



The World Bank  
Annual Report

2002



THE WORLD BANK

Volume 1  
[Year in Review](#)

# Letter of Transmittal

This *Annual Report*, which covers the period from July 1, 2001, to June 30, 2002, has been prepared by the Executive Directors of both the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) in accordance with the respective bylaws of the two institutions.

James D. Wolfensohn, President of the IBRD and IDA, and Chairman of the Board of Executive Directors, has submitted this report, together with the accompanying administrative budgets and audited financial statements, to the Board of Governors.

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

## THE WORLD BANK MISSION

TO FIGHT POVERTY WITH PASSION AND PROFESSIONALISM FOR LASTING RESULTS.

TO HELP PEOPLE HELP THEMSELVES AND THEIR ENVIRONMENT BY PROVIDING RESOURCES, SHARING KNOWLEDGE, BUILDING CAPACITY, AND FORGING PARTNERSHIPS IN THE PUBLIC AND PRIVATE SECTORS.

TO BE AN EXCELLENT INSTITUTION ABLE TO ATTRACT, EXCITE, AND NURTURE DIVERSE AND COMMITTED STAFF WITH EXCEPTIONAL SKILLS WHO KNOW HOW TO LISTEN AND LEARN.



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**About the cover:** Education shapes the future of people and nations. Yet 113 million children around the world—most of them girls—do not go to school. In fiscal 2002 the Education for All agenda gained considerable momentum, with the World Bank at the forefront of global efforts to give every girl and boy, by 2015, an opportunity to complete a free primary school education of good quality.

### Note

This is the first of two volumes that will be distributed as a set. The complete Management's Discussion and Analysis, audited financial statements of the International Bank for Reconstruction and Development, audited financial statements of the International Development Association, and appendixes are published in a separate volume as *The World Bank Annual Report 2002: Volume 2, Financial Statements and Appendixes*. This Annual Report is also available on the Internet at [www.worldbank.org](http://www.worldbank.org).

All dollar amounts used in this *Annual Report* are current U.S. dollars unless otherwise specified.

# Message from the President of the World Bank and Chairman of the Board of Executive Directors



*During his visit to Kabul in May to reopen the World Bank office, James D. Wolfensohn meets workers and views progress on the Global Distance Learning Center, which is being funded under the Emergency Education Rehabilitation and Development Project.*

## A NEW GLOBAL PARTNERSHIP FOR DEVELOPMENT

As a result of the events of the past year, more people than ever before have come to realize that no wall divides rich and poor nations. There are not two worlds. There is only one. And in this world, poverty is our collective enemy. This has been a year of tremendous challenges. But it has also been a period of reaching out, of standing together, a time of commitment to shared goals.

The Millennium Development Goals (MDGs) represent an expanded vision of development with essential objectives, including halving world poverty by 2015. At the International Conference on Financing for Development in Monterrey, Mexico, in March 2002, the international community committed itself anew to achieving the goals. It formed a new global partnership—the Monterrey Consensus—that marks an important watershed in its aspirations to achieve the MDGs. Both developing and developed countries will play important roles.

Developing countries recognize that they must commit to good governance and sound policies, building the conditions for investment and empowering their people in the development process. They have pledged to use aid funds to build human capacity, focusing on education and health programs. They have pledged to fight the corruption that drains resources away from productive activities. They have taken the initiative to identify priorities and generate their own development policies while representing all constituencies, including women and the disadvantaged, in the process. The development community is committed to increasing the quantity and effectiveness of its support to developing countries as they move forward in these areas.

Developed countries acknowledge that they must provide more and better aid, improve policy coherence, and, critically, move forward on trade policies in support of development. In particular, it is essential to address policies that limit markets for developing countries' products. Without greater access to global markets and the growth in trade that follows, many

developing countries will be severely constrained, not realizing their potential for investment, private sector growth, job creation, and sustainably higher incomes.

We in the development community are all agreed that the essential conditions to foster successful development include education and health programs that build human capacity; an effective system for infrastructure provision; good and clean government; effective legal and judicial systems; and well organized and supervised financial systems.

The Monterrey Consensus was a historic step forward. At last developing countries saw the promise of a turnaround in the access to trade and in the volume of aid, as an additional \$12 billion was pledged by donor countries over the next three years. The challenge before us now is to translate the new global development partnership into action, redoubling our efforts on the part of developing countries and the broader international community.

What matters most is results. Over the past decades, impressive gains have been made in many countries in life expectancy, literacy, and poverty reduction. Because of better policies in developing countries, together with improved performance-based allocation in recent years, aid is more effective today at reducing poverty than ever before. But there is more to be done. With good results, we can open the door to increased resources for fighting poverty. Both developing and developed countries are now in a position to take the next steps toward achieving the Millennium Development Goals.

Essential to those steps is the need for developing countries to use the new resources committed at Monterrey effectively. Donors should harmonize their lending policies and procedures, and untie aid, so that borrowing countries are not mired in unnecessary requirements and reports, and can obtain resources more efficiently. Donors should also commit to helping developing countries build capacity in government, business, and communities, listening to their expressed priorities.

The Monterrey Consensus is in line with the development strategy that the World Bank Group has been progressively pursuing in recent years. The Bank's knowledge resources, based on more than fifty years of development experience, have played a vital role. There is now a broad acceptance of the Comprehensive Development Framework and Poverty Reduction Strategy Papers by low-income countries and our development partners. I believe that country ownership of

this approach will increasingly broaden to embrace national parliaments, civil society, and the private sector. Country-led comprehensive processes enable clients to do an increasingly good job of setting clear priorities for policies and actions needed to deliver faster growth and poverty reduction. In each case, these priorities will need to reflect the country's unique circumstances and needs and will often go beyond political cycles.

## **FOCUS ON POVERTY REDUCTION AND IMPROVEMENTS IN EDUCATION**

This year the Bank has played a leading role in relieving poor countries of debt in order to increase their resources for poverty reduction. Twenty-six countries are now benefiting from the Heavily Indebted Poor Countries (HIPC) Initiative, amounting to about \$41 billion from all creditors in nominal debt service relief over time. Five more countries will soon be receiving relief under this program. Together with other forms of relief, HIPC cuts the total external debt in these countries by two-thirds. These countries can now spend between three and four times more per year on key social investments, such as education and health, than on debt service requirements.

Education is at the heart of poverty reduction. At its Spring Meetings this year, the Development Committee of the World Bank Group specifically endorsed an Action Plan for accelerating progress toward Education for All (EFA), which aims to provide every girl and boy with quality primary school education by 2015. The case for faster progress toward this goal is clear: 113 million children of elementary school age in developing countries have either never set foot in a classroom or dropped out of school shortly after enrolling. The Bank has subsequently invited 18 countries to join an Education for All Fast Track and is working with 5 other countries to qualify them for the program. This is an initiative designed to help developing countries meet the 2015 education goal. Many more countries are expected to benefit from this initiative in the months and years to come.

We must continue to increase resources for poverty reduction in the poorest countries, for which IDA remains the largest source of concessional financing. Its catalytic role can now be even greater with the 13th Replenishment of IDA (IDA13), which stresses working with other development partners and a strong focus on results. IDA13 represents an 18 percent

increase over IDA12, and reconfirms the commitment of IDA donors to addressing the goals highlighted in Monterrey. The increased grant funding within IDA is especially welcome and we are grateful to the donors for this new development.

In the past year, the World Bank Group has developed and communicated its strategy, approach, and priorities, and established many of the procedures and tools needed to translate those broad directions into concrete actions that can be monitored. With our strategy established, our focus will continue to be on implementation. We will work to scale up our impact because of the scale and urgency of the global poverty challenge. Where the Bank has been successful in the past, we know that country leadership and our strong partners in development have played important parts. We will continue to work with our partners to find more effective ways to help clients formulate their policies and build institutions. By sharing and applying the

Bank's considerable knowledge resources we can assist our development partners and client countries in identifying successful poverty reduction efforts and in carrying them out on a wider scale. I am especially grateful to the management and staff of our World Bank Group for their selfless efforts.

In a changed world, the new partnership of nations can make the difference in the lives of poor people. The time for action is now. The opportunity is here. We must stand firm in our fight against poverty and aim to achieve a drastic reduction of it in our lifetime, for the sake of our children. We must commit ourselves to a poverty-free and inclusive world with renewed vigor.



James D. Wolfensohn

# The Board of Executive Directors



From left to right: (standing) Tom Scholar, Luis Antonio Baduino,\* Neil Francis Hyden, Mohamed K. Amr,\* Pieter Stek, Pierre Duquesne, Eckhardt Biskup,\* Pietro Veglio, Finn Jønck, Mario Soto-Platero, Girmai Abraham, Yuzo Harada, Abdul Aziz Mohd. Yaacob, Bassary Touré, Emin Dedeoglu;\* (seated) Zhu Guangyao, Yahya A. M. Alyahya, Carole Brookins, Balmiki Prasad Singh, Sharon Weber,\* Helena Cordeiro,\* Ahmed Sadoudi.

\*Alternate (some directors or alternates were not available for this photograph).

The Executive Directors are responsible for the conduct of the World Bank's general operations and perform their duties under powers delegated by the Board of Governors. As provided in the Articles of Agreement, 5 of the 24 Executive Directors are appointed by the member countries having the largest number of shares; the rest are elected by the other member countries, which form constituencies in an election process conducted every two years.

Executive Directors consider and decide on IBRD loan and guarantee proposals and IDA credit and guarantee proposals made by the President, and they decide on policies that guide the Bank's general operations. They are also responsible for presenting to the Board of Governors, at the Annual Meetings, an audit of accounts, an administrative budget, and an annual report (this report) on the Bank's operations and policies as well as other matters. In shaping Bank policy, the Board of Executive Directors (the Board) takes into account the evolving perspectives of member countries on the role of the Bank Group as well as the Bank's operational experience. In this regard, an important role

is played by the Operations Evaluation Department (OED), which is accountable directly to the Board to perform evaluations as set out in OED's Board-approved policies, strategies, and work program. OED provides independent advice to the Board on the relevance, sustainability, efficiency, and effectiveness of operations. During fiscal 2002 the Executive Directors regularly met at Bank headquarters to carry out their responsibilities. Directors also serve on one or more of five standing committees: Audit, Budget, Development Effectiveness, Personnel, and Executive Directors' Administrative Matters. The committees help the Board discharge its oversight responsibilities through in-depth examinations of policies and practices.

Executive Directors and Alternate Executive Directors also periodically visit borrowing countries to review Bank assistance in progress. They meet a wide range of people, including project managers, beneficiaries, and government officials, as well as nongovernmental organizations, the business community, other development partners, financial institutions, and resident Bank staff. This year, Directors visited the

European Union in Brussels, and also Algeria, the Arab Republic of Egypt, and the Islamic Republic of Iran. Directors also play an active role in preparing the agenda and issues papers for the semiannual meetings of the joint World Bank–International Monetary Fund (Bank–Fund) Development Committee. In fiscal 2002 the Development Committee addressed the World Bank's response to the events of September 11, 2001, for low- and middle-income countries, the U.N. conference on Financing for Development, development effectiveness, education for dynamic economies, and a number of other issues including heavily indebted poor countries (HIPC), anti-money-laundering activities, and harmonization of multilateral development banks' (MDBs') operational policies and procedures. (See appendix 13 in volume 2 of this *Annual Report*.)

## STRATEGIC ISSUES

The major areas of Board emphasis during the fiscal year are highlighted below.

### Strategic Framework

The Board's work during fiscal 2002 was based heavily on the Strategic Framework and Strategic Directions Papers discussed in fiscal 2001, and reflected recent progress in aligning Bank Group strategies and policies with its core poverty reduction objective. Directors also reviewed a Strategy Update Paper for fiscal 2003–05 focusing on implementation of the Bank's Strategic Framework. Within this context they reviewed a number of Sector Strategy Papers designed to help define the Bank's role in poverty reduction at the sector level, including strategies for the environment, gender, information and communication technologies, and private sector development.

### The Bank Group's Role in Poverty Reduction

The Board continued to closely monitor implementation of the Bank's poverty reduction mandate. It considered seven Poverty Reduction Strategy Papers (PRSPs) and nine interim PRSPs, and they reviewed three PRSP Progress Reports, pointing out areas where further refinement would be useful. In addition, Directors discussed a joint Bank–Fund comprehensive *Review of the Poverty Reduction Strategy Paper (PRSP) Approach*. Meanwhile, the Board continued to focus attention on the enhanced HIPC Initiative. They considered 11 HIPC documents (comprising 4 Prelimi-

nary, 3 Decision Point,<sup>1</sup> and 4 Completion Point<sup>2</sup> documents) and considered a number of joint Bank–Fund papers, including “HIPC Initiative: Status of Implementation”; “HIPC Initiative: Completion Point Considerations”; “External Debt Management in HIPC Countries”; and “Actions to Strengthen the Tracking of Poverty-Reducing Public Spending in HICPs.” The Board's poverty reduction work was heavily influenced by the determination to spur progress in achieving the Millennium Development Goals (MDGs), with the objective of halving world poverty levels by the year 2015.

### Country Programs

Country assistance strategies (CASs) remained the cornerstone of Bank Group work at the individual client level, including the Comprehensive Development Framework (CDF) principles of ownership, partnership, and a focus on results. The Board reviewed 34 CASs and CAS products during the fiscal year. Periodic meetings of the CDF Learning Group dealt with issues such as selectivity and alignment. The Board also participated in ongoing work on refining and modernizing the Bank's lending and nonlending instruments, and provided guidance on a number of papers in this area, including design features for the Deferred Drawdown Option for use with IBRD adjustment loans for middle-income IBRD member countries.

### Global Programs and Partnerships

The Bank Group continued to strengthen cooperation with the International Monetary Fund (the Fund, or IMF), other MDBs, and the U.N. system, while increasing its outreach to civil society. Directors also took an active role in considering priorities in relationships with other development partners. Collaboration with the IMF was especially prominent in the work on PRSPs and the HIPC Initiative, as well as the work on

1. *Decision point*: The point at which the international community agrees—for countries with unsustainable debt levels and a solid record on economic reform and poverty reduction programs—on the amount of relief needed to reduce outstanding debt to a sustainable level. Multilateral creditors, including IDA, begin providing significant “interim assistance” beginning immediately at the decision point.

2. *Completion point*: The point at which all creditors provide, unconditionally, the remainder of their share of debt relief agreed on at the decision point. The completion point is tied to implementation of key reforms and policies outlined in a country's PRSP.

debt sustainability and public sector management. This included a joint Bank-Fund paper on strengthening Bank-Fund collaboration on country programs and conditionality, and a paper on enhancing operational coordination on financial sector issues. Work was also carried out with other MDBs and bilateral aid agencies on the harmonization of operational policies and procedures culminating in a “Progress Report on the Harmonization of Policies, Procedures, and Practices.”

In addition, the Board approved key recommendations in a review of the Bank’s policy on information disclosure, which was drafted in close consultation with clients and civil society. Board members were heavily involved in preparations for the March 2002 U.N. conference, Financing for Development, which addressed issues such as the role of the MDGs, strengthening the conditions for investment and growth, promoting the integration of developing countries into the international trading system, the importance of enhancing development assistance flows, and the challenge of cooperation and coordination among donors to reduce the transaction costs of aid. Directors also took an active interest in progress on refining the Bank’s knowledge strategy and establishment of the Development Gateway Foundation.

## **OVERSIGHT AND FIDUCIARY RESPONSIBILITY**

The Board exercises oversight and fiduciary responsibility on behalf of its shareholders, in part through its Audit Committee. The Committee reviewed its terms of reference to reflect the evolving scope and responsibilities of audit committees’ roles in risk management. The Committee advises the Board on financial management and other governance issues to facilitate Board decisions on financial policy and control issues.

## **ADMINISTRATIVE BUDGET**

The administrative budget for fiscal 2002, reviewed by the Budget Committee and approved by the Executive Directors, was \$1,589.7 million, net of

reimbursements, and included \$176.9 million for the Development Grant Facility. The administrative budget represented a 4.6 percent real increase over the fiscal 2001 budget. In June 2002 the Executive Directors approved a total administrative budget, net of reimbursements, of \$1,672.6 million for fiscal 2003.

