.

At December 31, 1973, members of the panel were: J.R.M. van den Brink, Managing Director, Amsterdam-Rotterdam Bank, N.V., Amsterdam; Jacques de Fouchier, Banque de Paris et des Pays-Bas, S.A., Paris; Dr. Wilfried Guth, Managing Director, Deutsche Bank, A.G., Frankfurt; Sohei Nakayama, The Industrial Bank of Japan, Ltd., Tokyo; Sir Eric Roll, K.C.M.G., C.B., Deputy Chairman, S.G. Warburg & Co., Ltd., London; and Robert V. Roosa, Brown Brothers Harriman & Co., New York.

ORGANIZATION

The Corporation is organized into eight departments: four (the Departments of Investments) operating on a geographical basis and four (the Capital Markets, Finance and Management, Legal, and Engineering Departments) on functional lines. These departments work in close coordination with the Bank and IDA whenever Bank loans or IDA credits are involved. There are also three offices in IFC: Economic Adviser, Investment Promotion and Portfolio Supervision. Two special units in the Executive Vice President's Office are Business Relations and Marketing. In addition, three of the Bank's functional departments—Administration,

Secretary's, and Programming and Budgeting, as well as the Bank's European Office—also serve IFC (see pages 20 and 21).

Investment Committee

The membership of the Investment Committee includes the Executive Vice President (chairman), the Vice President, the General Counsel, the Director of Engineering, the Senior Investment Department Director, the Economic Adviser, and the Director of Finance and Management. The Director of the Bank's Development Finance Companies Department becomes a member of the Committee when IFC investments in development finance companies are considered.

Departments and Offices

The four *Departments of Investments* have responsibility for the Corporation's investment operations in its member countries. They encompass the following geographical areas: Africa and the Middle East; Asia; Central America, Mexico and Europe; Latin America.

The Departments of Investments determine and develop investment opportunities; preselect investment proposals and recommend the principal directions for investment efforts; evaluate investment proposals and make recommendations as to their suitability; conduct negotiations; present investment proposals to the Board and take or coordinate other actions to complete approved investments.

The *Capital Markets Department* serves as a focal point in both IFC and the Bank for work on the development of capital markets in developing countries. This Department assists governments and private parties in the establishment and operation of sound institutions to channel private savings into productive private investments. It also provides technical assistance and policy advice to member governments to help them improve or create sound institutional and policy frameworks to encourage the growth of capital markets.

The *Finance and Management Department* provides IFC management with integrated financial management support (Treasurer and Controller functions); serves as the planning and budgeting coordinator for the Corporation; and is the central point of liaison with the Bank support departments and provides IFC management direction to these departments. It includes the *Office of Portfolio Supervision* (PSO), which assists IFC's Investment Departments in assessing the financial status and the fiscal management capabilities of companies in which IFC may invest. In addition, PSO helps evaluate IFC investments by developing and operating a system for the recording and analysis of financial data received from client firms. Such data is compared with the assumptions and projections used in the Corporation's appraisal and investment decisions. PSO also conducts on-site financial reviews of ongoing and completed projects.

The *Legal Department* advises the Corporation on legal questions relating to the organization, structure, administration, policies, and operations of the Corporation. It prepares or reviews documents which create, define,

modify, or limit the legal rights or obligations of the Corporation, including those relating to investment operations and the issuance or sale of securities. It also, in consultation with the Secretary's Department, prepares or reviews documents relating to corporate meetings or actions; and it furnishes or arranges for counsel to represent the Corporation in any legal proceedings in which it may be interested.

The *Engineering Department* assists the Departments of Investments of the Corporation in the appraisal and supervision of investment inquiries and applications submitted to IFC. It recommends contractual arrangements designed to assure successful construction and operation of projects; follows up on progress of ongoing and completed projects; advises on selection of consultant and contractor services to borrowers; and advises on the organizational, managerial, marketing, engineering, and environmental aspects of projects.

The *Office of the Economic Adviser* advises corporate management on the general economic policies of the Corporation. The Economic Adviser and his staff assist the Investment Departments in assessing the economic impact of potential IFC investments on the economy of the country in which the project will be located.

The *Office of Investment Promotion* was established to strengthen IFC's capacity to develop new investment opportunities in its developing member countries. The Office generates and assists in the preparation of investment proposals, and then turns them over to the appropriate Investment Department for further consideration. It is also responsible for helping develop and carry out IFC information activities in its areas of operation, and for developing and maintaining information on private enterprise developments and organizations.

The *Business Relations Unit* was created in a related innovation. It has the specific function and responsibility of maintaining the Corporation's relations with, and providing information on IFC to, the governments and finance and business communities in the Corporation's member countries.

INVESTMENT POLICIES AND RESOURCES

The International Finance Corporation is unique in that it is the only intergovernmental organization with the sole purpose of assisting the economies of developing countries by making sound investments in, and otherwise supporting, their private enterprise sectors. Except for the Corporation's basic criterion that its activities further economic development, its operations are similar to those of an international investment bank.

As demand for the expansion of the private sector in the developing countries has grown, IFC's investments have become both larger and more varied, and have been made with increasing flexibility to meet varying conditions in these countries and the unique nature of each development investment. Two major changes have been made in the Corporation's Articles of Agreement, both designed to give it greater scope in its investments.

The first of these involved the kind of investments IFC could make.

During its first few years, IFC was empowered only to lend to private enterprise in developing countries, not to make equity investments. That is, during this five-year period, the chief distinction between Bank loans and IFC investments was that the Corporation could lend to private enterprise without government guarantee, while the Bank required a government guarantee when it made a loan to private enterprise.

IFC was permitted to include quasi-equity features in its loan agreements. It did so in various ways, for example, by investing in debt instruments that, when sold to private investors, could be converted to capital shares.

IFC, in 1961, sought and obtained an amendment to its Articles of Agreement making it possible to invest in equity.

Investments in Equity

This change opened up new areas of opportunity which the Corporation began quickly to exploit. IFC's usual investment now consists of an equity investment together with a long-term loan. By the end of fiscal year 1973, approximately one-quarter of investments held by the Corporation were in equity.

The power to invest in equities made it possible to simplify the form of IFC's investments, facilitated negotiations, and made it easier for the Corporation to find participants and to sell from its portfolio. Further, IFC was enabled to underwrite sales of shares by new or expanding companies. Finally, IFC also gained the opportunity to participate as a shareholder in local development finance companies—institutions which can provide venture capital in their own countries, carry out underwritings, promote new enterprises, and extend assistance to local entrepreneurs in preparing projects. Since 1961, IFC has invested in 25 development finance companies in 20 countries, as well as in a regional institution operating throughout Latin America and a regional institution operating in Africa.

In addition to supplying share capital, IFC helps these institutions to obtain participation in their share capital by private foreign investors.

The ability to hold equity has also enabled IFC to attain other objectives more effectively. As a shareholder in a development finance company the Corporation is in a position to play an influential advisory role and thus assist in the spread of sound financing practices. IFC's authority to take part in underwriting operations lays the basis for development of local capital markets.

Enlarged Scope

The scope for IFC's operations was further enlarged by amendments to the Articles of Agreement of the Bank and the Corporation that took effect in 1965. These amendments made it possible for IFC to borrow from the World Bank amounts up to four times the Corporation's own unimpaired subscribed capital and surplus—about \$428 million at June 30, 1973—for use in the Corporation's lending.

The Corporation borrowed \$297 million from the World Bank through fiscal 1973 under this authority.

The availability of new resources for use in lending makes it possible for the Corporation ultimately to apply all of its own share capital and reserves to equity investments. As of June 30, 1973, share capital and reserves amounted to \$183 million.

In the past few years, IFC has undertaken a more active role in seeking to promote projects which have a reasonable prospect of eventually being suitable for financing by IFC in accordance with established criteria. This enables IFC to increase the range of help it can give in assisting potentially sound private enterprises through study and planning stages and into the stage of productive businesses.

As part of this more active role the Corporation established an Office of Investment Promotion in fiscal 1973 to develop new business opportunities in selected countries. The Office works closely with other departments in IFC in developing promotional strategies for individual countries.

IFC's promotional assistance is flexible in order to meet the many kinds of need for such help encountered in the varying circumstances of different kinds of projects in countries at various stages of development.

In some cases, IFC will give financial and technical support in the preinvestment stage of potential projects, by paying part of the costs of feasibility studies and, in general, helping to pay the costs of putting together all the elements of a project, industrial, technical and financial, including the search for an appropriate business sponsor.

In other cases, IFC will join in the equity of pilot companies, together with other members of an investment group interested in backing the prospective full-scale company. The embryo company would then carry out the necessary detailed studies and negotiations needed to implement the project.

INVESTMENT PROCEDURES

In common with most investment institutions, IFC looks for certain preliminary information before deciding whether to make a detailed appraisal of an investment proposal. This information, which varies according to the kind of investment being considered, includes a description of the enterprise concerned, its legal status, financial history, present and proposed operations and their environmental effect, the purposes for which the financing is required, the outlook for profits, and the amounts of financing sought. A manufacturing enterprise would also be expected to give information such as an indication of the costs and availability of raw materials and other inputs, together with a review of technical assistance and other agreements desired.

Investment Criteria

IFC uses several guidelines in deciding whether to make an investment. The Corporation invests only in less-developed member countries, where sufficient private capital is not available on reasonable terms, in projects of economic priority to the country concerned, and where there are reasonable prospects of adequate returns. This means that each project should not only be a sound and profitable business, but should benefit the host country in some form—such as increasing national income, saving and/or earning foreign exchange, and creating employment.

In considering whether to make an investment, IFC does not choose between the objectives of economic priority and profitability. Rather, it makes an investment only where it is convinced that both objectives will be satisfied. IFC does not pursue profit *per se*, but as the best available indicator that its investments do, in fact, carry out the Corporation's purpose of fostering the establishment, improvement and expansion in the developing countries of productive private businesses. Moreover, as IFC expects to attract other private capital to the projects it supports, the profit motive cannot be ignored.