## **INSPECTION PANEL**

The Board created an independent Inspection Panel in 1993 to address more closely the concerns of people affected by Bank projects and to ensure that the Bank adheres to its operational policies and procedures in the design, preparation, and implementation of projects. Any group of individuals who believe they may be harmed by a Bank-supported project may ask the Panel to investigate complaints that such harm stems from the Bank’s failure to abide by its policies and procedures. The Executive Directors decide, on the recommendation of the Panel, whether an investigation will take place.

In fiscal 2002 the Inspection Panel received three new Requests for Inspection relating to (a) the Uganda: Third Power Project and the later approved Bujagali Hydropower Project, for which the Board approved an investigation; (b) the Papua New Guinea: Governance Promotion Adjustment Loan, for which the Panel did not recommend an investigation; and (c) the Paraguay: Reform Project for the Water and Telecommunications Sectors, and the Argentina: SEGBAV Power Distribution Project, for which the Panel registered the Request for Inspection.

The Board considered the Panel Investigation Report and the Bank management recommendations on the Uganda Bujagali Project, and approved management’s recommendations to address the Panel’s findings. In addition to the Uganda investigation, the Panel is conducting two other investigations, approved by the Board, which relate to Requests for Inspection received in fiscal 2001 concerning (a) the Chad Petroleum Development and Pipeline Project, and (b) the India Coal Sector Environmental and Social Mitigation Project. Twenty-six requests have been filed since the establishment of the Panel.

# The World Bank Group

**The World Bank Group,** with a mission to fight poverty and improve living standards for people in the developing world, is among the world's leading development institutions. It provides loans, policy advice, technical assistance, and knowledge-sharing services. IBRD and IDA—together, the "World Bank"—are owned by member countries that carry ultimate decision-making power. The World Bank Group today consists of five closely associated institutions.



## The International Bank for Reconstruction and Development

Established 1945 ■ 183 members  
Cumulative lending: \$371 billion  
Fiscal 2002 lending: \$11.5 billion for 96 new operations in 40 countries



*The Turkey Marmara Earthquake Emergency Reconstruction (MEER) Project set a new standard for delivery of natural disaster intervention that balances reconstruction and recovery activities with disaster risk mitigation and emergency preparedness efforts. The MEER team received the 2001 President's Award for Excellence.*

IBRD aims to reduce poverty in middle-income and creditworthy poorer countries by promoting sustainable development through loans, guarantees, and nonlending—including analytical and advisory—services. IBRD does not maximize profit but has earned a net income each year since 1948. Its income funds several developmental activities and ensures financial strength, which enables low-cost borrowings in capital markets and good terms for borrowing clients.

IBRD's 24-member Board represents all 183 members and is made up of 5 appointed and 19 elected Executive Directors.



## The International Development Association

Established 1960 ■ 162 members  
Cumulative lending: \$135 billion  
Fiscal 2002 lending: \$8.1 billion for 133 new operations in 62 countries



*IDA finances improvements in the quality of and access to basic services in education, health care, clean water, and sanitation. This culvert is being constructed under the IDA-funded feeder road project in Zambia.*

Contributions to IDA enable the World Bank to provide \$7 billion to \$8 billion per year in interest-free credits to the world's 79 poorest countries, home to 2.5 billion people. This support is vital because these countries have little or no capacity to borrow on market terms. In most of these countries, the vast majority of people live on less than \$2 a day, and 4 out of 10 people survive on less than \$1 a day.

IDA is financed by a partnership of donors who come together every three years to agree on the resources required to fund IDA's lending program and to determine the policy objectives that guide IDA's activities.



### The International Finance Corporation

Established 1956 ■ 175 members  
Committed portfolio: \$21.6 billion (includes \$6.5 billion in syndicated loans)  
Fiscal 2002 commitments: \$3.6 billion in 204 projects in 75 countries



*IFC's Mekong Project Development Facility assisted this locally owned small business in Vietnam in developing strong management practices that are critical to its commercial success.*

IFC promotes economic development through the private sector. Working with business partners, IFC invests in sustainable private enterprises in developing countries without accepting government guarantees. It provides equity, long-term loans, loan guarantees, risk management products, and advisory services to its clients. IFC seeks to reach businesses in regions and countries that otherwise would have limited access to capital. IFC provides finance in markets deemed too risky by commercial investors in the absence of IFC participation and adds value to the projects it finances through its corporate governance, environmental, and social expertise.



### The Multilateral Investment Guarantee Agency

Established 1988 ■ 157 members  
Cumulative guarantees issued: \$10.34 billion  
Fiscal 2002 guarantees issued: \$1.36 billion<sup>1</sup>



*An employee of a MIGA-backed bottling company in Brazil weighs recyclables brought to school by students.*



### The International Centre for Settlement of Investment Disputes

Established 1966 ■ 134 members  
Total cases registered: 103  
Fiscal 2002 cases registered: 16



*A highway construction project in Morocco is being arbitrated at ICSID.*

MIGA helps encourage foreign investment in developing countries by providing guarantees to foreign investors against losses caused by noncommercial risks, such as expropriation, currency inconvertibility and transfer restrictions, war and civil disturbance, or breach of contract. In addition, MIGA provides technical assistance to help countries disseminate information on investment opportunities. The agency also provides investment dispute mediation services upon request.

ICSID helps to encourage foreign investment by providing international facilities for conciliation and arbitration of investment disputes, in this way helping to foster an atmosphere of mutual confidence between states and foreign investors. Many international agreements concerning investment refer to ICSID's arbitration facilities. ICSID also has research and publishing activities in the areas of arbitration law and foreign investment law.

<sup>1</sup>. Includes \$136 million leveraged through the Cooperative Underwriting Program.





## Chapter 1

*The World Bank is an international organization of more than 180 members that provides loans to borrower countries in accordance with its goal of fighting poverty. It has embraced the Millennium Development Goals and has a well-developed strategy for achieving them. This strategy is based on two main pillars: building the climate for investment, jobs, and sustainable growth; and investing in poor people and empowering them to participate in development. The Bank undertakes poverty reduction at both the country and global levels through loans made by IBRD and IDA and through partnerships with other organizations.*

### **Meeting the Poverty Challenge: The World Bank's Goals and Strategies**

## Chapter 1

# Meeting the Poverty Challenge: The World Bank's Goals and Strategies

*Nearly half of the world's 6 billion people live on less than \$2 a day; one-fifth—1.2 billion—live on less than \$1 a day.*

The World Bank is an international organization of more than 180 member countries. Its mission is to fight global poverty, and it uses its resources and collaborates with others to help client countries achieve sustainable and equitable growth.

Despite significant progress in the past few decades, far too many people in the developing world still subsist at income levels insufficient to meet basic human needs. The poor lack opportunity. They lack voice. They are vulnerable to sickness, violence, and natural disasters. They lack such basic services as education, primary health care, and access to drinking water. Their life expectancy is still a fraction of that achieved by people in industrial countries decades ago. There are far too many children, particularly girls, not in school and thus facing a bleak future.

This year in particular, world leaders recognized that such poverty must be addressed in the interests of the world community, world peace, and security. Attacking poverty in poor countries is one of the greatest challenges facing the global development community as the world moves into the 21st century.

### THE MILLENNIUM DEVELOPMENT GOALS

In recognition of the enormous challenge of global poverty, the international development community has, since 1990, adopted specific targets for poverty reduction, now known as the Millennium Development Goals (MDGs). These goals, which have been embraced by the World Bank and which provide a focus for its development programs, are:

- Goal 1: Eradicate extreme poverty and hunger
- Goal 2: Achieve universal primary education
- Goal 3: Promote gender equality and empower women



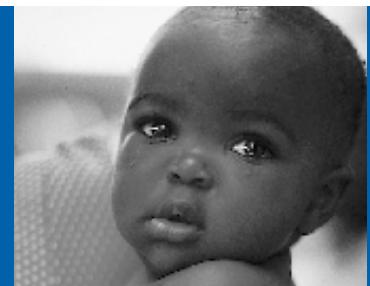
**GOAL 1**  
**Eradicate extreme poverty and hunger**



**GOAL 2**  
**Achieve universal primary education**



**GOAL 3**  
**Promote gender equality and empower women**



**GOAL 4**  
**Reduce child mortality**

- Goal 4: Reduce child mortality
- Goal 5: Improve maternal health
- Goal 6: Combat HIV/AIDS, malaria, and other diseases
- Goal 7: Ensure environmental sustainability
- Goal 8: Develop a global partnership for development

The Bank's store of development knowledge plays an important role as it expands its efforts to help countries achieve the MDGs. Information on successful approaches and projects in low- and middle-income countries is shared across the Bank and with clients, and can lead to successful replication elsewhere.

Progress toward the MDGs is discussed in chapter 3.

### **THE WORLD BANK'S PRIORITIES FOR POVERTY REDUCTION**

The trends in poverty indicators have challenged the Bank and the wider development community to reflect on what has worked and what has not in the support of developing countries' poverty reduction efforts. Developing countries need to grow rapidly in order to make a significant reduction in poverty and achieve the MDGs. The Bank's *Global Economic Prospects 2002* shows that the target of halving dire income poverty by 2015 can be met only if the average per capita gross domestic product growth rate for developing countries can be sustained at 3.6 percent a year, or twice the

1990s average of 1.8 percent. Under this scenario of robust growth, the incidence of those living on less than \$1 a day could fall to 12 percent and their absolute numbers could drop to about 750 million by 2015. Even then, many countries would still not reach the goal. In Africa, for example, the incidence of poverty would only fall to 39 percent and the number of poor would increase to 345 million, compared with 240 million in 1990 and 300 million in 1999.

Recent research has shown that aid works best when a country's overall policy and expenditure framework is appropriate, its institutions are strong, its private sector is vibrant, and its government and people together are strongly committed to reform. There is also a clear recognition of the multidimensional nature of poverty and the interdependencies among the MDGs. The Bank recognizes that two important engines of economic growth that will benefit the poor are the private sector and poor people themselves. As a result the Bank's strategic priorities are based on two pillars: building the climate for investment, jobs, and sustainable growth; and investing in poor people and empowering them to participate in development. In addition, the Bank recognizes that some of the most pressing development concerns reach across country boundaries and must be addressed on a worldwide scale through internationally coordinated efforts. Dealing with the many urgent global priorities, such as the provision of global public goods, will require better management and financing of cross-cutting issues.



**GOAL 5**  
**Improve maternal health**



**GOAL 6**  
**Combat HIV/AIDS, malaria, and other diseases**



**GOAL 7**  
**Ensure environmental sustainability**



**GOAL 8**  
**Develop a global partnership for development**

## **Building the Climate for Investment, Jobs, and Sustainable Growth**

The Bank helps clients to enhance investor confidence and private investment, both domestic and foreign. It supports rural and urban development, the building of effective infrastructure, financial sector reforms, regulatory reforms, and competition policies. Financial sector reforms promote stability, transparency, access, and competition. In addition, the Bank supports measures to improve public sector governance as a necessary condition to the engagement of the private sector in economic growth. Improved governance focuses on the rule of law and anticorruption efforts, public administration and civil service reform, and judicial reform.

## **Investing in Poor People and Empowering Them to Participate in Development**

The Bank recognizes that the MDGs can be achieved only through the empowerment of poor people as participants in development. Engaging poor people in the development process leads to more effective and vital poverty reduction efforts. Gender mainstreaming, civic engagement, and social risk management are priority areas. The Bank recognizes both education and health programs as essential to empowerment efforts. Activities in education focus on access to education for all and on building human capacity for the knowledge economy. Health activities focus on maternal and child health care, access to clean water, and sanitation.

## **GLOBAL PRIORITIES**

The Bank addresses global issues where common action can alleviate adverse conditions that all developing countries share. Five areas requiring specific attention are communicable diseases, the environment, trade and integration, information and knowledge, and international financial architecture. Communicable disease priorities include fighting human immunodeficiency virus/acquired immune deficiency syndrome (HIV/AIDS), tuberculosis, malaria, and childhood diseases, as well as promoting vaccines and drug development to combat major communicable diseases. Environmental priorities include addressing climate change, access to water, protection of forests, biodiversity, ozone depletion, and land degradation; and promoting agricultural research. Trade activities aspire to help make the world trading system more conducive to development by promoting market access by developing countries and fostering their effective participation

in global and regional trade negotiations. At the national level, activities are aimed at helping developing countries harness trade by integrating pro-poor reforms into their national development and poverty reduction strategies. (See box 1.1, Globalization and Trade.) Information and knowledge priorities include redressing the digital divide and equipping countries with the capacity to access knowledge, and promoting the understanding of development and poverty reduction. Financial architecture includes developing international standards, financial stability, and international accounting and legal frameworks.

## **POVERTY REDUCTION AT THE COUNTRY LEVEL**

The Bank's approach to poverty reduction is tailored to each country's particular needs. The country business model is centered on the country's vision, a good diagnosis of the policies proposed, a Bank program to support the vision, and a focus on results. It translates into specific approaches to support low- and middle-income countries.

In this regard, the Bank's corporate advocacy priorities are critical enablers of poverty reduction, translating the two pillars into action at the country level. The priorities include a focus on the investment climate and public sector governance; empowerment, security, and social inclusion; education; and health. The Bank builds awareness of these priorities and shares knowledge with clients, development partners, and other stakeholders.

### **Low-Income Countries**

The Bank's task of poverty reduction is particularly challenging in low-income countries, where the incidence of poverty is highest, the institutional constraints are most severe, the policy environment is most hostile to private investment, and access to resources is most limited. Bank programs in these countries emphasize country ownership of development priorities.

The Poverty Reduction Strategy Paper (PRSP) approach is a major recent addition to the global effort to attack poverty based on nationally owned strategies for poverty reduction that serve as a framework for development assistance. The approach is founded on the principles underlying the Comprehensive Development Framework—that is, PRSPs are to be country driven, results oriented, comprehensive, long-term in perspective, and designed to foster strong domestic and external partnerships.

Ownership means that PRSPs are prepared by the countries themselves, relying on broad-based participatory processes and reflecting countries' unique circumstances and needs. It is recognized, however, that many poor countries need time to prepare full PRSPs; therefore, interim PRSPs, or I-PRSPs, with a relatively simple format, have been introduced to avoid holding up the countries' access to concessional assistance (no-interest loans) and debt relief. Once prepared, PRSPs are expected to be living documents, revised every few years in light of experience. Whenever an I-PRSP or full PRSP is prepared, the Executive Boards of the Bank and the Fund review its suitability as a sound basis for concessional lending (and, where appropriate, debt relief), supported by a Joint Staff Assessment prepared by Bank and Fund staff. Poor countries have responded positively to the approach, recognizing that PRSPs are their documents expressing their priorities. (See chapter 4, box 4.1.)

Poverty Reduction Support Credits have been introduced to provide targeted support in line with countries' strategic priorities for poverty reduction. Bilateral and other multilateral donors are increasingly supporting the concept of aligning their assistance programs with country-owned poverty reduction strategies. (See also Special Assistance in Fiscal 2002 in chapter 2.)

### **Low-Income Countries under Stress**

The Bank has recognized the need to identify a more effective approach to those low-income countries with chronically weak performance indicators, either where it has had limited engagement in the last decade or where its traditional instruments have not been successful. In fiscal 2002 a task force set out to identify the key distinguishing characteristics of these countries and to propose a suitable combination of instruments for the Bank to use in support of their development priorities.

#### **BOX 1.1 GLOBALIZATION AND TRADE**

Globalization—the growing integration of economies and societies around the world resulting from increased flows of trade, capital, people, and ideas—remains one of the most debated issues of our time. The World Bank has made important contributions to the discussion of globalization in the areas of research and ideas. In fiscal 2002 the Bank published the Policy Research Report *Globalization, Growth, and Poverty: Building an Inclusive World Economy*. The report summarized the findings of a large-scale Bank research program on the various dimensions of globalization. The study found no evidence that there is growing inequality within the typical developing country that is opening up to the global economy. In fact, some of the fastest-growing locations in the world are places in the developing world that were extremely poor 20 years ago but that have made serious efforts to integrate with the world market. Bangladesh, China, India, Uganda, and Vietnam are all examples of globalizing developing countries that have experienced unprecedented poverty reduction. On the other hand, many low-income countries are actually less integrated into the world economy today than 20 years ago, and in

general, these countries have seen negative growth and rising poverty. Clearly, helping countries that want to integrate with the global economy is an important task for the World Bank Group.

### **Investment Climate**

Two of the research findings from the Bank's work on globalization have shed light on crucial tasks that would enable more poor countries to participate in and benefit from globalization. This has helped sharpen the institution's strategic focus. The first issue is the improvement of the investment climate. Many developing countries have carried out first-generation reforms, including liberalization of formal trade policies. The locations that benefit the most from these reforms are those that have reasonably good investment climates: a regulatory environment in which firms can start up, increase productivity, and expand; efficient public services, such as customs administration; and complementary infrastructure, such as power, ports, and telecommunications—services that can be provided by the private sector given a proper legal and regulatory framework.

(Box 1.1 continues on the following page.)

#### BOX 1.1 (continued)

Recognizing the importance of good investment environments, the Bank Group has started a large-scale effort to help developing countries assess their investment climates and the impact of specific bottlenecks through surveys of private firms, and to analyze the impact of different bottlenecks on productivity. The Bank's Private Sector and Infrastructure Network and its Development Economics Group have started a joint Investment Climate Unit to increase such support to countries.

#### Social Protection

A second important issue that has been highlighted by the work on globalization concerns social services and social protection. Integration with the global economy leads developing countries to grow faster because it creates a more dynamic environment in which there is greater competition and entry and exit of firms. But this dynamism has a clear social cost: there will be more turnover in the labor market, highlighting the need for good social protection. Furthermore, the jobs created in developing countries as a result of foreign trade and investment will generally have higher skill requirements than most existing jobs. This upgrading can be a powerful force for aggregate productivity growth, but it is crucially important that it be supported by a good educational system and that the poor, in particular, have good access to basic education.

Thus, going forward in the globalization debate, the Bank has an important role to play in research and in building the twin pillars of a sound investment climate and good social services with social protection.

#### The Global Architecture of Trade

An important role for the Bank is trade advocacy on behalf of developing countries. While developed countries have low trade protection, on average, the areas where they maintain protection are exactly the sectors where poor countries are potentially competitive, namely agriculture and labor-intensive manufactures. These sectors confront the greatest trade barriers, putting the world's poor at a particular disadvantage. According to estimates in the Bank's *Global Economic Prospects 2002*, the average poor person selling into globalized markets confronts barriers that are roughly twice as high as those facing the typical nonpoor worker. In general, tariffs in high-income countries on imports

from developing countries, though low, are four times those collected from industrial countries. Subsidies and other support to agriculture in the high-income countries are now running roughly \$1 billion a day, or more than six times all development assistance worldwide.

The Bank's research has highlighted the cost to developing countries of Organisation for Economic Co-operation and Development protection of textiles and garments, and subsidies to agriculture. It also points out the potential costs to developing countries from the TRIPS (Trade-Related Aspects of Intellectual Property Rights) Agreement, which requires 20-year patents on pharmaceutical products and imposes new legal and administrative costs on developing countries. The Bank has called for better market access by poor countries and for reform of TRIPS implementation to ensure access of poor countries to essential drugs.

Protection is not an issue solely for high-income countries, however. Developing countries have also placed high barriers on agricultural products, labor-intensive manufactured goods, and other products and services. Developing-country tariffs in manufacturing are, on average, four times higher for imports from developing countries than are tariffs in industrial countries on imports from developing countries. Also, restrictions on services trade are usually more common in developing countries than in industrial countries.

*Global Economic Prospects 2002* makes a case for reshaping the global architecture of world trade to promote development and poverty reduction by focusing on four policies: using the World Trade Organization (WTO) ministerial to launch a development round of trade negotiations that would reduce global trade barriers; engaging in global collective action to promote trade outside the negotiating framework of the WTO, including increasing multilateral aid-for-trade assistance; adopting protrade development policies of high-income countries unilaterally; and enacting new trade reforms in developing countries. Some 2.8 billion people live on less than \$2 a day. The current projected baseline growth could reduce poverty by 600 million to 2.2 billion by 2015. The report argues that seizing the opportunity to reshape the global trade architecture in this way would enable developing countries to grow at rates that could reduce such poverty to 1.9 billion by 2015, effectively lifting an additional 300 million people above the \$2-a-day poverty line.

### Middle-Income Countries

A substantial proportion of the world's poor live in middle-income countries. The Bank has an essential role in helping these countries reduce poverty and advance toward becoming developed market economies. These countries generally have access to the international capital markets, although that access is limited and often volatile. For these countries the key to development and poverty reduction lies in enhancing private investment and strengthening the investment climate, and establishing efficient and equitable social expenditure programs geared toward building human capital and providing equality of access to economic opportunity.

The crucial roles for the Bank are to help these countries with the complex structural, social, and institutional reforms that make them attractive to private investment; support their restructuring and investment needs while access to long-term capital is still constrained; help them reduce the concentrations of poverty that remain; assist them in reducing vulnerability to economic shocks and in mitigating the social impact of crises; and support the country-level implementation of the global public goods agenda.

One of the keys to rapid poverty reduction in middle-income countries lies in the growth of the private sector. The Bank continues to help countries complete basic market-opening reforms while also supporting the complex structural and social reforms that generally follow. As reforms take hold, countries become more attractive to private investors, both domestic and foreign. The Bank uses a number of instruments to catalyze and leverage the private sector, including offering partial credit and partial risk guarantees to mobilize private sector financing for individual projects. Its support for financial sector development draws on the complementary roles of IBRD, IFC, and MIGA.

### POVERTY REDUCTION AT THE GLOBAL LEVEL

The scale and complexity of global poverty make it imperative that the different development agencies—governments, multilateral and bilateral organizations, the private sector, and civil society organizations—join forces to work on the most important and difficult issues of development. The World Bank has forged partnerships with a number of such organizations over the past few years around specific issues or programs of global importance. The institutional partnerships

include bilateral aid agencies, the United Nations and its various specialized organizations, the IMF, other multilateral development banks, the Organisation for Economic Co-operation and Development (OECD), nongovernmental organizations, and private foundations. These partnerships have led to a number of successful global initiatives dealing with global public goods. Two of the major global initiatives are highlighted here.

### Consultative Group on International Agricultural Research

The Consultative Group on International Agricultural Research (CGIAR) is fostered by a broad-based partnership comprising the Food and Agriculture Organization of the United Nations, the International Fund for Agricultural Development, the U.N. Development Programme (UNDP), 22 developing and 21 industrial countries, private foundations, and regional organizations. Since 1971 the Bank has provided strong support for CGIAR—a network of 16 Future Harvest Centers that mobilize cutting-edge science to reduce hunger and poverty in developing countries, improve health, and protect the environment.

CGIAR recognizes that agricultural growth, while feeding the world's growing population and reducing poverty, must be achieved through socially acceptable and environmentally sustainable methods. Research is a key means of providing new crop and farming technologies. CGIAR research products are public goods freely available to all. The benefits are far-reaching. For example, CGIAR scientists developed quality protein maize that helps fight malnutrition, winning the World Food Prize. In West Africa's humid regions, New Rices for Africa (NERICAs) are boosting rice production; in Guinea, NERICAs are planted on 90,000 hectares, saving \$13 million in crippling import bills.

### Global Environment Facility

The Bank has formed a strategic partnership with the Global Environment Facility (GEF), the only new funding source to emerge from the 1992 Rio Earth Summit. GEF, in partnership with the Bank, UNDP, and the U.N. Environment Programme, is a major catalyst for protecting the global environment. It fosters cooperation and finances actions to conserve biodiversity, reduce risks of climate change, protect the ozone layer, clean up international waters, stop land degradation, and eliminate persistent organic pollutants. GEF is the designated financial mechanism for



*As one of the three implementing agencies of the Global Environment Facility, the Bank assists its member countries to conserve and sustainably use their natural resources.*

the conventions on biological diversity, climate change, and persistent organic pollutants.

The Bank's partnership with GEF has been instrumental in GEF's success. Through the Bank-GEF Secretariat, the Bank plays a key role in managing GEF-financed projects.

As one of the GEF implementing agencies, the Bank helps its client countries to prepare and supervise GEF projects. More than 300 Bank-GEF projects, including some joint projects with other implementing agencies, are being carried out in 127 countries. The projects are financed by \$1.5 billion in GEF grants and more than \$9 billion in additional funding from public and private partners. The Bank also serves as the trustee of the GEF Trust Fund and provides administrative support for the GEF Secretariat. (See [www.gefweb.org](http://www.gefweb.org) or [www.worldbank.org/gef](http://www.worldbank.org/gef).)

### **KNOWLEDGE PRODUCTS AND SERVICES**

Creating, sharing, and applying knowledge through its analysis and advisory services has always been an important part of the Bank's role in assisting client countries to promote growth and reduce poverty. In recent years the Bank has begun to organize its knowledge activities in a systematic way. It focuses on three areas: making effective use of knowledge to support the quality of its operations; sharing knowledge with its clients and partners, leading to participatory development

activities supplemented with a range of technology-based programs to enhance knowledge sharing; and helping clients enhance their capacity to generate, access, and use knowledge from all sources.

The Bank's global knowledge outreach initiatives include the World Bank Institute (WBI) learning programs, which broker and distill local and global knowledge; the Global Development Learning Network (GDLN); the Development Gateway; World Links; the Global Development Network; African Virtual University; and InfoDev. (See [www.worldbank.org/ks/initiatives.html](http://www.worldbank.org/ks/initiatives.html).)

The growing awareness that the efficient use of knowledge makes the Bank a more effective institution has led to the mainstreaming of capacity building in its operational work. For example, a "knowledge economy assessment tool" is being used to help countries diagnose their policy and investment needs as they enter the global economy. In fiscal 2002 knowledge assessments were completed for China and the Republic of Korea, and they are under way in the Russian Federation and EU accession countries.

Capacity enhancement, especially in public sector management, is also critical in order for low-income countries to implement their poverty reduction strategies and provide improved basic public services. In response to increasing country demand, WBI leverages its partnerships with other content providers and donors to deliver, for example, courses for journalists, seminars for parliamentarians, and action-learning programs on anticorruption and legal and judicial reform for government officials and policymakers.

As part of its rapid response to the crisis in Afghanistan, the Bank is building a distance-learning center under its GDLN in Kabul at the request of the government's Aid Coordination Agency.

### **FINANCING THE WORLD BANK'S POVERTY REDUCTION EFFORTS**

The World Bank is a cooperative institution that mobilizes financing by means of outright contributions from the richer member countries for IDA, and by borrowing from the international capital markets for IBRD. It channels these resources for the benefit of the poor in borrowing countries.

The clients of IDA are the poorest countries, who usually cannot afford to borrow on commercial terms. IDA offers concessional, no-interest loans (or credits) to the poorest countries, repayable in 35 to 40 years

## BOX 1.2 LENDING FOR POVERTY REDUCTION

The Bank offers an array of customized services through IBRD and IDA—including loans, technical assistance, and advice—to its developing and in-transition member countries. It uses two basic types of lending instruments: investment loans and adjustment loans.

### Investment Loans

Investment loans finance goods, works, and services in support of economic and social development projects in a broad range of sectors. The nature of the Bank's investment lending has evolved over time. Originally focused on hardware, engineering services, and bricks and mortar, investment lending has come to focus more on institution building, social development, and the public policy infrastructure needed to facilitate private sector activity as the Bank's priorities have changed.

### Adjustment Loans

Adjustment loans provide quick-disbursing external financing to support policy and institutional reforms. Adjustment loans were originally designed to provide short-term balance of payments support for macroeconomic policy reforms, including reforms in trade policy. Over time they have evolved to focus more on medium-term structural and institutional reforms in the financial sector, social policy, and public sector resource management.

after a 10-year grace period. In fiscal 2002 IDA provided \$8.1 billion in financing for 133 projects in 62 low-income countries.

The clients of IBRD, on the other hand, are generally the middle-income countries and, because of the limitation on IDA resources, some of the larger low-income countries that are deemed creditworthy for borrowing. IBRD offers loans at near-market terms but with long maturities. In fiscal 2002 IBRD provided loans totaling \$11.5 billion in support of 96 projects in 40 countries.

Poverty reduction is at the core of lending from both IDA and IBRD, through investments that support growth as well as investments in basic public services. (Box 1.2 describes the Bank's lending instruments and the process of loan approval.) See chapter 2 for details of lending during the year.

Both investment and adjustment loans are used flexibly to suit a range of purposes.

### How a Loan Is Made

Lending is developed in several phases. On the basis of economic and sector work, often supported by the Bank, the borrower identifies and prepares the project, and the Bank reviews its viability. During loan negotiations the Bank and borrower agree on the development objective, components, outputs, performance indicators, an implementation plan, and a schedule for disbursing loan funds. Once the Bank approves the loan and it becomes effective, the borrower implements the project or program according to terms agreed on with the Bank.

All loans are governed by the World Bank's operational policies, which aim to ensure that Bank-financed operations are economically, financially, socially, and environmentally sound. Fiduciary policies and procedures govern the use of project-related funds, particularly for the procurement of goods and services. Safeguard policies help to prevent unintended adverse effects on third parties and the environment.

The Bank supervises the implementation of each loan and evaluates its results. Three-fourths of outstanding loans are managed by country directors located away from the Bank's Washington, D.C., headquarters. Nearly 30 percent of Bank staff are based in nearly 100 country offices worldwide.

Through partnerships with other institutions, co-financing and trust funds are also made available for projects.

### The Role of IDA

IDA is the world's largest source of concessional financial assistance for the poorest countries and invests in basic economic and human development projects. Eligibility for access to IDA resources is governed by two basic criteria: a country's relative poverty (as measured by per capita income) and its lack of creditworthiness. The operational income cutoff for IDA eligibility in fiscal 2002 is a per capita gross national income of \$885. In order to receive IDA resources, countries must also be pursuing sound policies to promote growth and reduce poverty; IDA assistance is allocated based on annual assessments of countries' policies and

institutions. In exceptional circumstances IDA extends eligibility to countries that are above the income cutoff but are not fully creditworthy to borrow from IBRD. Such exceptions have been made for small island economies.

IDA recipient countries face complex challenges in striving for progress toward the MDGs. IDA supports countries in their development efforts by promoting sound policies to secure the basis for economic growth and poverty reduction. Policy priorities include improving the quality of and access to basic education by the poor; strengthening the fight against the spread of communicable diseases, including HIV/AIDS; and building a healthy investment climate. IDA is a leader among development institutions in targeting assistance to countries that pursue sound policies, and it has refined its performance-based allocation system to place an even greater emphasis on good governance.

IDA is financed by a partnership of donors, who come together every three years to decide on the amount of new resources required to fund IDA's future lending program and to discuss lending policies and priorities.

Fiscal 2002 marked the last year of the 12th Replenishment of IDA, which funded commitments for fiscal 2000 through 2002. Special drawing rights (SDRs) of 8.7 billion were provided by donors, and SDR 6.6 billion came from internal resources, including repayments of past credits, service charges, and IBRD net income. (See chapter 2 for an update on IDA.) Figure 1.1 shows IDA's increased effort in the social sectors.

### The Role of IBRD

Countries with a per capita income of less than \$5,225 that are not IDA-only borrowers are eligible to borrow from IBRD. Countries with higher per capita incomes may borrow under special circumstances or as part of a graduation strategy. It is important to note, however, that the amount that countries can borrow from IBRD depends on their creditworthiness. Thus, countries may be eligible to borrow but may not have access to IBRD resources because of poor creditworthiness. In addition, IBRD loans outstanding to any individual borrower, irrespective of its creditworthiness, may not exceed \$13.5 billion.

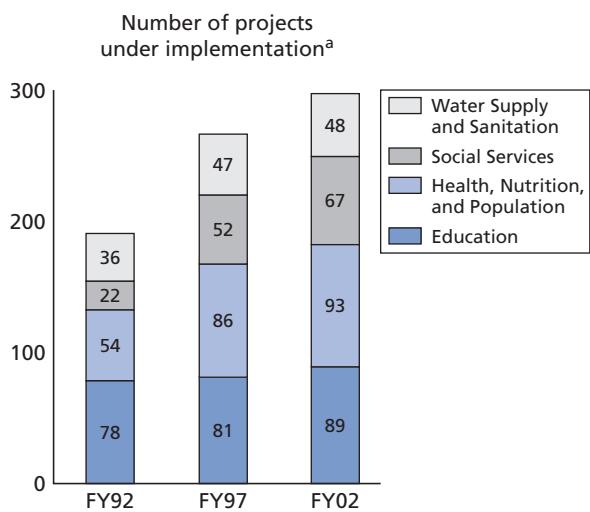
Seventy-five percent of people who live on less than \$1 per day live in countries that receive IBRD lending. IBRD borrowers are typically middle-income countries that enjoy some access to private capital markets. Some



*The Treasury trading room is the nerve center of the Bank's innovative financial transactions. Investing the Bank's liquid assets, managing balance sheet risks, and meeting bond investor needs are crucial to the Bank's ability to respond to clients' financing needs.*

**Figure 1.1 IDA's Stepped-Up Effort in the Social Sectors**

297 projects ongoing (compared with 190 a decade ago)



a. Includes projects in both IDA-only and blend countries.