The determination of economic priority depends on a number of factors—whether or not the projected enterprise makes use of an abundant natural resource; creates employment locally; earns foreign exchange by making an exportable product; saves foreign exchange by substituting for imports; and so forth. While recognizing that new industries may need some initial tariff protection, IFC seeks assurance that they can become competitive. To this end, the Corporation supports proposals that involve the transfer of technological, managerial and other skills for increasing productivity from the economically advanced to the developing countries.

One of the generally most important criteria of a potentially sound investment for IFC is the availability of sponsors — partners — for new enterprises from among companies with proved industrial competence willing to invest in a joint venture. Experience has shown that such a partnership, which usually involves local and foreign investors, brings together elements that are, together, the best assurance of the viability of a new

venture. The local investor provides knowledge of national and regional market conditions and is at home in relations with labor and government. The foreign partner brings to the association a knowledge of the newer industrial techniques as well as up-to-date management and administrative practices.

IFC may provide early financing around which other funds can cluster, or it may make a project possible by providing finance that could not otherwise be obtained upon reasonable terms. It may even be that known willingness by IFC to enter into a proposed investment will result in all needed funds becoming available without an actual IFC financial commitment. In any of these cases, IFC regards itself as performing its function as a catalyst in mobilizing finance for private ventures in the developing countries. The Corporation views as one of the most meaningful measures of its success the amount of financing from other sources provided to enterprises in which it invests.

While the nature of ownership of projects submitted to IFC varies, in the main, the Corporation makes two stipulations: first, there should be adequate participation by the chief sponsor in the capital of the enterprise, so as to ensure that a proper long-term incentive exists; and second, there should be provision for immediate or eventual domestic participation.

Since the project is always in one of the developing countries, it is unlikely that a fully developed securities market exists. Therefore, IFC may join in underwriting arrangements, or it may agree to make shares available locally when the enterprise is established. In both cases, and in other ways, IFC serves a purpose ancillary to the investment itself but centrally important to one of IFC's principal aims—helping to develop capital markets.

Range of Investments

The range of IFC's investments is steadily broadening. Most of the Corporation's early commitments were made to help basic industries of obvious priority to developing countries, for the manufacture of iron and steel, pulp and paper, textiles, cement and machinery.

In the past few years, IFC has branched out and made investments for the first time in the fields of nickel mining, carbon black and cottonseed oil, as well as making two investments to assist the development of capital markets.

The Corporation has also expanded its activities geographically. In the past three years, it made commitments in eight countries in which it had not previously invested: Afghanistan, Bolivia, Cyprus, Indonesia, Lebanon, Mauritius, Panama, and Zambia.

IFC commitments are shown by purpose and by region on page 87.

Terms of Investments

Each IFC investment is examined on its merits and in relation to local factors such as the pattern of interest rates and the general financial maturity of the country where the investment is proposed. There is no

IFC's Commitments by Purpose

June 30, 1973

(US\$ millions)

MANUFACTURING	
Pulp and paper products	\$117.3
Cement	116.1
Textiles and fibers	71.8
Iron and steel	68.6
Motor vehicles and accessories	64.0
Fertilizers	57.2
Chemical and petrochemical products	41.5
Food and food processing	28.4
Machinery	8.8
General manufacturing	43.2
OTHER	
Utilities, tourism, printing and publishing	64.1
Mining	82.1
Development finance companies	79.0
Money and capital markets	6.0
TOTAL	\$848.1

IFC's Commitments by Region

June 30, 1973

(US\$ millions)

Africa	\$104.7
Asia and the Middle East	273.0
Australasia	1.0
Europe	135.9
Western Hemisphere	334.0
TOTAL	\$848.1

formula for working out the terms of an IFC investment, and there is no fixed relationship between the amount of loan and of equity funds provided. IFC seeks a prospective overall return that is consistent with the requirements of the business involved and with the Corporation's need to revolve its funds by selling its part of the investment at some future time.

Share investments are usually denominated in the currency of the country concerned.

Reflecting the fact that subscriptions to the Corporation's capital have been paid by all its members in US dollars, most loans are expressed in US dollars. Loans are usually for seven to twelve years, though longer maturities are occasionally permitted. Repayment is customarily made in semi-annual installments following a grace period, and a commitment fee of one percent a year is levied on the undisbursed portions of loans. These stipulations conform to the usual practices of long-term private investors.

In the case of a new venture, IFC expects others to provide the bulk of the financing. The Corporation may finance a larger proportion of the costs of expanding an existing enterprise, especially one in which it already has an interest, though such cases are always judged on their merits and always in the light of what other resources are available to the company. Only in exceptional cases would IFC consider making an investment of less than \$1 million, since commitments on this scale seldom prove economical, due to the costs to the Corporation of appraisal and follow-up. One exception is the case of promotional investments, where commitments are typically small.

The upper limit for an IFC investment is about \$20 million for its own account, although it will make larger commitments if it is assured of participations by other institutions that will reduce IFC's net investment to \$20 million. In fiscal 1972, for example, the Corporation committed \$22 million to Companhia de Cimento Nacional de Minas, a cement project in Brazil. Participations in the IFC commitment reduced IFC's net investment to well below the \$20 million limit.

A company may use IFC financing to acquire new machinery or to modernize existing plant. Or the IFC money may serve as additional working capital for a growing enterprise. Use of IFC funds is not tied to the purchase of equipment or services in any particular country. As indicated previously, government guarantees for IFC loans are neither sought nor accepted.

Relations with Management and Government

While IFC does not normally seek board representation, in the case of development finance companies the presence of an IFC representative on the board of directors can be of mutual value as a means by which IFC experience and know-how can be paired with local knowledge. In order effectively to carry out its promotional activities, IFC might seek representation on the board of a promotional company in which IFC has made a share subscription.

The Corporation, like other investment institutions, does not undertake managerial responsibilities in companies it assists. Also, IFC is unwilling to be the dominant shareholder in any enterprise and will normally insist that its holdings be less than 25 percent. Only in exceptional cases does the Corporation exercise its voting rights. Nevertheless, IFC expects to be kept regularly informed concerning the company's affairs. This is achieved through periodic consultations with management, visits by IFC staff, the receipt of regular progress reports and information on factors materially affecting or likely to affect the company's business. Annual financial statements are required to be audited by independent public accountants, and stipulations regarding accounting and financial reporting are written into IFC investment agreements.

IFC is prepared to support "mixed" enterprises, i.e., a joint venture between private enterprise and a government. Each case is examined in the

light of such factors as the extent of government ownership and control, the nature of the enterprise and the efficiency of its management.

IFC does not invest in a business in a member country that objects to such financing. The Corporation seeks no special privileges regarding foreign exchange or other regulations, although, like any investor, it requires assurances that appropriate arrangements for repatriation of funds will be made. The Corporation, as an intergovernmental organization, is immune from taxation on income earned on its investments.

IFC is ready, if asked, to advise member governments upon policy relating to private investment.

FINANCIAL STRUCTURE AND OPERATIONS

IFC's authorized capital was initially fixed by its Articles of Agreement at \$100 million, divided into 100,000 shares of \$1,000 per value. Original members took up the number of shares assigned to them in the Articles, while the number, price and other terms of subscription by others are determined in each case by the Corporation in agreement with the prospective member. To provide for subscriptions by new members, the number of shares was increased to 110,000 in 1963, raising the authorized capital to \$110 million. At June 30, 1973, subscribed capital totaled \$107,211,000.

The Corporation's Articles of Agreement provide that subscriptions by member countries to IFC's capital stock should be payable wholly in gold or United States dollars. The entire subscribed capital of IFC is available to the Corporation for use in its operations.

IFC's net income, together with net gains on sales and other dispositions of loans and equity investments and various other net profits, have been allocated to a reserve against losses. This reserve, like IFC's subscribed capital, can be used for investments. At June 30, 1973, it stood at \$75.8 million.

During its first decade, IFC relied for its resources exclusively on capital subscriptions, net earnings and its ability to revolve its portfolio by sales of securities to other investors. As already noted, the Corporation's resources were supplemented by a line of credit from the World Bank. By June 30, 1973, the total of funds available to the Corporation for use in its operations was \$812.9 million. This included, in addition to the \$297.4 million available from the Bank, capital subscriptions of \$107.2 million, net income of \$75.8 million, participations and portfolio sales of \$261.5 million, a \$5 million loan from the Netherlands, and repayments of \$66 million.

Details of funds available to the Corporation for the period 1956-73, commitments against these funds, and funds uncommitted at June 30, 1973, as well as a five-year summary, 1969-73, of IFC's operations appear on pages 91 and 92.

INVESTMENTS AND FINANCIAL RESULTS

IFC made gross commitments, net of exchange adjustments, of \$848.1 million to 203 enterprises in 51 countries and in two regional development finance institutions from the start of operations in 1956 through June 30, 1973. Of the total, \$792.9 million was for operating investments and \$55.2 million for standby and underwriting purposes.

The Corporation has sold to other investors equities and loans from its own portfolio amounting to \$227.8 million. Repayments to IFC totaled a further \$66 million. And an additional \$55.4 million had been canceled, terminated or written off. The Corporation's holdings in its portfolio at June 30, 1973, were \$465.2 million, including investments not yet effective.

IFC's Resources and Commitments, 1956-1973 (US\$ millions)

Capital	\$107.2
World Bank line of credit	297.4
Netherlands loan	5.0
Net income	75.8
Repayments and investments	66.0
Sales of investments	227.8
Acquisition by others of securities covered by standby and underwriting commitments	33.7
TOTAL of funds available	\$812.9
Gross commitments made	\$848.1
Less cancellations, terminations and write-offs	55.4
Net commitments made	792.7
Uncommitted funds at June 30, 1973	\$ 20.2

Equity investments accounted for \$119.3 million of the Corporation's portfolio. The remaining \$345.9 million represented investments in the form of loans.