IDA commitment value of ongoing social sector projects  
Fiscal 1992: \$8.1 billion  
Fiscal 1997: \$13.2 billion  
Fiscal 2002: \$13.7 billion

countries are eligible for IDA lending due to their low per capita incomes, but they are also creditworthy for some IBRD borrowing. These countries are known as blend borrowers. Even excluding IBRD loans to the blend countries, a full 25 percent of those who live on

less than \$1 a day live in countries that are IBRD borrowers. IBRD provides important support for poverty reduction by facilitating access to capital in larger volumes, on good terms, with longer maturities, and in a more sustainable manner than the market provides.

IBRD is a AAA-rated financial institution—with some unusual characteristics. Its shareholders are sovereign governments. Its member borrowers have a voice in setting its policies. IBRD loans (and IDA credits) are typically accompanied by nonlending services to ensure more effective use of funds. Also, unlike commercial banks, IBRD is driven by development impact rather than profit maximization.

In fiscal 2002 IBRD raised \$23 billion at medium-to long-term maturities in international capital markets. The year's funding volume was above the \$17 billion raised in fiscal 2001. Borrowings, along with shareholder equity, fund IBRD's loans and investments. Its financial strength is based on the support it receives from its shareholders and on its financial policies and practices, which are designed to maintain a high credit standing in the international markets.

### Cofinancing

Cofinancing describes funds committed by official bilateral partners, multilateral partners, export credit agencies, or private sources to specific Bank-funded projects. Cofinancing enables the World Bank to leverage its resources with additional financing, often at no interest or as grants, to benefit the recipient country. Financing provided by multiple sources in support of individual projects also allows harmonization of policies and procedures, thus reducing the administrative burden on the recipient country and improving effectiveness. In fiscal 2002 IBRD and IDA financing of \$19.5 billion was supplemented by \$4.7 billion from such sources. (See chapter 2 for more on cofinancing.)

### Trust Funds

A number of industrial countries, a few of the larger developing countries, the private sector, and non-governmental organizations maintain trust funds with the World Bank that can be used to supplement Bank resources for specific agreed-on initiatives. The trust funds available cover areas that facilitate grant funding of high-priority development needs, including technical assistance and advisory services, debt relief, and postconflict transition. In fiscal 2002, trust fund assets

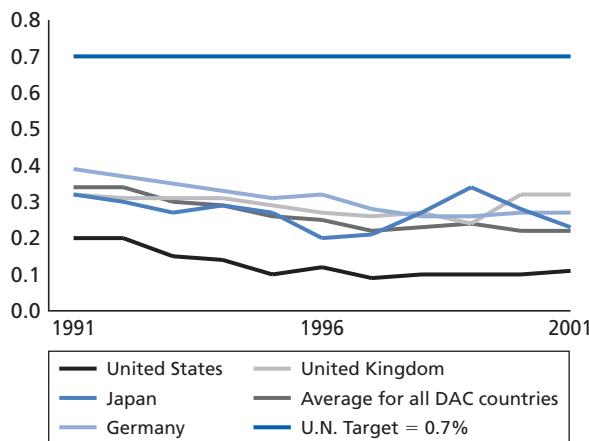
grew to \$5.34 billion. (See chapter 2 for more on trust funds.)

## IMPROVING DEVELOPMENT EFFECTIVENESS: STRONGER FOCUS ON RESULTS

Development experience over the past 50 years has highlighted the importance of focusing on outcomes. Donors demand that funds provided by their taxpayers achieve results. The citizens of developing countries are impatient to see tangible improvements in their living conditions within a reasonable time frame. Both expect the World Bank and other development agencies to be able to demonstrate the results of joint efforts. Developing more accurate and timely data on social and economic outcomes and conducting independent evaluations of projects and country programs provide a basis for ensuring accountability and, more importantly, learning from experience. (Figure 1.2 shows official development assistance by country.)

The Bank has, in the last few years, significantly increased its focus on monitoring the quality of implementation, sustainability, and development outcomes of the programs it finances. Its monitoring and evaluation systems are being strengthened to more comprehensively capture the poverty impact of its policy-based and investment lending, as well as its advisory services, and will enable it to more closely track its progress toward meeting the MDGs. Evaluations of completed projects by the Bank's Operations

**Figure 1.2 Net Official Development Assistance as a Percentage of Gross National Income**



Note: Data for 2001 are preliminary.

Source: OECD's Development Assistance Committee.

Evaluation Department (OED) indicate continuing improvement, with 82 percent of the projects accounting for 78 percent of financing rated as satisfactory. OED has also conducted over 55 country assistance evaluations through fiscal 2002. Mechanisms are in place to monitor the quality of operations on an ongoing basis.

The World Bank periodically undertakes a broader assessment of its major programs, going beyond the assessments of individual operations. In fiscal 2002 an evaluation was carried out on IBRD and IDA lending going back 50 years. (See chapter 3 for a complete discussion of development effectiveness.)

### **OPENNESS AND TRANSPARENCY**

Informing and consulting stakeholders has contributed to effective and sustainable development by stimulating debate, broadening understanding, and strengthening country ownership of development activities. Building on previous efforts to make more information publicly available, the Bank has revised its policy on information disclosure.

The changes were approved in August 2001 after the Bank published its draft review of the policy and held extensive consultations to solicit the views of civil society, industry groups, and governments in 21 countries around the world. The Bank also invited comments through its Web site.

Under the revised policy the Bank will release more project-related documents, and provision of Bank information and archives will be more systematic, timely, and user-friendly. The Bank also made plans that will, over time, substantially improve access to information through Bank offices in developing countries. Thirteen pilot programs across the Bank will enable Country Management Units to develop and test ways of making even more information available, especially for consultations associated with country strategy, lending preparation, and implementation.

Task forces have designed strategies for upgrading public information services worldwide. (See [www.worldbank.org/operations/disclosure/](http://www.worldbank.org/operations/disclosure/) for the full text of the revised disclosure policy and updated procedural guidance on implementation.)



## Chapter 2

*In fiscal 2002 the Bank underscored its efforts in poverty reduction as it responded to world events. The Bank's lending and advisory services continued to grow, focusing on work at the country level and reflecting the Bank's focus on its corporate and global public goods priorities. It provided debt relief to some of the world's poorest nations and extended this relief to countries emerging from conflict. The Bank's knowledge-sharing activities continued to expand, leading to participatory activities with governments, nongovernmental organizations, private sector representatives, and donor government colleagues.*

### **Overview of World Bank Activities in Fiscal 2002**

## FISCAL 2002 HIGHLIGHTS

- **IBRD and IDA lending** commitments increased to \$19.5 billion, reflecting highest-ever lending levels by IDA, which reached \$8.1 billion for 133 new operations. IDA's strong lending program was driven by record lending to Africa and South Asia, which together accounted for \$6.4 billion.
- In fiscal 2002 Bank support to **HIV/AIDS** (human immunodeficiency virus/acquired immune deficiency syndrome) projects amounted to new commitments of over \$300 million. Lending operations were approved in Benin, Burkina Faso, Burundi, Cape Verde, the Central African Republic, Jamaica, Madagascar, Nigeria, Senegal, and Sierra Leone, and HIV/AIDS components were significant in a number of other new and ongoing projects. The Bank supports HIV/AIDS work in over 64 countries. By far the greatest concentration of HIV/AIDS activities supported by the Bank has been in Africa.

To date, 16 Multicountry HIV/AIDS Programs (MAPs) totaling commitments of over \$550 million have been prepared in record time in Africa to match the emergency nature of the epidemic.

The MAP approach has involved extensive collaboration with national governments, partners in the Joint U.N. Programme on HIV/AIDS, bilateral donors, the International Partnership against AIDS in Africa, key nongovernmental organizations, persons living with HIV/AIDS, and other key stakeholders.

The Bank's Board of Executive Directors approved a second phase of the approach, known as MAP2, in February 2002, earmarking another \$500 million. MAPs, such as a fiscal 2001 MAP in the Caribbean, are channeling a substantial share of resources (in most cases about 50 percent) directly to local communities to carry out HIV/AIDS activities of their own design.
- The **Poverty Reduction Strategy Paper (PRSP)** approach, which stresses the centrality of country ownership based on broad participation for success in fighting poverty, received support from developing-country, donor, and civil society participants at the joint World Bank–International Monetary Fund PRSP review conference in January 2002. The approach gained momentum in fiscal 2002, when an additional nine countries completed interim PRSPs and seven countries completed their first full PRSPs.
- The Bank studied the past 50 years of development assistance and recorded its findings in *The Role and Effectiveness of Development Assistance: Lessons from World Bank Experience*. The study took a broad view of the relationship between development experience and official development assistance over the past 50 years, with particular emphasis on the World Bank's experience in recent decades. It found that progress in improving well-being has been rapid, if uneven, and that—notwithstanding some significant shortcomings and failures—such assistance has often helped to underpin and support success. It also found that, in large part because of lessons that donors and governments have learned from both successes and failures, development assistance is becoming more effective in supporting growth and poverty reduction.
- In March 2002 more than 50 heads of state gathered in Monterrey, Mexico, at the **Financing for Development Conference**, where they adopted the Monterrey Consensus, which calls for freeing trade, increasing aid, and reducing external debt to sustainable levels in order to provide countries that follow sound policies and good governance with the means to obtain the Millennium Development Goals. An additional \$12 billion in aid over the next three years was pledged by donor countries at the conference.
- In April 2002 the Bank approved its first operation in **Afghanistan** since 1979—a \$10 million grant to assist the Afghanistan Interim Administration with key public administration functions—to enable it to effectively use its public resources, including millions of dollars in donor funding, for rebuilding and development. The Board of Executive Directors also endorsed the Transitional Support Strategy, the Bank's plan for support to Afghanistan for the following six to nine months.

In May the Bank opened its Afghanistan office and launched the Afghanistan Reconstruction Trust Fund, to help the Afghanistan Interim Administration fund physical reconstruction projects and salaries for civil servants. The Bank provided a total of \$100 million in grant financing in fiscal 2002 and has proposed a further \$470 million for the lifespan of the transitional government elected by the Loya Jirga in June.

# Overview of World Bank Activities in Fiscal 2002

In fiscal 2002 the World Bank underscored its efforts in poverty reduction, forming new initiatives in response to world events. It assessed the impact on poor countries of the events of September 11 and offered special assistance to countries experiencing particular economic shocks. The Bank's operations were temporarily affected this year as country teams adapted travel plans and worked to focus country activities with fewer missions.

Rich and poor nations fostered a new development partnership when they came together to address the challenges faced by the global community at the Financing for Development Conference in Monterrey, Mexico, in March 2002. The Bank, other multilateral organizations, and many countries pledged additional financial and technical resources to fight poverty.

### GLOBAL CONTEXT

The global economic slowdown that began in fiscal 2001 was compounded by the economic aftermath

of the events of September 2001. Greater uncertainty and slower world growth resulted. The developing countries hardest hit were those dependent on commodity exports—as many commodity prices reached historical lows—and those with highly indebted emerging economies—as private investors reduced their exposure in emerging markets. Countries with high-tech sectors were also hard hit, and tourism industries suffered. Gross domestic product (GDP) growth for the developing and transition countries fell from a record average of 5.4 percent in calendar 2000 to 2.8 percent in calendar 2001, and per capita growth declined to 1.4 percent.

All regions showed a decline in GDP growth in calendar 2001, with the exception of South Asia, which grew at 4.3 percent, up from 4 percent in 2000. Growth in the East Asia and Pacific region slowed to 4.6 percent in 2001 from 7.4 percent the year before; it was affected by the collapse of global demand for high-tech commodities and the slowdown in tourism. Growth in the Middle East and North Africa region slowed to 3.1 percent in 2001 after above-average performance of 4.2 percent during 2000, largely due to falling oil prices. Africa grew by 2.6 percent, down from 3.1 percent the prior year. Europe and Central Asia grew by 2.2 percent, contrasted with 6.4 percent in 2000; it was affected by a contraction in Turkish exports and a fall in Russian growth. Latin America and the Caribbean registered the lowest growth rate at 0.6 percent, down from 3.8 percent in 2000; this reflected adverse external conditions, a progressive worsening of the political and economic situation in Argentina, and a steep decline in tourist bookings. Even excluding Argentina, GDP in Latin America and the Caribbean grew by only 1.3 percent in 2001.

As in every slowdown, poor people pay the highest price. Without buffers or safety nets to rely on, their ability to satisfy basic needs is immediately at stake when their incomes decline. The Bank's ability to



*For poverty reduction, the Bank supports policies and projects to increase land access and productivity.*

respond to the recent global shocks has proven the overall soundness of its approach in such situations. Its existing instruments and policies make available a wide variety of options for providing tailored financial assistance to its clients affected by the economic downturn. Civil conflict, terrorism, money laundering, and corruption have increasingly become the focus of international concern. The combined effects of slower economic growth, the significant decline of private capital flows, and growing populations in developing countries have increased the need for official development assistance.

### **THE WORLD BANK'S LENDING AND ADVISORY SERVICES IN FISCAL 2002**

The Bank's lending and advisory services focus on work at the country level and reflect the Bank's focus on the Millennium Development Goals (MDGs), its corporate priorities, and its identified global public goods priorities. The Bank tailors its lending to the needs of individual countries while keeping in mind its larger overall goals.

#### **The International Bank for Reconstruction and Development**

At \$11.5 billion, new lending by IBRD in fiscal 2002 was \$1 billion above the previous year's level. The number of new operations approved was higher than last year, at 96.

New IBRD lending to Europe and Central Asia reached a record high of \$4.9 billion, or 43 percent of total IBRD commitments, followed by Latin America and the Caribbean with \$4.2 billion. The East Asia and Pacific region was third with \$1 billion.

Public administration was by far the leading sector for IBRD lending, receiving \$3.6 billion, over 30 percent of the total. The significant amount of lending in the public administration sector reflects the Bank's focus on assisting its clients to improve development strategies, implement reform policies, and build institutional capacities. Lending to the finance sector was second, representing \$2.1 billion, about 18 percent of the total. (Box 2.1 describes the Bank's new coding system for lending.)

The prevalent themes correlated to the sector lending, with a major focus on strengthening the financial and private sector regulatory framework and improving public sector governance. Human development, economic management, and urban development were also supported.

#### **BOX 2.1 NEW CODING SYSTEM FOR BANK LENDING**

To better track the distribution of the Bank's work programs, a new two-dimensional coding system was implemented in fiscal 2002. All lending data in this report will reflect the new coding system. Each loan will be tracked by both theme and sector codes. The theme codes correspond to the goals and objectives of Bank activities, and the sector codes indicate the parts of the economy that directly benefit from Bank support.

The new coding system enables the Bank to better manage its portfolio and monitor progress toward achieving its goals as defined by its corporate priorities and the MDGs, while maintaining a focus on economic segments. It allows for up to five themes and five sectors per activity, recognizing that many Bank projects are multifaceted.

The picture generated by the new coding system will differ in many respects from the picture generated by the old system. In moving to a new system, and thereby establishing a new baseline, it is inevitable that significant shifts will appear to have been made in the Bank's portfolio.

For example, in the new system, all technical assistance provided to government agencies is assigned uniformly to the public administration sector, while the goal of the technical assistance (such as private sector development or environmental protection) determines the selection of the thematic code. Advisory services provided to a ministry of education, for example, are assigned to the public administration sector and an education category under the human development theme. This difference in coding rules explains the public administration sector's significantly higher share in the new coding system in comparison with the old one.

The share of adjustment lending by IBRD rose to a record high of 64 percent in fiscal 2002, compared with 38 percent in fiscal 2001, and with 47 percent and 63 percent during the East Asian crisis years of fiscal 1998 and 1999, respectively. Argentina, Brazil, Jamaica, Tunisia, Turkey, and Ukraine are among the countries where Bank lending sought to alleviate the effects of falling export demand, commodity prices, and capital market access. Figures 2.1 through 2.3 show IBRD lending by region, theme, and sector in fiscal 2002. Table 2.1 shows the Bank's adjustment lending in 2000–02.

### **The International Development Association**

IDA lending this fiscal year reached a record high of \$8.1 billion for 133 operations, compared with \$6.8 billion for 134 operations last fiscal year. (An IDA guarantee for \$115 million was also approved for Uganda in fiscal 2002. This guarantee was not effective as of June 30, 2002.)

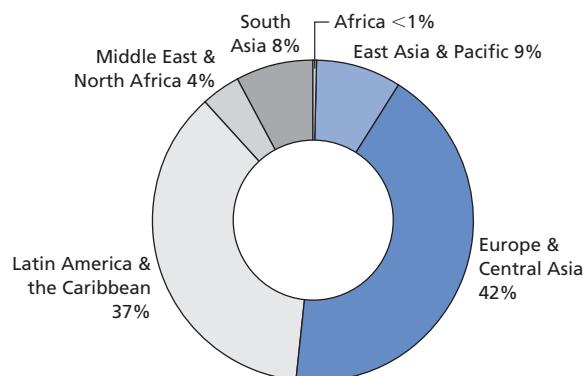
This robust lending program was driven by record lending to Africa and South Asia. Lending to Africa constituted nearly one-half of total IDA lending this year, with \$3.8 billion financing 63 new operations. The largest borrowers in this region included the Democratic Republic of Congo (\$500 million), Nigeria (\$427 million), and Tanzania (\$402 million). Lending to South Asia totaled \$2.6 billion or about one-third of total IDA lending. The largest borrowers in this region were India at \$1.3 billion and Pakistan at \$800 million.

IDA's investment lending was strong at \$5.6 billion, accounting for 70 percent of new commitments. This includes \$100 million in IDA grants to Afghanistan to support emergency reconstruction, education, public administration, and community empowerment.

A significant portion of IDA lending supported operations in the social sectors where \$2 billion financed 44 projects in the areas of education, health, social services, and water and sanitation. Lending in the area of public sector administration was also substantial this year at \$1.6 billion for 34 operations, reflecting the focus on supporting IDA countries in their effort to establish the efficient and accountable public sector institutions needed for growth and poverty reduction. This emphasis was also reflected in the thematic breakdown, where lending in support of public sector governance featured prominently, along with lending in the area of financial and private sector development. Figures 2.4 through 2.6 show IDA

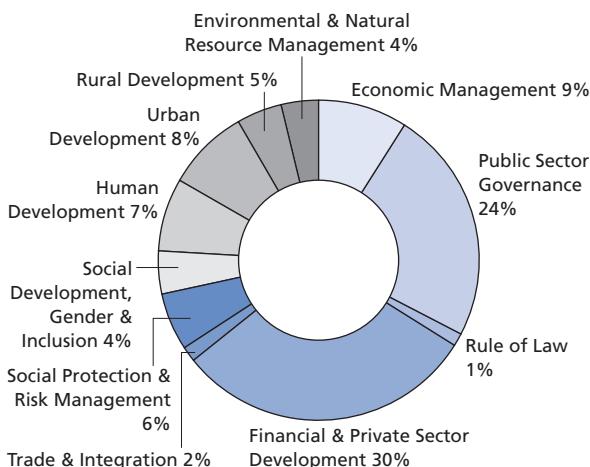
**Figure 2.1 IBRD Lending by Region, Fiscal 2002**

Share of total lending of \$11.5 billion



**Figure 2.2 IBRD Lending by Theme, Fiscal 2002**

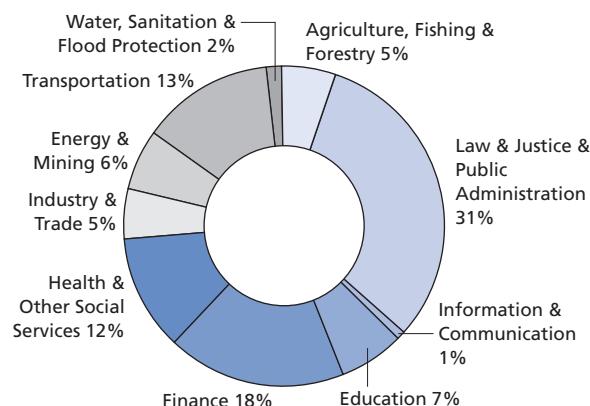
Share of total lending of \$11.5 billion



Note: See Table 2.2.

**Figure 2.3 IBRD Lending by Sector, Fiscal 2002**

Share of total lending of \$11.5 billion



Note: See Table 2.2.

Table 2.1 World Bank Adjustment Commitments, Fiscal 2000–02

	Fiscal 2000		Fiscal 2001		Fiscal 2002	
	Millions of dollars	Percent	Millions of dollars	Percent	Millions of dollars	Percent
<b>Adjustment commitments by region</b>						
Africa	495	10	908	16	1,437	15
East Asia and Pacific	552	11	250	4	17	0
Europe and Central Asia	950	19	1,132	20	4,743	48
Latin America and the Caribbean	2,860	56	2,788	48	2,517	26
Middle East and North Africa	0	0	185	3	263	3
South Asia	251	5	500	9	850	9
<b>IBRD and IDA adjustment commitments</b>						
IBRD	4,426	87	3,937	68	7,383	75
IDA	682	13	1,826	32	2,443	25
Total adjustment loans	5,108	100	5,763	100	9,826	100
<b>Total World Bank lending commitments</b>						
IBRD	10,919		10,487		11,452	
IDA	4,358		6,764		8,068	
Total IBRD + IDA	15,276		17,251		19,519	
Share of adjustment loans		33		33		50

Note: Numbers may not add to totals because of rounding.

lending by region, theme, and sector in fiscal 2002; table 2.2 shows overall IBRD and IDA lending by theme and sector for 1993–2002; and figures 2.7 through 2.9 show overall IBRD and IDA lending by region, theme, and sector.

## SPECIAL ASSISTANCE IN FISCAL 2002

### Accelerated Debt Relief

Significant progress was made in fiscal 2002 in providing increased debt relief to some of the world's poorest countries, many of them in Africa, under the Heavily Indebted Poor Countries (HIPC) Initiative, which was proposed by the World Bank and International Monetary Fund (IMF) and agreed to by the international community in 1996. It was the first comprehensive approach to reducing the external debt of the world's poorest, most heavily indebted countries, and represented a major advance by placing debt relief within an overall framework of poverty reduction.

Early promise established the basis for an even more dynamic approach, and in 1999 multilateral organizations, bilateral creditors, HIPC governments, and civil society worked together to create a deeper,

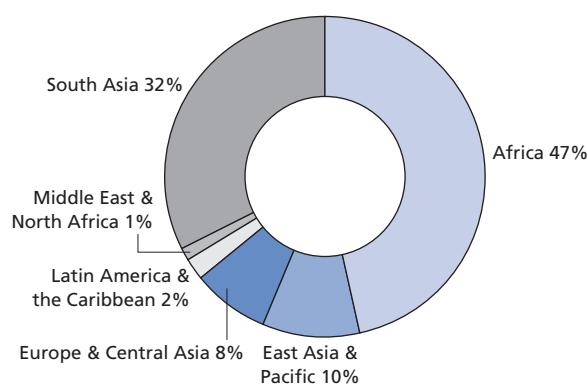
broader, and faster initiative, providing more relief to more countries more rapidly.

Fiscal 2002 saw continued progress toward implementation of the HIPC Initiative, when four countries completed the initiative and three more countries qualified for assistance. Altogether, 26 countries are now receiving HIPC debt service relief that, under the current framework, is expected to amount to \$41 billion from all creditors and to contribute to an overall reduction in debt stock of nearly two-thirds.

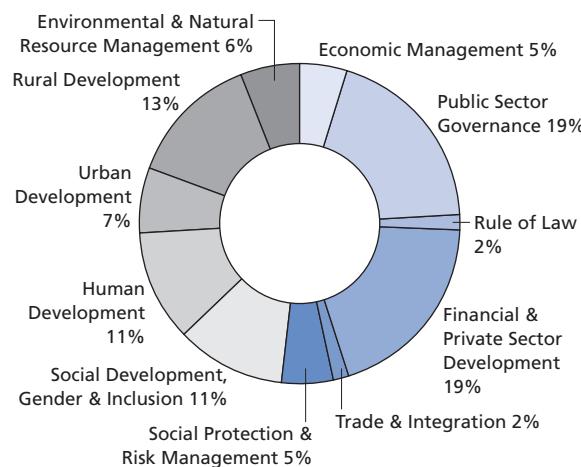
Notable progress was achieved in extending these benefits to countries emerging from conflict. Ethiopia and Sierra Leone received debt service relief, and preliminary work was commenced for the Democratic Republic of Congo and the Republic of Congo. Work continues in this area, as most of the HIPCs yet to qualify for relief are conflict affected.

Work was also stepped up in HIPCs to help them address the challenges of maintaining external debt sustainability over the long term, particularly in light of the weakened global economy and the effects of declining commodity prices. In addition to identifying the potential costs of the economic slowdown, steps were taken to help strengthen capacity in the public sector in

**Figure 2.4 IDA Lending by Region, Fiscal 2002**  
Share of total lending of \$8.1 billion

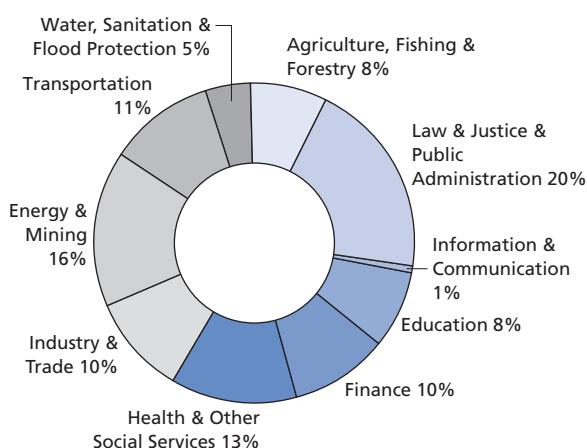


**Figure 2.5 IDA Lending by Theme, Fiscal 2002**  
Share of total lending of \$8.1 billion



Note: See Table 2.2.

**Figure 2.6 IDA Lending by Sector, Fiscal 2002**  
Share of total lending of \$8.1 billion



Note: See Table 2.2.

areas such as debt management and the administration of public expenditures. These are seen as critical to ending the debt problem and establishing the foundation for successful poverty reduction strategies.

When fully implemented, the expanded HIPC Initiative is expected to cancel more than \$50 billion in the debt service of some 34 countries. Arguably more important, it has created a strong and transparent link between debt relief and poverty reduction by leading to the adoption of nationally owned Poverty Reduction Strategy Papers (PRSPs) as the basis of HIPC relief and concessional lending. HIPC debt relief is shown in figure 2.10. Trends in social spending before and after HIPC relief are shown in figure 2.11.

### Argentina

The Bank will direct \$100 million from undisbursed existing loans to meet Argentina's urgent social needs in health, education, and community development. The funds will provide for primary health care and essential medicines for mothers and infants, educational supplies for public schools, and funds for social work, community kitchens, and work with non-governmental organizations (NGOs) to administer the program.

### Afghanistan

The Bank approved a grant of \$10 million in direct budget support to the Interim Administration, and committed an additional \$90 million in grant financing in fiscal 2002 for a series of reconstruction and capacity-building projects. It has proposed a further \$470 million over two years beginning in fiscal 2003.

### KNOWLEDGE SHARING

In fiscal 2002 the Bank continued to make effective use of knowledge to support the quality of its operations. Thematic technical units are charged with capturing the information the Bank and other institutions have acquired in their areas of specialty, and with using that knowledge to support the Bank's operations in countries. Each thematic group has a Web site providing access to important studies and information relevant to the topic, as well as specially commissioned best-practice papers designed to distill the Bank's unique experience in supporting projects in different countries.

Knowledge sharing with the Bank's clients and partners has led to participatory activities in which

**Table 2.2 World Bank Lending by Theme and Sector, Fiscal 1993–2002**  
(millions of dollars)

	1993–97 (annual average)	1998–99 <sup>a</sup> (annual average)	2000	2001	2002
<b>THEME</b>					
Economic Management	1,057.9	1,952.7	799.6	895.3	1,408.0
Public Sector Governance	1566.9	2,552.4	2,142.5	2,053.7	4,247.2
Rule of Law	314.4	362.9	373.6	410.0	273.2
Financial and Private Sector Development	6,191.7	9,486.0	3,368.4	3,940.9	5,055.4
Trade and Integration	847.1	813.2	426.4	1,059.9	300.9
Social Protection and Risk Management	1,128.9	2,653.9	1,895.0	1,651.0	1,084.2
Social Development, Gender, and Inclusion	1,034.4	1,320.5	800.8	1,469.7	1,385.7
Human Development	1,900.4	2,484.8	1,190.3	1,134.7	1,756.1
Urban Development	2,112.6	2,403.3	1,036.6	1,458.6	1,482.4
Rural Development	2,390.7	2,746.4	1,413.7	1,822.3	1,602.2
Environmental and Natural Resource Management	2,965.4	2,018.6	1,829.4	1,354.6	924.0
<b>Theme Total</b>	<b>21,510.5</b>	<b>28,794.8</b>	<b>15,276.2</b>	<b>17,250.6</b>	<b>19,519.4</b>
<b>SECTOR</b>					
Agriculture, Fishing, and Forestry	1,699.2	2,097.1	837.5	695.5	1,247.9
Law and Justice and Public Administration	3,201.7	6,127.2	4,525.4	3,843.0	5,199.6
Information and Communication	261.8	179.4	273.8	216.9	153.2
Education	1,700.1	2,154.3	728.1	1,094.7	1,384.6
Finance	1,962.1	5,167.1	1,580.9	2,253.4	2,862.4
Health and Other Social Services	1,897.6	3,114.5	1,491.7	2,521.2	2,366.1
Industry and Trade	1,925.9	2,922.7	1,036.7	718.3	1,394.5
Energy and Mining	3,480.6	2,311.0	1,572.4	1,530.7	1,974.6
Transportation	3,439.1	3,511.3	1,717.2	3,105.2	2,390.1
Water, Sanitation, and Flood Protection	1,942.3	1,210.2	1,512.6	1,271.7	546.0
<b>Sector Total</b>	<b>21,510.5</b>	<b>28,794.8</b>	<b>15,276.2</b>	<b>17,250.6</b>	<b>19,519.4</b>
Of which IBRD	15,410.8	21,634.3	10,918.6	10,487.0	11,451.8
Of which IDA	6,099.7	7,160.5	4,357.6	6,763.6	8,067.6 <sup>b</sup>

Note: Lending is summarized in the 11 main theme categories and 10 main sector categories in the new thematic-sectoral coding system, which includes 68 themes and 57 sectors. Numbers may not add to totals because of rounding. Please see appendix 11 in volume 2 for detailed IBRD and IDA lending by theme and country.

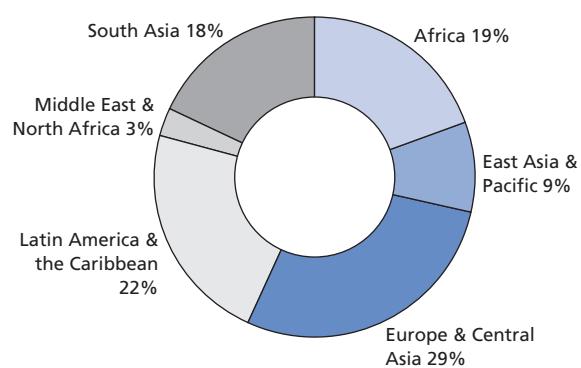
a. Bank lending in fiscal 1998 and 1999 are presented together, the two being exceptional years due to the East Asian financial crisis.

b. Excludes HIPC grants.