The Corporation became active in standby financing and underwriting in 1962, when it committed \$2.9 million for these purposes. This increased rapidly, reaching the \$55.2 million level at the end of fiscal 1973. Of that amount, \$33.7 million was acquired by others.

The extent to which the Corporation has increased the availability of funds for investment in productive private enterprise in capital-short, low-income countries is by no means measured by IFC's total investment. IFC is also a mobilizer of the capital of others, who invest together with the Corporation.

Of the cumulative total of investments, the Western Hemisphere accounted for about 39 percent of IFC's total commitments, while commitments in Asia accounted for 27 percent, Africa and the Middle East for 17 percent, and Europe for 16 percent.

Over their life to the end of the Corporation's 1973 fiscal year, the average annual return on loan and equity investments held in IFC's portfolio was 8.51 percent—comprised of 8.98 percent on loan investments and 7.84 percent on equity investments.

Sales of Investments

An important source of replenishment of IFC's funds has been the sale of its commitments, in whole or in part, to other investors: as of June 30, 1973, approximately \$261.5 million or almost one-third of IFC's total commitments, have been revolved in this way, and IFC had obtained the participation of other investors in more than half the commitments it had made.

International Finance Corporation
 Five-year Summary—Fiscal years 1969-1973
 (US\$ thousands)

	1969	1970	1971	1972	1973
Gross commitments by years	\$ 92,876	\$ 111,853	\$ 101,435	\$ 115,649	\$ 146,741
Gross commitments, cumulative ¹	364,670	476,518	577,815	693,761	848,082
Project costs by years	484,487	492,746	433,508	688,536	480,700
Total project costs, cumulative ²	2,116,443	2,609,189	3,042,697	3,731,233	4,211,933
Sales	44,868	18,989	14,237	39,755	65,021
Total income	12,210	16,396	16,422	21,007	21,532
Net income ³	7,690	10,196	6,171	7,951	6,250
Reserve against losses, cumulative	48,615	58,811	64,982	72,518	75,786

¹Includes exchange adjustments to prior years' commitments.

²Total new investment financed by IFC and from other sources in assisted enterprises.

³Commencing in 1971 net gains on sales of investments have been credited to the income account. Net income for 1969 and 1970 has been restated to include such gains.

Purchasers of IFC investment securities represent a broad segment of the world investment community, including France, the Federal Republic of Germany, Italy, Japan, Kuwait, the Netherlands, Sweden, Switzerland, the United Kingdom, and the United States. Pension funds, mutual funds and insurance companies, as well as banks and investment houses are among the institutions that have purchased parts of IFC investments. In general, IFC's individual sales of investments have involved amounts not smaller than \$100,000.

Sales of investments further IFC's objective of mobilizing private capital for enterprises in the developing countries. IFC itself carries out the work involved in setting up an investment transaction and absorbs the costs. Through sales of investments to other institutions, the Corporation has demonstrated the possibilities of opening up channels for portfolio investments in private industry in the developing countries. In some cases, this has in turn led to the establishment of new banking connections and new sources of long-term funds for the companies themselves.

IFC revolves its funds and brings other investors into partnership in its transactions in two main ways. The first is for IFC to offer participations at the time of a commitment. The second is through sales from the Corporation's portfolio.

Participations are generally made on the same terms as those negotiated by IFC. The investor is offered a choice between taking a *pro rata* interest in the entire transaction, including equity, or taking the loan maturities without equity, in which case he can take up either a portion of the entire loan or a portion of the early maturities. Although nearly all IFC's loans are denominated in dollars, IFC has been able to arrange for the sale of loan participations in some other currencies, such as Deutsche Marks, Pounds Sterling and Swiss Francs. Investors purchasing parts of IFC loans normally do so through participation certificates. The administration and exercise of rights under the investment documents are handled by IFC.

At appropriate times, IFC is prepared to sell from its portfolio various types of paper which it holds, resulting from past investments, including straight equity, loans and conversion rights. The investor is offered a wide choice in this respect, but the terms of the sale naturally have to be negotiated in each case, reflecting how the investment has fared since the original commitment. In the case of sales of equity, the shares sold by IFC are transferred to the participant, so that a direct relationship may be established between the company and the participant as a shareholder. It is IFC's practice to consult with its partners on sales of equity in order to establish that there are no objections for valid business reasons to the proposed sale.

In making sales of shares held in its portfolio, IFC uses several methods. Some of the companies in which IFC has acquired an equity interest are owned by a broad range of local investors, with the shares

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In making sales of shares held in its portfolio, IFC uses several methods. Some of the companies in which IFC has acquired an equity interest are owned by a broad range of local investors, with the shares

quoted and traded on local stock exchanges. In such cases, there is an opportunity for IFC to sell its holdings through the normal mechanism of the market. In many cases, a public market for the shares held by IFC does not exist or is too narrow to allow sales of the volume desired. In that event, private negotiation is used.

The extent of participations in individual investments has shown considerable variation, sometimes amounting to as much as 88 percent of the original IFC commitment. Many of the institutions have taken participations on the basis of attractiveness of the paper purchased, simply taking account of normal investment criteria such as the relationship between risk and potential return. Participants, especially institutions active in international banking, also have been attracted by the actual or potential collateral benefits attached to an investment, particularly where there is an existing or prospective banking connection either with the enterprise itself or the country in which the enterprise is located.

IFC AND CAPITAL MARKET DEVELOPMENT

As IFC's investment activities are directed at encouraging the growth of the private sector of national economies, development of capital markets in developing countries is a vital IFC interest. The availability of financing funds through capital and money market facilities, and the orderly bringing to market of savings available for investment, at a going price for money known to all, are important elements making for investment and business growth.

In March 1971, IFC established a Capital Markets Department. As the focal point in IFC and the Bank for encouraging the growth of capital markets in the developing countries, the Department gives special attention to identifying problems of financial market development and to finding ways of solving them. Its primary thrust is to mobilize domestic savings in the form of financial assets and to minimize the costs of intermediation in order to enhance domestic financial self-sufficiency. The Department's work takes practical shape mainly in two ways.

First, governments and private groups in the developing countries are, at their request, helped to establish and support institutions to channel domestic savings into productive enterprise. Such institutions may be mortgage banks, savings and loan associations; they may also be investment trusts, discount houses, merchant banks, investment banks, and securities distribution firms.

Second, in countries where securities are already traded locally, the Department advises on ways to encourage wider share ownership and to increase the choice of debt and equity instruments available to local investors.

Even before the organization of this Department, IFC had been active in the field of capital market development. For example, the main objective of its standby and underwriting commitments has been to place

securities in the hands of local private investors in the developing countries.

When a public offering is impracticable because of market conditions, it is sometimes preferable to negotiate sales to pension funds, banks, insurance companies, mutual funds, and other large institutional investors. Here again, IFC's interest and participation in a project can help create confidence and, consequently, enlist the necessary commitments from private sources.

Sometimes technical assistance alone can improve a domestic capital market. The devising or introduction of special types of securities can be helpful where issues in traditional form are unsuited to market conditions. Underwriting, itself, is an innovation in many areas.

IFC also exerts indirect influence, through the spread of its own operating standards and requirements. These can make a project more viable and worthy of investor support, eventually bringing into being attractive new issues for trading on the local capital market.

IFC also influences the development of capital markets through its investments in development finance companies and other financial institutions.

International Centre for Settlement of Investment Disputes

THE CONVENTION

One of the central objectives of the World Bank is to promote and maintain the flow of international investment, including private foreign investment. This flow has sometimes been impeded by fear among private investors that, once outside the familiar protection of their domestic legal systems, their investments may be exposed to political risks, including expropriation or other governmental action not subject to independent judicial review.

Because of its position of impartiality, the Bank, or its President in his personal capacity, has on a number of occasions been approached by governments or by foreign investors seeking assistance in settling disputes relating to investments. While recognizing that the conciliation or arbitration of disputes is a function somewhat alien to its structure, the Bank has nevertheless occasionally agreed to such requests, where it considered that its intervention could significantly improve the investment climate of the State concerned or would remove the obstacle that defaults due to unresolved disputes might present to Bank or IDA financing (see page 45).

In the light of its experience with these and other disputes, the Bank became convinced that the creation of permanent facilities, designed specifically to deal with investment disputes between States and foreign investors, could be a major step toward promoting an atmosphere of mutual confidence, and thereby stimulating a larger flow of private international capital into those countries that wish to attract it. Study of the possibility of establishing such facilities began in 1961. By 1965, an appropriate treaty instrument, prepared by the Executive Directors and staff of the Bank at the request of the Bank's Board of Governors and with the assistance of legal experts from many member countries, was submitted to governments.

The Convention on the Settlement of Investment Disputes between States and Nationals of other States was opened for signature on March 18, 1965, to all members of the Bank. By September 1966, a sufficient number had signed and ratified the Convention to permit it to enter into force on October 14, 1966, 30 days after the deposit of the 20th instrument of ratification.

Nonmembers of the Bank which are parties to the Statute of the International Court of Justice may be invited to become signatories. An invitation was extended to, and accepted by, the Government of Switzerland.

By December 31, 1973, the 68 States listed below had signed the Convention, and of these the 65 marked with asterisks had become Contracting States after the deposit of their instruments of ratification.

Afghanistan*	Cyprus*	Guinea*
Austria*	Dahomey*	Guyana*
Belgium*	Denmark*	Iceland*
Botswana*	Egypt, Arab	Ireland
Burundi*	Republic of*	Indonesia*
Cameroon*	Ethiopia	Italy*
Central African	Finland*	Ivory Coast*
Republic*	France*	Jamaica*
Chad*	Gabon*	Japan*
China*	Germany*	Jordan*
Congo, People's	Ghana*	Kenya*
Republic of*	Greece*	Korea*

THE CENTRE

The International Centre for Settlement of Investment Disputes is the international organization created by the Convention as the instrument for carrying out its provisions. Its purpose is to be available to the parties to certain international investment arrangements, by providing them with an assured forum on which they may agree, for the settlement of future disputes, as well as any that have already arisen.

The governing body of the Centre is its Administrative Council, composed of one representative of each Contracting State—all of whom have equal voting power. Unless a State makes a specific designation, the Governor appointed by it to the World Bank is automatically its representative on the Council. The President of the World Bank acts *ex officio* as the nonvoting Chairman. The principal functions of the Council are to adopt the Regulations and Rules of the Centre, to elect the Secretary-General, to adopt the annual budget, and to decide upon invitations to nonmembers of the World Bank to become parties to the Convention.

Lesotho*	Niger*	Togo*
Liberia*	Nigeria*	Trinidad and Tobago*
Luxembourg*	Norway*	Tunisia*
Malagasy Republic*	Pakistan*	Uganda*
Malaysia*	Senegal*	United Kingdom of
Malawi*	Sierra Leone*	Great Britain and
Mauritania*	Singapore*	Northern Ireland*
Mauritius*	Somalia*	Upper Volta*
Morocco*	Sri Lanka*	United States of America*
Netherlands*	Sudan*	Yugoslavia*
Nepal*	Swaziland*	Zambia*
New Zealand	Sweden*	Zaire*
	Switzerland*	

The legal representative and principal officer of the Centre is its Secretary-General, who is responsible for its administration and also functions as registrar. He is elected by the Administrative Council on the nomination of its Chairman. Since the Inaugural Meeting of the Council, Mr. A. Broches has occupied this post; as he is continuing to serve as Vice President and General Counsel of the World Bank, he receives no compensation from the Centre.

The Centre maintains separate Panels of Conciliators and of Arbitrators, most of whom are designated by Contracting States (each of which may place four persons on each list) and some may be added by the Chairman of the Administrative Council (who may place 10 persons on each list). The Convention requires members of the Panels to be persons of high moral character and recognized competence in the fields of law, commerce, industry or finance, who may be relied upon to exercise independent judgment; legal competence is specified as particularly important for arbitrators. The Panel members are not employed by the Centre, but are merely listed by it so as to facilitate the formation of Conciliation Commissions and Arbitral Tribunals.

The expense incurred by the Centre in connection with any proceeding must be borne by the parties to the proceeding, divided evenly in the case of conciliation, and as agreed by the parties or decided by the Tribunal in the case of arbitration. The overhead expenditures of the Centre are to be covered in part by any miscellaneous receipts, but largely by assessments on the Contracting States (generally in proportion to their capital stock in the World Bank). However, the Bank has agreed to accommodate the Centre free of charge as long as its seat is at the headquarters of the Bank, and is also underwriting its overhead expenditures.

PROCEEDINGS

The jurisdiction of the Centre is based on consent, given by both parties to a legal dispute relating to an investment. One of these parties must be the Government of a Contracting State, or a constituent subdivision or agency designated by such a Government. The other must be a national of another Contracting State, who may be a natural or a juridical person.

Consent to the jurisdiction of the Centre can be given in connection with (a) a new investment agreement, (b) an existing agreement whose disputes provisions are no longer considered satisfactory by the parties, or (c) any legal dispute which has already arisen, whether or not under an agreement. Once given, consent cannot be unilaterally withdrawn by either party, even if one of the Contracting States concerned should withdraw from the Centre. The consent may, however, be qualified in various ways at the time it is given. For example, a Contracting State may require the prior exhaustion of local administrative or judicial remedies; or consent may be restricted to conciliation, to arbitration, or to conciliation followed, if necessary, by arbitration. Although no particular form is prescribed for the giving of consent (except that it must be in writing), the Centre has

developed a set of Model Consent Clauses to assist potential parties in submitting disputes to the Centre, and in exercising the various procedural and substantive options available under the Convention.

The Centre does not itself settle any disputes. Rather it establishes, as far as possible in cooperation with the parties, *ad hoc* Conciliation Commissions or Arbitral Tribunals, to which the resolution of the controversy is then entrusted. At all stages (as illustrated in the paragraphs below), the same basic principle is observed: as far as possible the parties are free to regulate by agreement all aspects of the proceeding. However, their failure to agree on any point or the refusal of either party to cooperate cannot prevent the constitution of the body to which they had originally consented to submit their dispute, or decisively frustrate the progress and conclusion of the proceeding.

Once both parties have given their consent, either before or after a dispute has arisen, either party may file a request for conciliation or arbitration, or the parties may do so jointly. The procedure for so doing is specified in the Institution Rules adopted by the Administrative Council. Each request undergoes a preliminary screening by the Secretary-General for substantive conformity with the requirements of the Convention; if appropriate, he then registers it.

Conciliation Commission, Arbitral Tribunal

Once a proceeding has been instituted, a Conciliation Commission or an Arbitral Tribunal is constituted as rapidly as possible. Subject to the requirement of having an uneven number of members and to certain restrictions on the nationality of arbitrators, the parties are free to constitute their Commission or Tribunal in any way agreeable to both of them; they may, but need not, choose the members from the Centre's Panels. However, if they cannot agree on the structure of the body, the Convention provides that it shall consist of one member appointed by each party and of a jointly appointed President. If the parties cannot agree on any joint appointments, or if either of them declines to make the designations for which it is responsible, or if for any reason the constitution of the body is delayed, either party may require the Chairman of the Administrative Council to make the necessary appointments from the appropriate Panel. Once all members of a Commission or Tribunal have accepted their appointments, the proceeding is deemed to have begun.

The procedure to be followed by the Commission or Tribunal is primarily that agreed by the parties, unless this would contravene the Convention. Should they fail to agree, then the Conciliation or Arbitration Rules (supplemented by the Administrative and Financial Regulations) adopted by the Administrative Council automatically apply. So far as these Rules leave any gaps, or so far as *ad hoc* decisions may be required in a particular situation, the Commission or Tribunal may issue procedural orders and may, to some extent, delegate this function to its President.

Each Commission and Tribunal is the ultimate judge of its own competence, and may also decide whether the proceeding is within the jurisdiction of the Centre. The preliminary decision made by the Secretary-General in registering the request is not binding upon a Commission or Tribunal.

Objectives

It is the objective of Conciliation Commissions to clarify the issues in dispute and to try to bring about agreement between the parties on mutually acceptable terms. Although the parties are required to cooperate in good faith with the Commission and to give the most serious consideration to its recommendations for settlement, they are not bound to accept them. The Commission must conclude its work by drawing up a report, recording that agreement has been reached, or that it has proved impossible to achieve any agreement, or that one party has failed to appear or to participate in the proceeding.

Arbitral Tribunals are required to render an award, on the basis of rules of law agreed by the parties or as specified in the Convention. The failure of a party to appear or to present its case will not prevent the Tribunal from rendering an award, although it must follow special procedures in such a case. An Arbitral Tribunal may also consider claims ancillary to the principal dispute, such as incidental or additional claims or counter-claims, and it may recommend provisional measures to be taken by the parties. A Tribunal's decisions are taken and awards are made by a majority of the members. Although no appeals may be taken outside the procedures provided by the Convention, several post-award remedies are available within it:

1. The original Tribunal may be requested to correct any errors and to supplement any incomplete decisions.
2. The original Tribunal, or if necessary a newly constituted one, may be requested to interpret or revise an award.
3. The Chairman of the Administrative Council may constitute an *ad hoc* Committee of Arbitrators to consider the annulment of an award on certain grounds specified in the Convention. If the award is annulled in whole or in part, the dispute may be submitted to a new Tribunal.

Compliance

Once rendered, an award is binding on both parties, who must comply with its terms. Moreover, every Contracting State is required to recognize as binding all awards rendered pursuant to the Convention and generally to enforce any pecuniary obligation imposed—whether or not its Government or any of its nationals were parties to the proceeding. For this purpose, each Contracting State must designate to the Centre a court or other authority competent to recognize and enforce awards certified by the Secretary-General.

No request for the institution of any conciliation proceeding under the Convention has so far been addressed to the Secretary-General. The first request for arbitration, which concerned a dispute arising out of an agreement between the Government of Morocco and two private companies, Holiday Inns S.A. (a Swiss company) and Occidental Petroleum Inc. (a US corporation), was registered by the Secretary-General in January 1972. The proceedings were still continuing at December 31, 1973.

A large number of investment agreements has been concluded in which the parties recorded their consent to the submission of future disputes to the jurisdiction of the Centre. While such agreements may well continue to be the most usual method of having recourse to the Convention, there are other means of so doing. For example, several States have included reference to the Convention in special legislation enacted to promote foreign investments, and certain treaties dealing with the status of investments made by the nationals of one party in the territories of another provide for the use of the Convention to settle disputes arising out of such transactions.

Finally, the parties to a number of agreements who for some reason cannot submit to the jurisdiction of the Centre (because one of them is not associated with a Contracting State, or is not such a State or a designated subdivision or agency thereof) have provided for *ad hoc* arbitration and specified that in stated contingencies either the Chairman of the Council or the Secretary-General is to be the appointing authority of last resort. Officials of the Centre approached with such requests have indicated that they will generally consent to perform the functions foreseen for them in satisfactorily formulated disputes clauses, unless this might be inconsistent with the interests of the Bank and its affiliates. It has therefore, been suggested that the Centre be consulted and receive for comment at least a draft of the disputes settlement provisions before such agreements are concluded.

Investment Laws Project

The Centre has initiated a project for the collection, classification and dissemination of national legislation and international agreements relating to foreign investments, with the object of assisting States in making useful comparisons among investment promotion instruments in different parts of the world and to help familiarize potential investors with legal conditions in various developing countries.