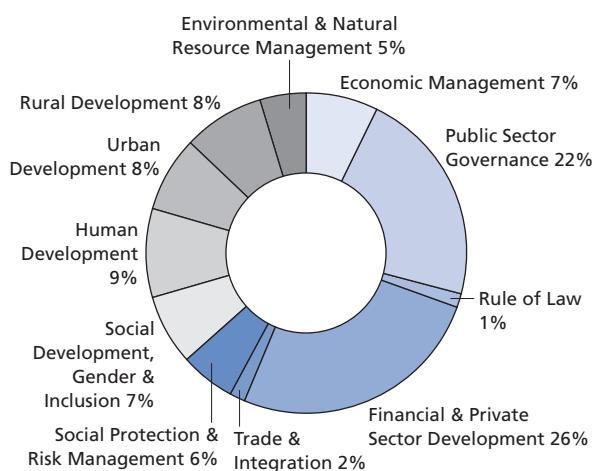
government officials, NGO and private sector representatives, and donor government colleagues become part of a team that builds programs with genuine ownership and commitment on the part of the client government. The Comprehensive Development Framework (CDF) and PRSPs are products of this new way of working.

Ultimately, the success of national development efforts depends on the trained human resources and institutional arrangements available to carry them out. Supporting client countries to enhance their capacity to generate, access, and use knowledge from all sources is central to the Bank's mission of poverty reduction.

**Figure 2.7 Total IBRD-IDA Lending by Region, Fiscal 2002**  
Share of total lending of \$19.5 billion

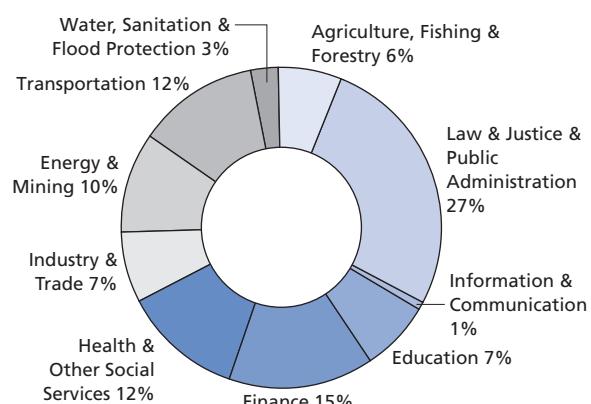


**Figure 2.8 Total IBRD-IDA Lending by Theme, Fiscal 2002**  
Share of total lending of \$19.5 billion



Note: See Table 2.2.

**Figure 2.9 Total IBRD-IDA Lending by Sector, Fiscal 2002**  
Share of total lending of \$19.5 billion



Note: See Table 2.2.

The Bank's approach to creating, sharing, and applying knowledge helps it to leverage its IBRD and IDA lending activities for a greater impact on development. Traditional analytical and advisory services include economic and sector work (ESW) and nonlending technical assistance. ESW, the Bank's main analytical and advisory product line, provides the basis for the Bank's policy dialogue with clients, the development of country strategies, and the formulation and implementation of effective lending programs. Nonlending technical assistance encompasses capacity-building efforts conducted jointly with clients. As the main analytical and advisory tool, the ESW program is closely monitored by the Bank.

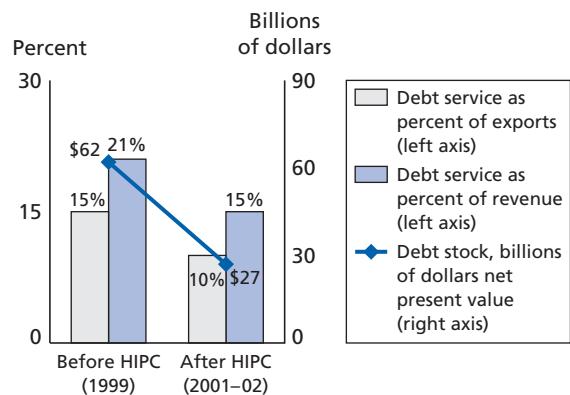
In fiscal 2002, 457 products were delivered for country clients, compared with 335 in fiscal 2001. Of these, about 90 were core diagnostic reports, such as poverty assessments, country economic memoranda and development policy reviews, public expenditure reviews, country financial accountability assessments, and country procurement assessments. These support the Country Assistance Strategies (CASs), Poverty Reduction Support Credits (PRSCs), and other adjustment lending. They also facilitate policy dialogue with clients.

Public sector governance had the largest share (25 percent) of the total ESW output in fiscal 2002, followed by economic management and financial and private sector development (15 percent each). Financial and private sector development, social protection and risk management, and human development reports provided the diagnostic bases for project design and country programming. Europe and Central Asia delivered 26 percent of the program, followed by Africa with 22 percent, and East Asia and Pacific with 16 percent. Country reports were supplemented by regional reports focusing on issues such as human immunodeficiency virus/acquired immune deficiency syndrome (HIV/AIDS), rural and urban poverty, public expenditure management, gender, and labor.

The high commitment to public sector governance reflects the importance the Bank attaches to issues such as public expenditure management, financial management, corruption, procurement, civil service reform, and decentralization.

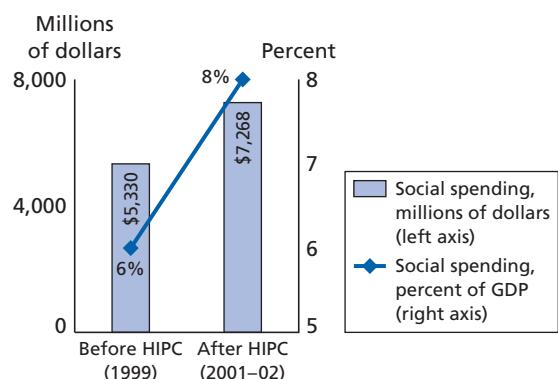
The Bank has worked with partners to divide responsibility for some diagnostic ESW at the country level, and to enable joint preparation and wider dissemination of the diagnostic work. Particular emphasis in fiscal 2002 was placed on trade, the investment climate, the MDGs, cross-country benchmarking,

**Figure 2.10 Heavily Indebted Poor Countries Debt Relief—Reduced Debt Stock and Improving Debt Service Ratios**



Source: World Bank. 2002. *Status of Implementation*. Washington, D.C.

**Figure 2.11 Trends in Social Spending before and after Assistance under the Heavily Indebted Poor Countries Initiative**



and basic service delivery (to be examined in *World Development Report 2004*). Joint programs are being carried out between the Private Sector Development and Infrastructure Network and the Development Economics and Data Group (DECDG) on trade, the Human Development Network and DECDG on the MDGs, and among the Poverty Reduction and Economic Management Network, the World Bank Institute (WBI), and DECDG on PRSPs and other cross-sectoral issues.

## FINANCIAL SECTOR ASSESSMENT PROGRAM

The IMF and World Bank have put in place the joint IMF–World Bank Financial Sector Assessment Program (FSAP) following the East Asian crisis of the late 1990s. The objective is to help countries strengthen their financial systems and institutional infrastructure.

The program aims to improve the resiliency of national and international financial markets through in-depth assessments of the strengths, risks, and vulnerabilities of countries' financial systems. The Bank's contribution focuses on the financial sector's institutional infrastructure and its ability to support broad-based inclusive development.

Twenty-one countries participated in the FSAP in fiscal 2002. FSAP reports were delivered this year to 12 countries, and Financial Sector Assessments for seven countries were delivered to the Bank's Executive Directors.

A total of 55 countries will have participated in the program between its launch in May 1999 and the end of fiscal 2002. Between the inception of the program and the end of January 2002, over 190 standards assessments have been conducted, drawing on 157 experts from 127 cooperating official institutions.

## THE WORLD BANK'S RESOURCES

The Bank's resources in fiscal 2002 were drawn from member country shareholder equity and funds raised in international capital markets.

### The International Development Association

Fiscal 2002 was the third year of the 12th Replenishment of IDA (IDA12). This replenishment provided IDA with resources to fund credits committed during the period July 1, 1999, to June 30, 2002. Forty-one countries are now IDA donors. Historically, donor contributions have been determined based on countries' relative economic strengths and on their commitment to poor countries, and as such the major industrial nations have been the largest contributors to IDA. Nevertheless, donor nations also include developing and transition countries—some of them IBRD borrowers and former IDA borrowers—such as Argentina, Brazil, Hungary, the Republic of Korea, the Russian Federation, and Turkey. (For a complete list of IDA donors, see IDA's Special Purpose Financial Statements of the *World Bank Annual Report 2002: Volume 2, Financial Statements and Appendixes*.) IDA's financial strength is based primarily on the strong and continued support of its donors, as well as on repayments of past credits. This year concluded the IDA13 negotiations in which representatives from donor countries agreed on a framework for the projected IDA13 program and associated financing needs. IDA13 will make possible the commitment of special drawing rights (SDRs) of

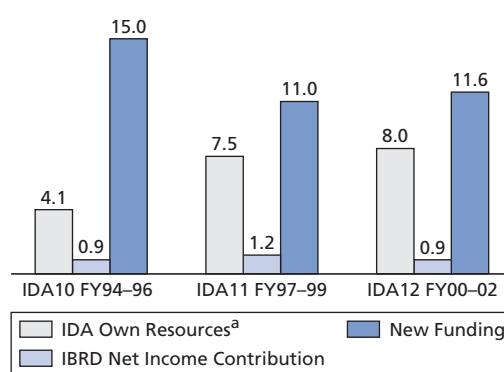
18 billion (about \$23 billion) to poor IDA members over the next three years, including approximately SDR 10 billion (approximately \$13 billion) from new donor contributions. Within the IDA13 framework, donor representatives adopted a program for the increased use of IDA grants to help address the special difficulties faced by the poorest and most vulnerable countries. The framework also provides for the establishment of a results-based measurement system to link IDA programs to countries' development outcomes. This year the replenishment discussions were opened up to representatives of borrowers and civil society, and background documents were made publicly available on the Bank's Web site. Figure 2.12 shows the sources of IDA's funding over the last three replenishments.

### The International Bank for Reconstruction and Development

As part of its regular financing operations IBRD raised \$23 billion at medium- to long-term maturities in international capital markets in fiscal 2002. This funding volume was above the \$17 billion raised in fiscal 2001. IBRD issued loans in 10 currencies, with a wide range of maturities and structures in fiscal 2002. Product diversification helps IBRD to expand its investor base and to reduce lending rates on its loans. IBRD's financial strength is based on the support it receives from its shareholders and on its array of financial policies and practices.

*IBRD Financial Strength.* IBRD's net income in fiscal 2002 was \$2,778 million. IBRD retained \$1,291 million out of operating income in its general reserve—higher

**Figure 2.12 Sources of IDA Funding**  
(billions of dollars)



a. IDA Own Resources include principal repayments, service charges, and investment income.

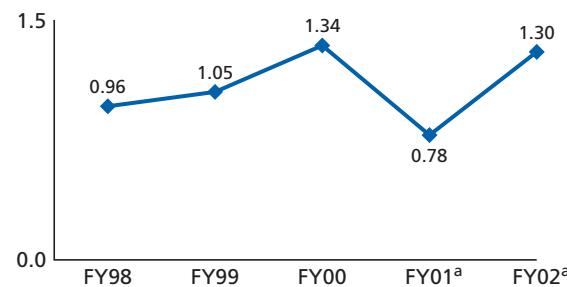
than the previous year, when \$618 million was retained—in keeping with IBRD's strategy to preserve long-term financial strength and support other development needs. IBRD maintained adequate liquidity in fiscal 2002 to ensure sufficient cash flow to meet its obligations. As of June 30, 2002, the liquid asset portfolio was \$25 billion.

*Managing Returns to Maintain Strength.* As a cooperative institution, IBRD does not seek to maximize profit but to earn a return on assets sufficient to ensure its financial strength and sustain its development activities on an ongoing basis. IBRD achieves a net return on assets of about 1 percent per year. In fiscal 2002 the net return on assets recovered to the 1 percent level after declining below 1 percent in fiscal 2001 as a result of an increase in the provision for loan loss. Figure 2.13 shows the net return on assets for 1998–2002.

*Managing Risk.* Consistent with its development mandate, IBRD's main financial risk is the credit risk of its loan portfolio. This risk is closely managed. IBRD keeps its exposure to market risk quite limited. Some market risk arises due to movements in market variables, such as interest rates and exchange rates. IBRD's equity-to-loans ratio is a summary measure of its risk-bearing capacity. The ratio is conservatively managed in light of IBRD's financial and risk outlook. Figure 2.14 shows the equity-to-loans ratio as of June 30, 2002.

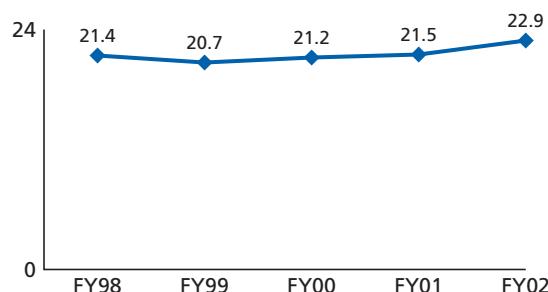
*Achieving Efficient Intermediation.* IBRD enjoys an exceptional franchise in capital markets, reflecting the

**Figure 2.13 Net Return on Assets**  
(percent)



a. In fiscal 2001 IBRD adopted Statement of Financial Accounting Standard No. 133 and International Accounting Standard No. 39, which require that derivative instruments be reported at fair value. The returns shown above for fiscal 2001 and 2002 are presented before the effects of these standards in order to facilitate comparison with prior years. With the inclusion of the effects of these standards, the ratios would be 0.87 and 1.87 for fiscal 2001 and 2002, respectively.

**Figure 2.14 Equity-to-Loans Ratio as of June 30, 2002 (percent)**



capital commitments of its sovereign shareholders and the preferred creditor status accorded by its borrowing members—which provide it a high credit rating (AAA) and allow it to borrow for long maturities on favorable terms. This is reflected in the relatively low cost basis of its new lending; an average spread of about 34.6 basis points (1 basis point equals 0.01 percent) below London InterBank Offered Rate (LIBOR) in fiscal 2002; and the high volumes it can intermediate relative to its paid-in capital and retained earnings. In fiscal 2002 the Bank's outstanding borrowings from capital markets was in excess of \$110 billion, while its total disbursed and outstanding loans were about \$123 billion. This was about five times the size of its equity. Figure 2.15 shows the Bank's borrowings and investments as of June 30, 2002. Table 2.3 shows select IBRD financial data for fiscal 2001 and 2002.

### DISTRIBUTION OF IBRD'S NET INCOME

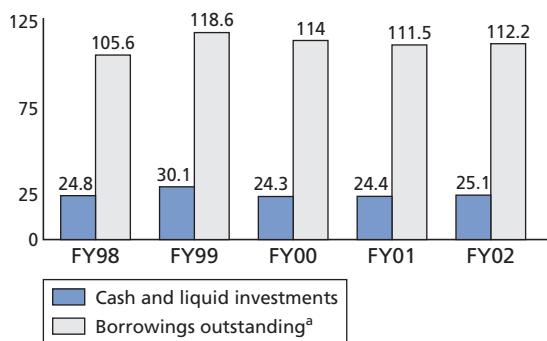
IBRD's net income serves several purposes related to the Bank's mission.

A portion of net income is retained annually to ensure IBRD's financial integrity. The general reserve allows IBRD to assume credit risk in lending to countries at the lowest funding costs—which in turn benefits borrowers. Income retention has enabled IBRD to maintain financial soundness through past periods of both deteriorating loan quality as well as surging loan demand.

Support to IDA has consistently been a priority. Over the last five years \$1.622 billion (or about 24 percent of IBRD's net income) has been transferred to IDA.

Support for the HIPC Initiative has also been important. Over the past five years transfers to the

**Figure 2.15 Borrowings and Investments as of June 30, 2002 (billions of dollars)**



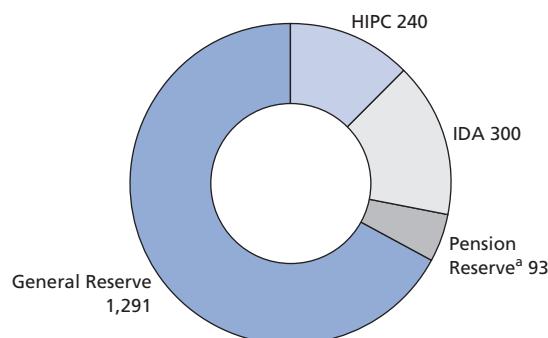
a. Net of swaps.

HIPC Trust Fund have amounted to a total of about \$890 million, averaging about 13 percent of annual IBRD net income.

IBRD's net income helps meet other development needs from time to time. It enables IBRD to respond to unforeseen humanitarian crises and provide grants or other support for worthy causes. IBRD also regularly shares income with its borrowing members through partial waivers of the interest and commitment fees it contractually charges on its loans.