The material collected is computer-prepared and coded. It is arranged by titles and has concordance tables with cross-references. A number of loose-leaf binders covering 50 developing member countries is projected. Three have been published to date. Binder I includes Afghanistan, Chad, Ivory Coast, Kenya, Korea, Liberia, Malaysia, Nigeria, Uganda, and Zaire; Binder II—Burundi, Dahomey, Gabon, Ghana, Indonesia, Jamaica, Nepal, Niger, Senegal, and Tunisia; Binder III—Botswana and Singapore plus updated material for the countries contained in Binder I.

MULTILATERAL INVESTMENT INSURANCE SCHEME

At the request of the United Nations Conference on Trade and Development (UNCTAD), based on earlier work by OECD, the Bank has, for many years, been considering the feasibility of a multilateral investment insurance scheme which would insure new private investment flowing into developing countries against losses resulting from noncommercial risks. The Bank staff drafted Articles of Agreement for an international investment insurance agency which went through a number of revisions. The most recent draft, after review by the Executive Directors, was sent, in April 1973, together with a staff memorandum identifying the principal outstanding issues, to member governments. Thereafter, work on the agency within the Bank was suspended and will not be resumed unless enough governments, of both developed and developing countries, express positive interest in proceeding with the proposal.

APPENDICES

Bank and IDA Lending Operations by Major Purpose and Region

Cumulative total of loans and credits approved, June 30, 1973¹
(US\$ millions)

Bank loans to current borrowers by region

Purpose ^{2,3}	Eastern Africa	Western Africa	Asia	Europe, Middle East, North Africa	Latin America, Caribbean	Total
AGRICULTURE, FORESTRY AND FISHING						
Agricultural credit	\$ —	\$ 3.5	\$ 17.5	\$ 79.5	\$ 67.9	\$ 168.4
Area development	37.5	7.0	52.0	12.0	24.1	132.6
Food and non-food crops	5.5	56.8	—	10.0	12.0	84.3
Irrigation, flood control and drainage	34.5	—	391.0	249.3	123.4	798.2
Forestry and fishing	7.9	—	42.3	24.8	8.7	83.7
Crop processing and storage	—	—	14.3	74.9	84.8	174.0
Livestock	5.2	—	7.5	50.0	479.5	542.3
Agricultural research	—	—	—	12.7	—	12.7
Other	5.6	—	26.3	2.3	22.7	56.9
Subtotal	\$ 96.3	\$ 67.3	\$ 550.9	\$ 515.5	\$ 823.1	\$ 2,053.1
EDUCATION	\$ 60.5	\$ 84.1	\$ 93.2	\$ 170.3	\$ 99.7	\$ 507.8
INDUSTRY						
Iron and steel	\$ —	\$ —	\$ 189.0	\$ 86.5	\$ 294.0	\$ 569.5
Pulp and paper	—	—	4.2	—	20.0	24.2
Fertilizer and other chemicals	—	—	32.0	24.0	—	56.0
Mining, other extraction	32.0	131.0	54.5	25.0	46.8	289.3
Small industry and industrial estates	—	—	—	—	—	—
Development finance companies	12.0	17.0	762.7	727.2	252.5	1,771.4
Other	—	—	—	165.9	22.5	188.4
Subtotal	\$ 44.0	\$ 148.0	\$ 1,042.4	\$ 1,028.6	\$ 635.8	\$ 2,898.8
TRANSPORT	\$ 70.0	\$ 80.0	\$ —	\$ 133.0	\$ 60.0	\$ 343.0
POPULATION	\$ —	\$ —	\$ 5.0	\$ 16.5	\$ 5.0	\$ 26.5
POWER	\$ 306.9	\$ 275.3	\$ 992.7	\$ 599.0	\$ 2,883.5	\$ 5,057.4
TECHNICAL ASSISTANCE	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
TELECOMMUNICATIONS	\$ 69.6	\$ 6.3	\$ 137.8	\$ 185.8	\$ 173.2	\$ 572.7
TOURISM	\$ —	\$ —	\$ —	\$ 44.0	\$ 22.0	\$ 66.0
TRANSPORTATION						
Aviation	\$ 29.0	\$ 3.0	\$ 5.6	\$ —	\$ 37.0	\$ 74.6
Highways	150.7	153.7	274.5	585.6	1,119.5	2,284.0
Pipelines	—	—	56.2	148.9	23.3	228.4
Ports, waterways and shipping	71.3	96.3	257.5	246.3	127.1	798.5
Railways	207.4	47.2	809.9	415.5	414.5	1,894.5
Other	28.0	25.0	—	—	—	53.0
Subtotal	\$ 486.4	\$ 325.2	\$ 1,043.7	\$ 1,396.3	\$ 1,721.4	\$ 5,333.0
URBANIZATION	\$ —	\$ —	\$ 16.0	\$ —	\$ 5.4	\$ 21.4
WATER SUPPLY AND SEWERAGE	\$ 19.1	\$ 14.5	\$ 50.1	\$ 182.4	\$ 291.8	\$ 557.9
TOTAL	\$ 1,152.8	\$ 1,000.7	\$ 4,291.8	\$ 4,271.4	\$ 6,770.9	\$ 17,437.6

IDA credits by region

Eastern Africa	Western Africa	Asia	Europe, Middle East, North Africa	Latin America, Caribbean	Total	Total Bank and IDA to current borrowers	Bank loans to past borrowers	Total Bank and IDA
\$ 14.6	\$ 17.0	\$ 370.5	\$ 24.0	\$ —	\$ 426.1	\$ 594.5	\$ —	\$ 594.5
61.5	34.8	6.5	6.0	—	108.8	241.4	4.3	245.7
39.1	25.4	121.8	15.0	—	201.3	285.6	—	285.6
109.4	18.8	351.9	157.9	13.0	651.0	1,449.7	7.0	1,456.7
—	1.3	3.5	5.5	—	10.3	94.0	—	94.0
6.3	—	54.2	—	—	60.5	234.5	—	234.5
46.0	6.4	10.6	29.5	46.9	139.4	681.7	—	681.7
—	—	—	—	—	—	12.7	—	12.7
—	—	15.5	—	—	15.5	72.4	—	72.4
\$ 276.9	\$ 103.7	\$ 934.5	\$ 237.9	\$ 59.9	\$ 1,612.9	\$ 3,666.0	\$ 11.3	\$ 3,677.3
\$ 104.9	\$ 71.0	\$ 140.9	\$ 46.4	\$ 17.1	\$ 380.3	\$ 888.1	\$ —	\$ 888.1
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 569.5	\$ 155.3	\$ 724.8
—	—	—	—	—	—	24.2	—	24.2
—	—	123.0	—	—	123.0	179.0	—	179.0
2.5	—	—	—	—	2.5	291.8	—	291.8
4.0	—	9.5	—	—	13.5	13.5	—	13.5
29.5	—	60.0	52.0	—	141.5	1,912.9	24.8	1,937.7
—	—	—	2	—	2	188.6	184.1	372.7
\$ 36.0	\$ —	\$ 192.5	\$ 52.2	\$ —	\$ 280.7	\$ 3,179.5	\$ 364.7	\$ 3,544.2
\$ —	\$ —	\$ 1,000.0	\$ —	\$ —	\$ 1,000.0	\$ 1,343.0	\$ 1,115.1 ⁴	\$ 2,458.1
\$ —	\$ —	\$ 34.4	\$ 4.8	\$ —	\$ 39.2	\$ 65.7	\$ —	\$ 65.7
\$ 5.3	\$ 17.1	\$ 379.0	\$ 35.9	\$ 41.3	\$ 481.6	\$ 5,539.0	\$ 691.3	\$ 6,230.3
\$ —	\$ —	\$ 14.0	\$ —	\$ —	\$ 14.0	\$ 14.0	\$ —	\$ 14.0
\$ —	\$ 8.9	\$ 311.5	\$ —	\$ —	\$ 320.4	\$ 893.1	\$ —	\$ 893.1
\$ —	\$ —	\$ 4.2	\$ 10.0	\$ —	\$ 14.2	\$ 80.2	\$ —	\$ 80.2
\$ —	\$ —	\$ —	\$ 2.5	\$ —	\$ 2.5	\$ 77.1	\$ 16.2	\$ 93.3
268.7	131.0	203.6	50.5	11.3	737.1	3,021.1	430.0	3,451.1
—	—	—	—	—	—	228.4	—	228.4
30.2	3.6	154.3	—	—	188.1	986.6	42.0	1,028.6
—	34.9	419.2	38.5	8.0	500.6	2,395.1	227.8	2,622.9
—	—	—	—	—	—	53.0	—	53.0
\$ 298.9	\$ 169.5	\$ 777.1	\$ 91.5	\$ 91.3	\$ 1,428.3	\$ 6,761.3	\$ 716.0	\$ 7,477.3
\$ —	\$ 8.0	\$ —	\$ 2.3	\$ 20.0	\$ 30.3	\$ 51.7	\$ —	\$ 51.7
\$ 4.1	\$ 3.5	\$ 111.2	\$ 39.7	\$ 3.0	\$ 161.5	\$ 719.4	\$ —	\$ 719.4
\$ 276.1	\$ 381.7	\$ 3,899.3	\$ 520.7	\$ 235.6	\$ 5,763.4	\$ 23,201.0	\$ 2,897.9	\$ 26,098.9 ⁴

¹ Except for the total shown in footnote 4, no account is taken of cancellations and refundings subsequent to original commitment; amounts of cancellations and refundings are shown by country and purpose in the Statements of Loans and of Development Credits, which are available on request. Bank loans of \$100 million to IFC are excluded. Due to rounding, totals may not agree with those shown in Appendix 2.

² Operations have been classified by the major purpose they finance. Many projects include activity in more than one sector or subsector.

³ Includes \$492 million in European reconstruction loans made before 1952.

⁴ This total includes \$111 million of credits made to Pakistan in earlier years for development projects in its former eastern wing, now Bangladesh. The credits were reactivated, in revised form, as credits to Bangladesh.

Total Bank and IDA Lending Operations by Country
December 31, 1973

	Bank Loans			IDA Credits		
	No.	Net amount ¹	Net Amount less sales & repayments	No.	Net amount ¹	Principal repayments
Algeria	5	\$ 105,000,000	\$ 30,968,000	—	\$ —	\$ —
Botswana	1	32,000,000	32,000,000	5	11,840,000	—
Burundi	1	4,800,000	264,000	3	3,251,158	—
Cambodia	7	62,800,000	62,255,000	8	66,700,000	80,093
Central African Republic	—	—	—	3	12,400,000	—
Chad	—	—	—	7	13,200,000	—
Dominican Republic	1	30,000,000	24,645	4	21,539,375	39,375
Dominican Republic of	—	—	—	8	26,000,000	—
Equatorial Guinea	1	56,500	5,500,000	8	131,073,937	—
Guinea	—	—	—	1	2,000,000	—
Guinea-Bissau	12	101,600,000	81,632,000	15	157,600,000	80,900
Kenya	5	64,288,722	26,105,000	—	—	—
Madagascar	2	53,000,000	43,576,000	2	3,400,000	—
Malawi	2	73,500,000	72,545,000	8	60,310,918	471,980
Maldives	12	101,891,567	94,345,000	—	—	—
Mali	18	358,824,026	325,320,500	1	7,500,000	—
Mozambique	—	—	—	13	82,679,376	—
Niger	7	26,849,811	25,630,000	2	9,700,000	—
Niger Republic	4	26,100,000	26,100,000	3	11,000,000	—
Nigeria	—	—	—	6	61,200,000	—
Romania	—	—	—	10	64,600,000	—
Russia	1	66,000,000	1,186,032	8	51,000,000	—
Senegal	1	6,973,119	1,895,666	4	16,350,000	—
Seychelles	16	342,432,213	309,672,232	4	19,700,000	—
Sri Lanka	—	—	—	4	35,800,000	—
Tanzania	18	567,043,334	522,252,514	5	17,103,224	—
Togo	3	46,950,000	17,228,696	2	35,304,820	—
Togo Republic	6	19,804,037	18,932,463	3	16,100,000	—
Tunisia	3	11,400,000	10,155,000	12	59,050,000	—
Upper Volta	—	—	—	3	10,800,000	—
Zambia	11	241,800,000	1,631,001	6	34,551,875	177,540
Zimbabwe	6	127,235,157	86,998,000	6	85,116,802	342,244
Zimbabwe	2	6,950,000	3,780,000	1	7,800,000	61,297
Zimbabwe	3	42,200,000	41,720,000	14	109,259,416	27,746
Zimbabwe	—	—	—	2	12,400,000	—
Zimbabwe	17	166,598,999	153,120,808	10	63,662,598	81,658
Zimbabwe	1	8,400,000	47,177	7	41,031,012	—
Zimbabwe	5	91,582,854	8,887,299	7	22,700,000	—
Zimbabwe	15	356,556,360	287,950,642	8	72,000,000	—
Zimbabwe	187	\$3,246,080,204	\$2,318,341,950	210	\$1,456,794,951	\$1,362,833
Zimbabwe	—	—	—	8	39,977,313	—
Zimbabwe	3	33,123,943	7,503,000	15	216,950,000	—
Zimbabwe	14	310,953,354	274,388,062	2	31,000,000	—
Zimbabwe	41	1,178,260,077	574,816,703	4	13,073,716	253,211
Zimbabwe	—	—	—	58	2,560,240,696	4,568,762
Zimbabwe	27	914,299,623	686,592,860	35	509,300,000	—
Zimbabwe	6	145,693,946	136,567,150	—	—	—
Zimbabwe	9	214,371,979	160,449,631	—	—	—
Zimbabwe	31	857,041,004	459,403,429	—	—	—
Zimbabwe	—	—	—	8	40,315,503	39,941
Zimbabwe	13	442,449,713	435,332,007	9	106,938,129	152,761
Zimbabwe	3	66,600,000	50,160,107	—	—	—
Zimbabwe	23	396,346,534	351,804,645	—	—	—
Zimbabwe	—	—	—	5	19,900,000	—
Zimbabwe	32	624,457,875	384,259,664	41	463,409,530	1,246,896
Zimbabwe	20	352,542,986	296,800,929	2	22,700,000	—
Zimbabwe	12	134,833,244	116,548,414	—	—	—
Zimbabwe	8	73,513,509	53,598,196	5	25,624,479	—
Zimbabwe	—	—	—	3	17,300,000	—
Zimbabwe	28	529,438,725	385,312,867	2	25,000,000	—
Zimbabwe	—	—	—	3	29,600,000	—
Zimbabwe	—	—	—	3	5,660,000	—
Zimbabwe	270	\$6,273,946,532	\$4,373,537,159	203	\$4,148,989,366	\$6,261,571

	Bank Loans			IDA Credits		
	No.	Net amount ¹	Net Amount less sales & repayments	No.	Net amount ¹	Principal repayments
Europe	9	\$ 104,860,083	\$ 37,913,198	—	\$ —	\$ —
Austria	4	76,000,000	—	—	—	—
Belgium	9	56,093,510	50,562,212	—	—	—
Cyprus	3	85,000,000	19,628,543	—	—	—
Denmark	17	296,526,846	130,855,683	—	—	—
Finland	1	250,000,000	—	—	—	—
France	7	133,875,070	122,934,871	—	—	—
Greece	10	47,014,500	38,835,000	—	—	—
Iceland	6	97,500,000	95,841,561	—	—	—
Ireland	8	398,028,000	110,285,860	—	—	—
Italy	1	11,761,983	—	—	—	—
Luxembourg	1	6,040,080	18,080	—	—	—
Malta	10	236,451,985	—	—	—	—
Netherlands	6	145,000,000	57,571,199	—	—	—
Norway	5	57,500,000	45,099,751	—	—	—
Portugal	10	426,831,646	380,161,271	—	—	—
Spain	23	520,679,609	455,657,948	14	178,115,987	503,719
Turkey	24	764,633,030	667,620,459	—	—	—
Yugoslavia	154	\$3,713,797,772	\$2,212,987,616	14	\$ 178,115,987	\$ 503,719
Latin America & Caribbean	9	\$ 509,102,049	\$ 455,056,000	—	\$ —	\$ —
Argentina	1	23,250,000	22,622,000	8	46,591,884	—
Bolivia	42	1,742,290,235	1,484,662,159	—	—	—
Brazil	18	232,537,762	148,850,631	1	18,997,755	508,918
Chile	55	1,072,821,082	866,070,366	1	19,500,000	524,500
Colombia	16	125,476,251	101,485,998	1	4,550,243	127,000
Costa Rica	1	25,000,000	23,913,044	3	22,000,000	—
Dominican Republic	11	91,300,000	60,579,000	6	76,900,000	—
Ecuador	11	94,718,024	60,709,709	2	13,599,331	114,000
El Salvador	6	66,699,234	46,084,214	—	—	—
Guatemala	5	20,219,017	19,200,000	3	9,500,000	—
Guyana	1	2,600,000	—	1	349,855	—
Haiti	13	92,159,153	78,311,124	7	33,627,974	210,000
Honduras	9	69,259,421	64,274,000	—	—	—
Jamaica	33	1,599,299,450	1,294,992,799	—	—	—
Mexico	19	110,258,828	83,360,000	7	22,994,834	49,000
Nicaragua	10	118,147,426	103,936,150	—	—	—
Panama	6	21,802,551	16,489,369	5	26,494,648	153,000
Paraguay	26	292,249,265	207,080,661	—	—	—
Peru	9	72,690,424	51,766,807	—	—	—
Trinidad & Tobago	11	155,161,159	84,839,000	—	—	—
Uruguay	12	355,903,865	287,098,340	—	—	—
Venezuela	330	\$6,892,745,226	\$5,561,331,372	40	\$ 255,106,534	\$1,709,000
Oceania	7	\$ 417,730,000	\$ 89,941,457	—	\$ —	\$ —
Australia	3	18,200,000	18,200,000	—	—	—
Fiji	6	101,545,880	71,016,949	—	—	—
New Zealand	4	44,700,000	40,262,222	5	25,200,000	—
Papua New Guinea	20	\$ 582,175,880	\$ 219,420,628	5	\$ 25,200,000	\$ —
International Finance Corporation	4	\$ 300,000,000	\$ 293,590,000	—	—	—
Bank TOTAL: 90 countries & IFC	965	\$21,008,745,614	\$14,979,208,744	472	\$6,064,206,828	\$9,637,000
IDA TOTAL: 66 countries	—	—	—	—	—	—
Combined Bank/IDA TOTAL: 109 countries & IFC	—	—	—	—	—	—

¹Net of cancellations, refundings and terminations.²One loan for \$7.5 million shown against four countries shared with Mali, Senegal and Upper Volta.³Five loans aggregating \$229.5 million shown against Kenya are shared with Tanzania and Uganda.⁴Three loans totaling \$100 million have been assigned in equal shares to Rhodesia and Zambia.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
Statement of Subscriptions to Capital Stock and Voting Power
December 31, 1973
(Expressed in thousands of units of currency)