Financial strength and standing in the markets allow IBRD to leverage its equity by five times in the international bond markets. This leverage increases IBRD's ability to lend for development activities. Figure 2.16 shows the proposed allocation of the Bank's net operating income.

**Figure 2.16 Proposed Allocation of Fiscal 2002 Net Operating Income of \$1.9 billion (millions of dollars)**



Note: Proposal to the Board of Governors.

a. Pension Reserve is used exclusively for the income derived from the difference between actual funding of the Staff Retirement Plan and the accounting expense associated with it, required by Generally Accepted Accounting Principles. These funds are not allocable.

**Table 2.3 Select IBRD Financial Data**  
(millions of dollars)

	Fiscal 2002	Fiscal 2001
<b>For the fiscal year<sup>a</sup></b>		
Income from loans	6,861	8,143
Income from investments	734	1,540
Borrowing expenses	(4,903)	(7,152)
Administrative expenses	(876)	(881)
Other	<u>962</u>	<u>(161)</u>
Net income	<u>2,778</u>	<u>1,489</u>
Loan commitments	11,452	10,487
Loan disbursements	11,256	11,784
<b>At fiscal year end<sup>a</sup></b>		
Cash and liquid investments	25,056	24,407
Loans outstanding	121,589	118,866
Borrowings outstanding	(111,205) <sup>b</sup>	(111,482) <sup>b</sup>
Equity	(32,313)	(29,570)

a. Excerpted from the audited financial statements presented in volume 2 of this *Annual Report*.

b. Outstanding borrowings, net of swaps.

## WORLD BANK COFINANCING

The Bank's cofinancing partners include regional development banks and public and private sector organizations. The Bank's cofinancing figures reflect the combination of the Bank's resources with those of other donors for projects in specific regions and sectors.

Cofinancing in fiscal 2002 amounted to \$4.7 billion. Major partners included the Inter-American Development Bank (IADB), the African Development Bank, the Global Environment Facility (GEF), and the Japan Bank for International Cooperation.

The Latin America and the Caribbean region accounted for the largest share of cofinancing in fiscal 2002 (\$2.3 billion), followed by the Africa region (\$1.3 billion) and the Middle East and North Africa region (\$0.4 billion).

### Examples of Cofinancing in Fiscal 2002

A total of 109 projects were cofinanced by the Bank and its partners in fiscal 2002. Examples of projects with significant cofinancing include:

- The Ghana Road Sector Development Project, which leveraged \$745 million from 13 donor agencies.

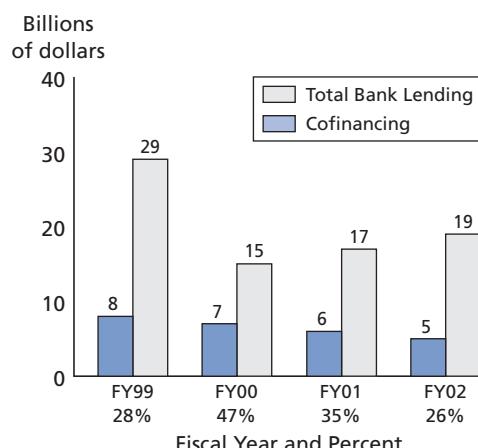
- The Colombia Structural Fiscal Adjustment Loan—which was cofinanced by the IADB for \$400 million.
- The Tunisia ECAL III Project, which was cofinanced by the African Development Bank for \$194 million and the European Commission, through the EuropeAid Co-operation Office, for \$72 million.

Figure 2.17 shows the ratio of total cofinancing to World Bank lending.

## TRUST FUND HIGHLIGHTS

Trust funds, which are accounted for separately from the Bank's own resources, are financial and administrative arrangements with external donors that lead to grant funding of high-priority development needs, including technical assistance and advisory services, debt relief, postconflict transition, and cofinancing. Trust funds help the Bank leverage its poverty reduction programs by funding key due diligence activities for development operations, promoting innovative approaches for projects, forging partnerships, and expanding the scope of development collaboration.

**Figure 2.17 Ratio of Total Cofinancing to World Bank Lending**



Note: Cofinancing ratio = fiscal year total cofinancing/fiscal year total lending. Cofinancing figures as of end of fiscal 2002.

They enable the Bank to complement and strengthen investment activities by breaking new ground with research and accessing a broad international knowledge base.

In fiscal 2002 management and the Board conducted a review of the cost-effectiveness and risk implications of managing a large and complex trust fund portfolio. Major new programs were funded, a series of focused audits and reviews were conducted, and reform initiatives for streamlining the channels of assistance, prioritizing proposals, and enhancing the control environment are well under way. These initiatives are expected to help ensure that the trust fund program is well managed and closely aligned with the Bank's overall strategy.

The Bank's trust fund program expanded in fiscal 2002. Trust fund assets rose from \$4.38 billion to \$5.34 billion (22 percent). The disbursements totaled \$1.93 billion, an increase of \$0.08 billion, or 5 percent. The contributions received from donors totaled \$2.61 billion, a decrease of \$0.11 billion, or 4 percent. The five largest donors were the United States (\$640 million), Japan (\$316 million), the Netherlands (\$268 million), the World Bank Group (\$222 million), and the United Kingdom (\$187 million), accounting for 62 percent of all contributions. Disbursements on five major programs—HIPC (\$758 million), GEF (\$225 million), the Policy and Human Resource Development Fund (\$85 million), the Consultative Group on International Agricultural Research (\$82 million),

and the Ozone Trust Fund (\$50 million)—totaled \$1.20 billion, or 62 percent of total disbursements.

### Accounting Policy

The trust fund financial information provided in the preceding paragraph reflects contributions on an accrual basis for the HIPC Trust Fund and on a cash basis for all other trust funds. Disbursements for all trust funds, including the HIPC Trust Fund, are reported on a cash basis.

### Major New Programs

Responding to the emerging challenges, the donor community agreed to establish several major new trust fund programs for Bank administration during fiscal 2002. These included the Global Fund for AIDS, Tuberculosis, and Malaria; the Afghanistan Reconstruction Trust Fund; the Nile River Basin Trust Fund; The Eastern Greater Great Lakes Trust Fund; the Knowledge for Change Trust Fund; the Trust Fund for Capacity Building for Poverty Reduction Strategies in Low-Income Countries; and the Financial Sector Reform and Strengthening Initiative.

### Donor Consultations on Policy Reforms

The Bank initiated a series of consultations with the trust fund donors to review audit results, propose standardizing the terms of trust fund agreements, and discuss policy reforms for ensuring the alignment of priorities. The focus of the policy reforms is on Consultant Trust Funds and Single-Purpose Trust Funds supporting Bank lending development and analytical work.

### Trust Fund Reforms

The Bank also initiated a series of internal reforms to improve the control environment and reporting. These reforms included organizational changes, such as the strengthening of the donor-relations function and the establishment of a separate compliance unit, as well as complementary system enhancements for the financial accounting and reporting on trust funds.

Another measure to enhance donor relations was the establishment of a Web-based donor center that provides access to trust fund information on a real-time basis. In addition, a trust fund awareness campaign, reaching about 1,000 staff and managers, was implemented, and a Trust Fund Learning and Accreditation Program is being developed to ensure that staff are trained in all aspects of trust fund management.

**Figure 2.18 Contributions to Bank-Administered Trust Funds, Fiscal 1998–2002**  
(millions of dollars)

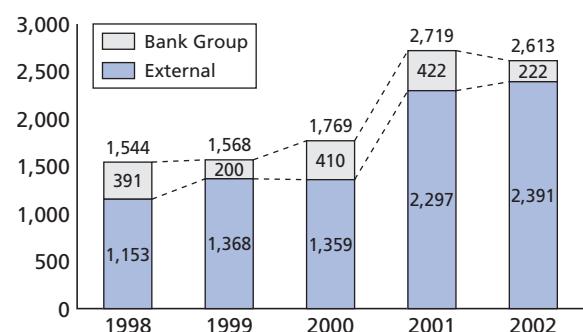


Figure 2.18 shows contributions to Bank-administered trust funds in fiscal 1998–2002.

### A FRAMEWORK FOR THE WORLD BANK'S ASSISTANCE

In fiscal 2002 the Bank moved to implement its Strategic Framework worldwide. In the past year the Bank has developed and communicated its strategy, approach, and priorities, establishing many of the procedures and tools needed to translate those broad directions into concrete actions at the country and global levels. The March 2002 Strategy Update Paper for fiscal 2003–05 focused on the evolution from strategy development to implementation and results. The corporate priorities can now be more accurately monitored because of the new system of identifying and coding bank lending activities.

#### Selectivity and Alignment

The ongoing process of managing priorities is done within the three-level framework for selectivity within countries, across countries, and at the regional and global level. Selectivity within countries combines a comprehensive analysis with a selective set of program activities based on the client's priorities, the Bank's comparative advantage, and the comparative advantage of its partners. Sector Strategy Papers (SSPs) are linked closely to the PRSPs and CASs. They can further evolve into outcome documents with a strengthened focus on results.

The key criteria guiding the Bank's selectivity across countries are poverty and performance, focusing its lending on countries where the overall policy environ-

ment favors aid effectiveness and where the Bank's presence will have a high impact. To address the needs of countries with weak institutions and poor policy environments where development assistance is urgently needed but likely to have little impact, the Bank is exploring ways to adapt its assistance instruments to countries' specific needs. Corporate advocacy priorities help the Bank to incorporate the twin pillars of its development strategy into its country level work. Selectivity at the global level reflects the Bank's global public goods priorities: communicable diseases, the environment, trade and integration, information and knowledge, and international financial architecture. The Bank's Global Public Goods Incentive Fund, launched in 2001, helped to achieve a stronger link between global and country programs. Box 2.2 describes the Bank's CDF.

### COUNTRY ASSISTANCE STRATEGIES

The World Bank prepares a CAS for each of its borrowing members in consultation with the government, civil society organizations such as private nonprofit organizations, and other development agencies. The purpose of the CAS is to set out a Bank Group program of lending and advisory services linked to a country's development strategy. Where there is a PRSP, CDF, or other country-led process in place, it provides the general framework for the Bank's CAS. Beginning in fiscal 2003, the Bank expects that all new CASs for IDA-borrowing countries will normally be based on a PRSP. To facilitate this alignment, the Bank has generally updated its strategy in a CAS progress report pending the PRSP completion.

In fiscal 2002 the Board discussed 34 CAS products, including the first regionally integrated assistance strategy for 15 countries in West Africa, and 5 transitional support strategies for postconflict countries such as Afghanistan, Burundi, and the former Yugoslav Republic of Macedonia. In fiscal 2002, 18 CAS documents were prepared jointly with IFC, underscoring the importance of private sector investment in these countries' economies.

Significant progress has been made on CAS disclosure. All fiscal 2002 CAS documents (except one, which is pending) have been or are in the process of being disclosed. (See [www.worldbank.org/cas](http://www.worldbank.org/cas).) Also, in calendar 2002 disclosure was extended to include the Chairman's Concluding Remarks to Board discussions for CAS documents that are disclosed. The Bank is also

## BOX 2.2 STRENGTHENING THE COUNTRY BUSINESS MODEL: THE COMPREHENSIVE DEVELOPMENT FRAMEWORK

The CDF is the approach the Bank has adopted for its work at the country level. It fosters more effective and sustained poverty reduction by working according to four key interrelated principles: a long-term holistic development agenda; broad-based country ownership, where countries identify priorities; a country-based partnership; and accountability for development results. The CDF enables each country to take charge of its development process in a manner that reflects a broad national consensus, beyond government alone. There is beginning to be a more inclusive role for civil society in such policy discussions, and there is good progress in engaging a wide range of external as well as internal partners in a country's strategy formulation.

This approach has been widely accepted by developing countries and major development partners—the U.N. system, the multilateral development banks (MDBs), the European Commission, and bilateral donors. These key partners are taking concrete steps to achieve better alignment of their assistance strategies with nationally owned country strategies.

piloting the disclosure of information on CASs that are under preparation.

In fiscal 2002 a draft CAS retrospective study found that their quality continues to improve, with noticeable progress in the treatment of poverty, gender, governance, private sector, and financial sector issues. Nevertheless, some areas need strengthening. Developing practical performance monitoring and evaluation frameworks remains a major challenge.

### SUPPORT TO LOW-INCOME COUNTRIES

The PRSP approach offers a new opportunity for development strategy—and development assistance—to be grounded in a broad-based and country-owned process. PRSCs are designed to support this approach in countries with good policies and sound public institutions. PRSCs have been approved this year for Albania and Burkina Faso. Recent discussions with representatives from PRSP countries, development partners, and civil society organizations reinforced the importance of adapting PRSP processes to specific country circumstances, setting realistic priorities and targets in country-owned PRSPs, and supporting their

The CDF principles form the basis for PRSPs. Nearly 50 low-income countries around the world are pursuing the CDF approach explicitly through the PRSP. Many middle-income countries have also embarked on the CDF approach. To support CDF implementation, staff at the Bank, as well as other external partners, recognize country priorities and form partnerships to maximize the impact of the development effort.

For the Bank's clients in the future, there are two particular challenges: to further improve participatory approaches that ensure better engagement of key constituencies, such as the poor, the sectoral ministries, the private sector, and parliaments; and to develop the national and institutional capacities to monitor and evaluate policy reforms and their impact in relation to country-specific targets, using the MDGs as a frame of reference. Harmonizing external partners' strategies, policies, and procedures, both at the institutional level and the country level, is an additional challenge for all partners (see [www.worldbank.org/cdf](http://www.worldbank.org/cdf) for more details on the latest CDF progress report).



*The Bank's rural enterprise project in Uzbekistan will support newly created private sector farming initiatives and result in improved farm productivity and profitability.*

implementation through improved harmonization of donor policies.

### SUPPORT TO MIDDLE-INCOME COUNTRIES

Faced with a different set of development challenges, middle-income countries continue to seek Bank serv-

ices to enhance their debt/risk management flexibility and to improve their institutional capacity for designing and implementing economic and sector reforms. Following the recommendation of the 2001 middle-income country task force, the Bank now emphasizes the complementary role of advisory services and has improved its lending instruments to meet the dynamic needs of middle-income countries. For example, a deferred drawdown option for adjustment loans was approved by the Board, and the corresponding instrument became available to clients during the fiscal year. The Bank has also introduced new financial products, including variable-spread single currency loans, fixed-spread loans, and local currency loans, which provide more flexible options for both low- and middle-income clients.

## SECTOR STRATEGY PAPERS

SSPs help organize the Bank's work on global priorities such as disease eradication and the environment. They are a launching point for promoting public action at the global level, pulling together global programs and partnerships, and providing incentives for client countries to take action. More generally, SSPs help shape the Bank's approach and activities in a given sector or thematic area in order to enhance the impact on growth and poverty reduction. SSPs also lay out strategic options for sector and thematic areas, identifying aspects of relatively weak country performance for priority attention. They are developed with broad stakeholder consultation, and their implementation is regularly monitored.

In fiscal 2002 the Bank reviewed four SSPs, covering the areas of environment, gender, information and communications, and private sector development. The titles of the SSPs include "Making Sustainable Commitments: An Environmental Strategy for the World Bank Group"; "Integrating Gender into the World Bank's Work—A Strategy for Action"; "Sector Strategy Paper: Information and Communications Technologies"; and "Private Sector Development Strategies: Directions for the World Bank Group."

## PARTNERSHIPS FOR DEVELOPMENT

Partnerships, as a way of doing the Bank's business, have grown dramatically over the past 10 years. The Bank has recognized the importance of tracking the number of partnerships, the amount of administra-

tive funds involved, and the flow of managed funds through partnerships. In recognition of the potential risks, the Bank established explicit criteria for partnerships in fiscal 2001. In fiscal 2002 the Partnership Approval and Tracking System was put in place to provide centralized information on the Bank's regional and global partnerships. The Bank's partnership with the Development Gateway Foundation is described in box 2.3.

### World Bank Institute: A Partnership for Knowledge and Learning

WBI, which supports the Bank's learning and knowledge agenda, fosters a wide range of institutional partnerships, including 20 bilateral donors, over 100 training and content partners, more than 40 private sector and foundation partners, and 16 international, regional, and national institutions.