Member	Subscriptions ¹		Amounts paid in ²			Amounts subject to call		Voting power	
	Shares	Percent of total	Expressed in United States dollars of the weight and interest in effect on July 1, 1964		Expressed in current United States dollars	Expressed in current United States dollars		Number of votes	Percent of total
			Expressed in United States dollars of the weight and interest in effect on July 1, 1964	Expressed in current United States dollars		Expressed in current United States dollars	Expressed in current United States dollars		
Algeria	800	32	20,000	20,000	9,651	27,000	8,657	1,050	37
Argentina	2,731	1.48	373,300	373,300	45,033	335,970	405,297	3,983	1.41
Australia	5,130	2.11	533,000	533,000	64,298	478,700	578,685	5,580	1.97
Austria	2,304	.91	230,400	230,400	27,794	202,600	250,148	2,334	.90
Bahamas, The	171	.07	17,100	1,710	2,063	15,390	19,566	421	.15
Bahrain	85	.03	8,500	850	1,025	7,475	9,229	335	.12
Barbados	1,067	.42	106,700	10,670	12,372	94,328	115,846	1,317	.47
Belize	5,345	2.20	534,500	53,450	66,892	467,608	605,228	5,795	2.05
Bolivia	210	.08	21,000	2,100	2,533	18,900	22,300	460	.16
Bosnia and Herzegovina	43	.02	4,300	430	519	3,780	4,669	293	.10
Brazil	3,733	1.48	373,300	37,330	45,033	328,267	405,297	3,983	1.41
Burma	507	.20	50,700	5,070	6,114	44,586	55,046	757	.27
Burundi	150	.06	15,000	1,500	1,810	13,500	16,286	400	.14
Cameroon	204	.08	20,400	2,040	2,413	18,000	21,714	450	.16
Canada	9,418	3.73	941,800	94,180	113,814	847,980	1,027,535	9,642	3.42
Central African Republic	100	.04	10,000	1,000	1,206	9,000	10,837	350	.12
Chad	100	.04	10,000	1,000	1,206	9,000	10,837	350	.12
Chile	933	.37	93,300	9,330	11,251	82,049	101,297	1,183	.42
China	7,540	2.97	754,000	75,400	90,476	663,524	814,285	7,550	2.74
Colombia	933	.37	93,300	9,330	11,251	82,049	101,297	1,183	.42
Congo, People's Republic of	100	.04	10,000	1,000	1,206	9,000	10,837	350	.12
Costa Rica	107	.04	10,700	1,070	1,291	9,630	11,817	357	.13
Cyprus	222	.09	22,200	2,220	2,678	19,940	24,103	472	.17
Dahomey	100	.04	10,000	1,000	1,206	9,000	10,837	350	.12
Denmark	2,211	.88	221,100	22,110	26,672	198,990	240,051	2,441	.87
Dominican Republic	143	.06	14,300	1,430	1,725	12,870	15,526	393	.14
Ecuador	181	.07	18,100	1,810	2,183	16,290	19,651	431	.15
Egypt, Arab Republic of	1,421	.56	142,100	14,210	17,142	127,890	154,240	1,671	.59
El Salvador	120	.05	12,000	1,200	1,446	10,550	13,029	370	.13
Equatorial Guinea	84	.03	8,400	840	772	7,628	9,409	314	.11
Ethiopia	114	.05	11,400	1,140	1,375	10,240	12,377	364	.13
Fiji	111	.04	11,100	1,110	1,339	9,990	12,051	341	.12
Finland	1,621	.64	162,100	16,210	19,555	158,990	195,994	1,871	.64
France	12,792	5.07	1,279,200	127,920	154,314	1,131,280	1,384,845	13,042	4.61
Ghana	100	.04	10,000	1,000	1,206	9,000	10,837	350	.12
Gambia, The	53	.02	5,300	530	639	4,770	5,754	303	.11
Gambia, Federal Republic of	13,653	5.41	1,365,300	136,530	164,703	1,228,770	1,487,325	13,903	4.91
Ghana	724	.29	72,400	7,240	8,835	64,560	79,691	914	.33
Greece	736	.29	73,600	7,360	8,879	64,740	79,909	916	.33
Guatemala	123	.05	12,300	1,230	1,484	11,070	13,314	373	.13
Guinea	200	.08	20,000	2,000	2,413	18,000	21,714	450	.16
Guinea-Bissau	131	.05	13,100	1,310	1,593	11,500	13,966	431	.15
Haiti	150	.06	15,000	1,500	1,810	13,500	16,286	400	.14
Honduras	84	.03	8,400	840	1,013	7,560	9,120	314	.11
Iceland	184	.07	18,400	1,840	2,220	16,560	19,977	414	.15
India	9,000	3.57	900,000	90,000	108,171	810,000	977,143	9,310	3.27
Indonesia	2,200	.87	220,000	22,000	26,540	198,000	238,837	2,410	.87
Iran	1,180	.43	118,000	11,800	14,160	103,840	127,543	1,310	.45
Iraq	898	.35	89,800	8,980	10,770	78,830	97,793	944	.34
Ireland	1,032	.41	103,200	10,320	12,450	92,840	117,046	1,242	.45
Israel	1,108	.44	110,800	11,080	13,366	99,720	120,297	1,318	.46
Italy	6,860	2.64	686,000	68,600	82,343	599,400	733,083	8,910	3.24
Ivory Coast	365	.14	36,500	3,650	4,403	32,097	39,629	615	.22
Jamaica	446	.18	44,600	4,460	5,380	40,140	48,423	694	.25
Japan	10,230	4.06	1,023,000	102,300	123,609	920,700	1,110,885	10,480	3.70
Jordan	187	.07	18,700	1,870	2,254	16,830	20,503	437	.15
Korea	400	.16	40,000	4,000	4,823	36,000	43,234	650	.23
Kuwait Republic	214	.09	21,400	2,140	2,582	19,260	23,234	464	.18
Kyrgyzstan	682	.27	68,200	6,820	8,227	61,380	74,046	932	.33
Kuwait	494	.19	49,400	4,940	5,972	43,460	53,318	944	.33
Laos	100	.04	10,000	1,000	1,206	9,000	10,837	350	.12
Lebanon	90	.04	9,000	900	1,086	8,100	9,774	340	.12
Lesotho	43	.02	4,300	430	519	3,780	4,669	293	.10
Liberia	713	.28	71,300	7,130	8,570	63,730	78,326	861	.30
Livian Arab Republic	200	.08	20,000	2,000	2,413	18,000	21,714	450	.16
Luxembourg	200	.08	20,000	2,000	2,413	18,000	21,714	450	.16

Member	Subscriptions ¹		Amounts paid in ²			Amounts subject to call		Voting power
	Shares	Percent of total	Expressed in United States dollars of the weight and interest in effect on July 1, 1964		Expressed in current United States dollars	Expressed in current United States dollars		
			Expressed in United States dollars of the weight and interest in effect on July 1, 1964	Expressed in current United States dollars		Expressed in current United States dollars	Expressed in current United States dollars	
Malagasy Republic	210	.09	21,000	2,100	2,642	19,110	23,777	450
Malawi	150	.06	15,000	1,500	1,810	13,500	16,286	400
Malaysia	1,517	.63	151,700	15,170	18,145	142,830	175,503	1,817
Mali	173	.07	17,300	1,730	2,087	15,570	18,743	423
Mauritania	100	.04	10,000	1,000	1,206	9,000	10,837	350
Mexico	188	.07	18,800	1,880	2,248	16,920	20,411	438
Morocco	2,210	.90	221,000	22,100	27,505	205,200	247,543	2,530
Nepal	940	.38	94,000	9,400	11,581	86,400	104,228	1,210
Netherlands	112	.04	11,200	1,120	1,351	10,080	12,140	362
New Zealand	5,923	2.35	592,300	59,230	71,452	533,070	643,068	6,173
Nicaragua	1,716	.68	171,600	17,160	20,701	154,440	186,308	1,966
Niger	91	.04	9,100	910	1,098	8,190	9,810	348
Nigeria	100	.04	10,000	1,000	1,206	9,000	10,837	350
Norway	1,152	.46	115,200	11,520	13,817	103,074	125,874	1,403
Oman	2,048	.81	204,800	20,480	24,706	184,100	223,154	2,298
Pakistan	600	.24	60,000	6,000	7,14	53,000	64,114	710
Panama	2,000	.78	200,000	20,000	24,127	175,873	214,100	2,210
Paraguay	174	.07	17,400	1,740	2,124	15,400	18,594	426
Peru	60	.02	6,000	600	724	5,400	6,514	310
Philippines	733	.29	73,300	7,330	8,867	66,150	79,600	983
Poland	1,222	.52	122,200	12,220	14,667	107,533	131,177	1,372
Portugal	800	.32	80,000	8,000	9,651	72,000	86,857	1,010
Qatar	171	.07	17,100	1,710	2,063	15,390	18,566	421
Romania	1,621	.64	162,100	16,210	19,555	145,890	179,994	1,871
Rwanda	150	.06	15,000	1,500	1,810	13,500	16,286	400
Saudi Arabia	1,143	.45	114,300	11,430	13,789	102,510	124,097	1,317
Senegal	333	.13	33,300	3,330	4,017	29,970	36,154	483
Seychelles	150	.06	15,000	1,500	1,810	13,500	16,286	400
Singapore	320	.11	32,000	3,200	3,840	28,800	34,743	370
South Africa	150	.06	15,000	1,500	1,810	13,500	16,286	400
Spain	2,123	.85	212,300	21,230	25,331	191,970	231,383	2,383
Sri Lanka	3,371	1.34	337,100	33,710	40,666	303,390	365,994	3,673
Sweden	87	.03	8,700	870	1,048	7,650	9,298	421
Switzerland	400	.16	40,000	4,000	4,823	36,000	43,234	650
Syrian Arab Republic	350	.14	35,000	3,500	4,222	31,000	38,000	600
Tanzania	1,143	.45	114,300	11,430	13,789	102,510	124,097	1,317
Thailand	150	.06	15,000	1,500	1,810	13,500	16,286	400
Togo	535	.21	53,500	5,350	6,454	48,150	58,086	610
Tonkin and Tobago	373	.15	37,300	3,730	4,500	33,570	40,897	473
Tunisia	1,284	.51	128,400	12,840	15,514	115,740	142,673	1,513
Turkey	333	.13	33,300	3,330	4,017	29,970	36,154	483
Uganda	178	.07	17,800	1,780	2,124	15,680	18,854	426
United Arab Emirates	24,000	10.31	2,400,000	240,000	287,611	2,112,389	2,599,800	26,150
United Kingdom	64,730	25.66	6,473,000	647,300	780,549	5,825,750	7,027,815	64,980
United States	100	.04	10,000	1,000	1,206	9,000	10,837	350
Upper Volta	411	.16	41,100	4,110	4,958	36,990	44,873	641
Uruguay	1,972	.78	197,200	19,720	23,789	173,410	214,103	2,222
Venezuela	543	.22	54,300	5,430	6,510	48,870	59,954	713
Yemen	85	.03	8,500	850	1,025	7,475	9,229	335
Yemen, People's Democratic Republic of	248	.10	24,800	2,480	2,992	22,320	26,926	498
Yugoslavia	1,178	.47	117,800	11,780	14,211	106,020	127,897	1,428
Zaire	640	.26	64,000	6,400	7,781	57,219	69,400	720
Zambia	333	.13	33,300	3,330	4,017	29,970	36,154	483
TOTAL	232,219	100.00	23,221,900	2,322,190	2,842,810	20,498,890	24,764,700	242,969

Amounts in these notes are expressed in current United States dollars.
¹The equivalent of \$203,000 has been received from members on account of increases in subscriptions which are in process of completion. Gabon \$24,000, Panama \$19,000 and Zambia \$15,000.
²Amounts aggregating the equivalent of \$24,472,000 receivable and of \$37,

INTERNATIONAL DEVELOPMENT ASSOCIATION
Statement of Subscriptions, Voting Power and Supplementary Resources
December 31, 1973

(expressed in United States dollars of the weight and fineness in effect on January 1, 1960—
in thousands)

Member ¹	Subscriptions ²		Voting power		Supplementary resources Amounts ³	Total subscriptions and supplementary resources Amounts ^{3,4}
	Amounts ³	Percent of total	Number of votes	Percent of total		
Australia	\$ 20,763	1.96	13,079	1.56	\$ 91,217	\$ 111,980
Austria	5,238	.49	5,232	.62	29,322	34,560
Belgium	8,746	.82	9,597	1.14	68,954	77,700
Canada	39,682	3.74	32,464	3.86	264,848	304,530
Denmark	9,174	.86	8,922	1.06	61,666	70,840
Finland	3,952	.37	4,037	.48	18,496	22,448
France	55,035	5.18	38,284	4.55	306,997	362,032
Germany, Federal Republic of	55,963	5.27	49,874	5.93	420,597	476,560
Iceland	103	.01	1,806	.21	447	550
Ireland	3,147	.30	3,825	.46	3,883	7,030
Italy	18,160	1.71	4,132	.49	78,360	96,520
Japan	35,356	3.33	30,541	3.63	249,964	285,320
Kuwait	3,493	.33	4,089	.49	19,427	22,920
Luxembourg	390	.04	2,010	.24	2,160	2,550
Netherlands	28,435	2.68	15,989	1.90	112,645	141,080
Norway	7,012	.66	6,739	.80	42,308	49,320
South Africa	10,091	.95	3,777	.45	9,989	20,080
Sweden	11,592	1.09	22,538	2.68	194,633	206,225
United Kingdom	134,650	12.68	71,857	8.54	559,650	694,300
United States	331,899	31.25	210,927	25.07	1,740,390	2,072,290
TOTAL Part I Members	\$ 782,881	73.72	539,719	64.16	\$4,275,954	\$5,058,835
Afghanistan	\$ 1,049	.10	2,437	.29	\$ —	\$ 1,049
Algeria	4,186	.39	4,510	.54	—	4,186
Argentina	19,562	1.84	14,661	1.74	—	19,562
Bangladesh	5,589	.53	5,444	.65	—	5,589
Bolivia	1,101	.10	2,473	.29	—	1,101
Botswana	166	.02	1,859	.22	—	166
Brazil	19,562	1.84	14,661	1.74	—	19,562
Burma	2,099	.20	3,138	.37	—	2,099
Burundi	790	.07	2,273	.27	—	790
Cameroon	1,010	.09	702	.08	—	1,010
Central African Republic	500	.05	600	.07	—	500
Chad	519	.05	2,093	.25	—	519
Chile	3,530	.33	1,206	.14	—	3,530
China	31,436	2.96	22,503	2.68	—	31,436
Colombia	3,667	.35	4,168	.50	—	3,667
Congo, People's Republic of	500	.05	600	.07	—	500
Costa Rica	208	.02	1,892	.23	—	208
Cyprus	760	.07	652	.08	—	760
Dahomey	500	.05	600	.07	—	500
Dominican Republic	416	.04	2,022	.24	—	416
Ecuador	676	.06	2,200	.26	—	676
Egypt, Arab Republic of	5,277	.50	5,231	.62	—	5,277
El Salvador	300	.03	560	.07	—	300
Equatorial Guinea	332	.03	1,967	.23	—	332
Ethiopia	519	.05	2,093	.25	—	519
Fiji	581	.05	2,130	.25	—	581
Gabon	500	.05	600	.07	—	500
Gambia, The	277	.03	1,931	.23	—	277
Ghana	2,452	.23	3,372	.40	—	2,452
Greece	2,618	.25	3,480	.41	—	2,618
Guatemala	416	.04	2,022	.24	—	416
Guinea	1,049	.10	2,437	.29	—	1,049
Guyana	842	.08	2,308	.27	—	842
Haiti	760	.07	652	.08	—	760
Honduras	311	.03	1,951	.23	—	311
India	41,919	3.95	29,426	3.50	—	41,919
Indonesia	11,531	1.09	9,360	1.11	—	11,531
Iran	4,717	.44	4,868	.58	—	4,717
Iraq	790	.07	2,273	.27	—	790
Israel	1,745	.16	2,904	.35	—	1,745
Ivory Coast	1,049	.10	2,437	.29	—	1,049
Jordan	300	.03	560	.07	—	300
Kenya	1,745	.16	2,904	.35	—	1,745
Khmer Republic	1,060	.10	2,452	.29	—	1,060

Member ¹	Subscriptions ²		Voting power		Supplementary resources Amounts ³	Total subscriptions and supplementary resources Amounts ^{3,4}
	Amounts ³	Percent of total	Number of votes	Percent of total		
Korea	1,309	.12	2,615	.31	—	1,309
Laos	519	.05	2,093	.25	—	519
Lebanon	450	.04	590	.07	—	450
Lesotho	166	.02	1,859	.22	—	166
Liberia	790	.07	2,273	.27	—	790
Libyan Arab Republic	1,049	.10	2,437	.29	—	1,049
Malagasy Republic	1,010	.09	702	.08	—	1,010
Malawi	790	.07	2,273	.27	—	790
Malaysia	2,618	.25	3,480	.41	—	2,618
Mali	904	.08	2,346	.28	—	904
Mauritania	519	.05	2,093	.25	—	519
Mauritius	894	.08	2,344	.28	—	894
Mexico	8,740	.82	2,248	.27	—	8,740
Morocco	3,667	.35	4,168	.50	—	3,667
Nepal	519	.05	2,093	.25	—	519
Nicaragua	311	.03	1,951	.23	—	311
Niger	500	.05	600	.07	—	500
Nigeria	3,491	.33	4,057	.48	—	3,491
Oman	311	.03	1,951	.23	—	311
Pakistan	10,482	.99	8,673	1.03	—	10,482
Panama	20	.00	504	.06	—	20
Paraguay	311	.03	1,951	.23	—	311
Peru	1,770	.17	854	.10	—	1,770
Philippines	5,236	.49	5,211	.62	—	5,236
Rwanda	760	.07	652	.08	—	760
Saudi Arabia	3,700	.35	1,240	.15	—	3,700
Senegal	1,680	.16	836	.10	—	1,680
Sierra Leone	760	.07	652	.08	—	760
Somalia	790	.07	2,273	.27	—	790
Spain	10,482	.99	8,673	1.03	2,108	12,590
Sri Lanka	3,148	.30	3,825	.46	—	3,148
Sudan	1,049	.10	2,437	.29	—	1,049
Swaziland	332	.03	1,968	.23	—	332
Syrian Arab Republic	987	.09	2,400	.29	—	987
Tanzania	1,745	.16	2,904	.35	—	1,745
Thailand	3,148	.30	3,825	.46	—	3,148
Togo	790	.07	2,273	.27	—	790
Trinidad and Tobago	1,350	.13	770	.09	—	1,350
Tunisia	1,569	.15	2,793	.33	—	1,569
Turkey	6,026	.57	5,733	.68	—	6,026
Uganda	1,745	.16	2,904	.35	—	1,745
Upper Volta	500	.05	600	.07	—	500
Viet-Nam	1,569	.15	2,793	.33	—	1,569
Yemen Arab Republic	446	.04	2,041	.24	—	446
Yemen, People's Democratic Republic of	1,226	.12	2,561	.30	—	1,226
Yugoslavia	4,198	.39	4,525	.54	3,882	8,080
Zaire	3,138	.30	3,823	.45	—	3,138
Zambia	2,690	.25	1,038	.12	—	2,690
TOTAL Part II Members	\$ 279,120	26.28	301,517	35.84	\$ 5,990	\$ 285,110
GRAND TOTAL	\$1,062,001	100.00	841,236	100.00	\$4,281,944	\$5,343,945

¹The subscriptions of, and the supplementary resources provided by, Part I members are payable in freely convertible currencies and may be freely used or exchanged by the Association.

²Subscriptions include initial subscriptions of all members and additional subscriptions taken up by members under the Third Replenishment of the resources of the Association.

³Amounts are expressed in United States dollars of the weight and fineness in effect on January 1, 1960. For translation purposes, one United States dollar as used in this Appendix is approximately equal to 1.0605 current United States dollars.

⁴Amounts aggregating the equivalent of \$698,248,480 receivable from members are included of which \$611,917,962 equivalent was past due at December 31, 1973, and the balance \$86,330,518 equivalent, was not yet due.

⁵Less than .005 percent.

General \$9,000 from Western Samoa have been received on account of its initial subscription pending admission to membership.

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