In the past year WBI has expanded its partnerships with the IMF and the U.N. Development Programme (UNDP). WBI worked with the IMF on PRSP learning events and on other programs at two regional institutes: the Joint Africa Institute (Abidjan, Côte d'Ivoire) and the Joint Vienna Institute (Austria). WBI has worked closely with UNDP to develop capacity-building strategies and policies, and contributed substantially to the UNDP publication *Capacity for Development—New Solutions to Old Problems*, a major book launched at the Financing for Development Conference in Monterrey, Mexico, in March 2002.

The Global Development Learning Network (GDLN), a rapidly expanding network of distance-learning centers, uses videoconferencing and other technologies to share learning activities worldwide. Thirty-seven GDLN sites are now operating, and an additional 42 are under development. In China the distance-learning center hub in Beijing is linked with a regional center in Ningxia via a high-speed fiber network: the China Education and Research Network is creating a network of networks, reaching out to universities throughout China. WBI's partnership with TEC de Monterrey in Mexico also provides access to more than 500 downlink points in Latin America and the Caribbean.

Some WBI partnerships focus on specific topics. For example, the Clean Air Initiative, which advances innovative ways of improving air quality in cities around the world, involves a wide range of partners including city governments, automobile companies, and donors. A distance-learning course on clean air

### **BOX 2.3 THE DEVELOPMENT GATEWAY FOUNDATION**

The Bank has played a major role in launching the Development Gateway Foundation, an independent, nonprofit organization that combines public and private support for a variety of efforts geared toward addressing the digital divide. The core mission of the Foundation is to reduce poverty and support sustainable development through the use of information and communication technologies (ICT).

In addition to the World Bank, Founding Members of the Foundation include the governments of Australia, China, Germany, India, Italy, Japan, the Republic of Korea, Mali (sponsored by the Netherlands), Pakistan, and Rwanda. Founding Members contribute at least \$5 million (in cash or in kind) over a three-year period.

The Foundation is moving forward in four key areas: the Development Gateway portal, an interactive portal facilitating access to information and knowledge on development and poverty reduction; the Network of Research and Training Centers with hubs in the developing world, designed to exchange ideas and test information and technology applications that will benefit the poor; an ICT Development Forum for debate and knowledge sharing on key issues, and for promoting partnerships between civil society and the public and private sectors; and the Grants and Investments Program, designed to support innovative projects and programs that bridge the digital divide at the local, national, regional, and global levels.

The Foundation held its inaugural meetings in December 2001 and its second meeting in April 2002. (See [www.dgfoundation.org](http://www.dgfoundation.org).)

was delivered through the Inter-American Educational Television Network's 500 affiliates in Latin America.

Several partnerships are aimed specifically at enhancing the capacity of regional learning organizations. The African Virtual University (AVU), headquartered in Nairobi, is one of these. In fiscal 2002 AVU strengthened the information technology capabilities at its 31 partner universities throughout Africa and is preparing for the launch of accredited

diploma and degree programs by the end of calendar year 2002. Box 2.4 provides a list of knowledge sharing and partnership Web sites.

### **United Nations**

The Bank's relationship with the United Nations has advanced as a fundamental business partnership this past year. The common ground, underpinned by a comprehensive development agenda and the MDGs, evolved during 2001–02 as a consequence of the International Conference on Financing for Development preparation process, complemented by the work to link economic, social, and environmental issues in the World Summit on Sustainable Development. These solid building blocks have encouraged creation of stronger platforms to support country efforts to create poverty reduction strategies, and to harmonize operational issues with the U.N. Development Group. In addition, the two institutions are revitalizing their joint work on conflict prevention and reconstruction, two areas in which the Bank, the United Nations, and other partners share a common challenge of helping countries that are faced with the special needs associated with conflict.

At the global level, innovative efforts to work together are embedded in such initiatives as joint work to address the challenges of communicable diseases (Global Fund to Combat AIDS, Malaria, and Tuberculosis, and the World Health Organization's Commission on Macroeconomics and Health), joint exploration of linkages between economic development and human rights, and joint efforts to accelerate Education for All action.

The Bank is involved in interagency groups including the Chief Executives Board of agency heads within which issues of coherence, coordination, and strategy have emerged as part of learning and working with the U.N. system as a whole.

Management and staff continue to participate in intergovernmental processes and with agency governing bodies to build engaged, proactive, and forward-looking partnerships across the United Nations.

### **Multilateral Development Banks**

Collaboration with MDBs such as the African Development Bank (see [www.AfDB.org](http://www.AfDB.org)), the Asian Development Bank (see [www.ADB.org](http://www.ADB.org)), the Inter-American Development Bank (see [www.IADB.org](http://www.IADB.org)), and the European Bank for Reconstruction and Devel-

opment (see [www.EBRD.com](http://www.EBRD.com)) intensified significantly, particularly in the aftermath of September 11.

The presidents of the MDBs had regular consultations, leading to coordinated responses to the global economic downturn and specific country issues and issued a joint statement on October 5, 2001. Building on established operational cooperation, now supported by memoranda of understanding between the Bank and most of the regional development banks, and on work done to harmonize operational policies and procedures, the MDBs embarked on a major new initiative—a collaboration on results-based management, including development of outcome indicators in country operations.

A jointly hosted roundtable, “Measuring, Monitoring, and Managing for Results,” brought together developing- and industrial-country representatives, bilateral and multilateral institution representatives, and academics to discuss challenges in results-based approaches and next steps to be taken jointly. They issued a joint statement on March 19, 2002, in Monterrey. In joint reports, MDBs articulated their role on the provision of global public goods and analyzed global poverty and progress toward the MDGs, with a special focus on Africa. Work on harmonization of policies and procedures, involving MDBs and the Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC), progressed according to an agreed-on action plan endorsed by the Bank’s Development Committee.

### **Organisation for Economic Co-operation and Development**

The partnership with OECD has deepened and broadened considerably in recent years, with the objective of maximizing complementary activities and synergies and minimizing duplication. Collaboration with the organization’s DAC has been an especially important focus of this partnership. DAC provides a forum for OECD members to achieve, as bilateral donors, greater coherence and convergence in their development programs. The DAC Guidelines on Poverty Reduction have been the basis for the remarkable degree of convergence and consensus among the bilateral donors for the CDF-PRSP approach, who have expressed an intention to align aid programs within the PRSP framework and to untie their aid to least-developed countries. Beyond low-income countries, the Bank collaborates with the OECD on a broad agenda including trade, environment, corporate governance, anticorruption, and the

### **BOX 2.4 WEB SITES: KNOWLEDGE SHARING AND PARTNERSHIPS**

#### **Knowledge Sharing**

Attacking poverty:

[www.worldbank.org/wbi/attackingpoverty](http://www.worldbank.org/wbi/attackingpoverty)

Country Analytic Work:

[www.countryanalyticwork.net](http://www.countryanalyticwork.net)

Development Forum:

[www.worldbank.org/devforum](http://www.worldbank.org/devforum)

Development Gateway (focus on poverty reduction): [www.developmentgateway.org](http://www.developmentgateway.org)

Global Development Learning Network:

[www.gdln.org](http://www.gdln.org)

Global Knowledge Partnership:

[www.globalknowledge.org](http://www.globalknowledge.org)

Information for Development Program:

[www.infodev.org](http://www.infodev.org)

Knowledge Sharing: [www.worldbank.org/ks](http://www.worldbank.org/ks)

World Links for Development (technology in education): [www.worldbank.org/worldlinks](http://www.worldbank.org/worldlinks)

#### **Thematic Topic-Focused Partnerships**

Clean Air Initiative:

[www.worldbank.org/wbi/cleanair](http://www.worldbank.org/wbi/cleanair)

[www.worldbank.org/wbi/airelimpio](http://www.worldbank.org/wbi/airelimpio)

[www.worldbank.org/wbi/arlimpo](http://www.worldbank.org/wbi/arlimpo)

Health Flagship:

[www.worldbank.org/wbi/healthflagship](http://www.worldbank.org/wbi/healthflagship)

HIV/AIDS: [www.worldbank.org/wbi/aidsleadership](http://www.worldbank.org/wbi/aidsleadership)

World Business Council for Sustainable

Development Virtual University: [www.wbcsd.ch](http://www.wbcsd.ch)

#### **Regional Capacity-Building Partnerships**

African Capacity Building Foundation:

[www.acbf-pact.org](http://www.acbf-pact.org)

African Virtual University: [www.avu.org](http://www.avu.org)

Joint Africa Institute: [www.ima-jai.org](http://www.ima-jai.org)

Joint Vienna Institute: [www.jvi.org](http://www.jvi.org)

Mediterranean Development Forum:

[www.worldbank.org/wbi/mdf](http://www.worldbank.org/wbi/mdf)

digital divide. A partnership of the OECD, Bank, and IMF initiated the establishment of an International Tax Dialogue to facilitate discussions and experience sharing among government officials responsible for tax policy and administration, to the benefit of developing and industrial countries alike.

### **International Monetary Fund**

Cooperation between the World Bank and IMF intensified in fiscal 2002. The two institutions made substantial progress in approving debt relief for heavily indebted poor countries under the HIPC Initiative. The executive boards approved debt reduction packages for 16 countries and discussed the poverty reduction strategies of 29 countries. In the context of their cooperation, each organization is concentrating on its area of comparative advantage: the IMF is responsible for the dialogue with country authorities on macro-economic and related structural issues, while the World Bank takes the lead on social and structural issues.

In August 2001 the Boards of the Bank and Fund agreed to strengthen Bank-Fund collaboration on country programs and conditionality. The strategy is intended to strengthen collaboration between the two

institutions throughout the country program cycle through early collaboration, clear delineation of responsibilities by designating the lead agency, and transparent reporting in Board documents of each institution's views. Nonetheless, each institution remains ultimately accountable for its own lending decisions and for safeguarding its resources. Under the PRSP framework for low-income countries supported by the Fund's Poverty Reduction and Growth Facility, the Bank and Fund are expected to work closely together to support the implementation of a common country strategy while focusing their efforts on their respective areas of responsibility. For middle-income countries there will be a need for greater flexibility to accommodate variations in country circumstances, but benefits are expected from improved coordination and information sharing between the Bank and the Fund.



## Chapter 3

*This year the Bank examined the effectiveness of development assistance over the past half-century in The Role and Effectiveness of Development Assistance: Lessons from World Bank Experience. The study highlighted the developing world's progress in life expectancy, adult literacy, and poverty reduction. While improvements in developing country policies and institutions have made these gains possible, finance and analysis provided by donors have also contributed. Yet some countries and regions have seen far too little progress. Learning from both successes and failures is essential, and the Bank is deeply committed to improving its contribution to development through research, evaluation, and operational work.*

### Development Effectiveness

# Development Effectiveness

The second half of the 20th century was a period of unprecedented progress in living standards at the global level. Better technology, policies, and institutions not only spurred rapid growth in the advanced economies—they also made possible substantial improvements in the lives of poor people throughout much of the developing world. In this context, many countries have made great strides in development, but others are still mired in war, epidemic disease, or communal and political collapse.

In 2002 the World Bank published *The Role and Effectiveness of Development Assistance: Lessons from World Bank Experience*, which examined the development community's experience over the past 50 years. This study, prepared as a contribution to the March 2002 Financing for Development Conference in Monterrey, found that where countries have developed rapidly, the most important factors have been the policies, institutions, and governance of the countries themselves. Development assistance cannot substitute for domestic commitment, but where aid has supported countries committed to development, it has contributed markedly to development progress.

This development progress can be summarized in some remarkable transformations. In the past four decades life expectancy in developing countries has increased by an unprecedented 20 years. In just the past three decades, adult illiteracy in the developing world has been cut almost in half, from 47 to 25 percent. And in the past two decades the number of people living in abject poverty (defined as living on less than \$1 a day) has finally begun to fall, by perhaps 200 million people—after rising through most of the 19th and 20th centuries. (Figure 3.1 shows the proportion of people living on less than \$1 and \$2 a day, by region.)

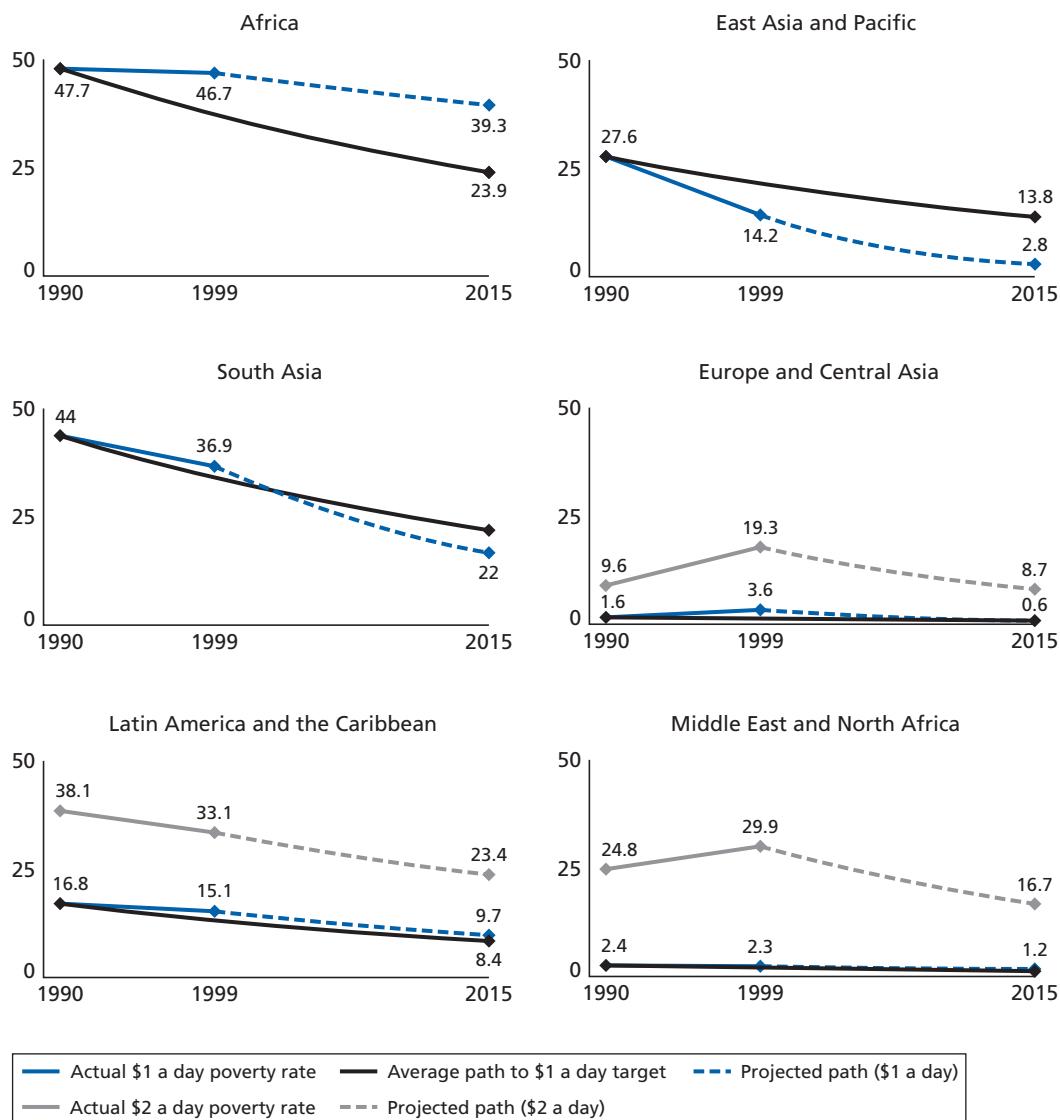
Developing countries themselves are largely responsible for this progress. They have taken many difficult steps to improve policies and institutions—for example, by cutting their median inflation rate from

15 percent in 1982 to about 7 percent in 1997. They have worked to integrate more rapidly with the global economy and have often seen benefits from doing so. The two dozen developing countries that have integrated most rapidly since 1980—which together have a population of about 3 billion people—have seen their annual growth rate of per capita gross domestic product (GDP) increase from less than 3 percent in the 1970s to 5 percent in the 1990s.

External development assistance has contributed to this progress, and indeed has become more effective over time in lifting people out of poverty. In many countries international aid and advice have helped create the conditions for social development and a flourishing private sector. As evidence has mounted that aid is most effective in countries with reasonably good policies, institutions, and governance, the international community has improved its allocation of aid, and the estimated effectiveness of aid in poverty reduction has risen sharply.

But not all developing countries have enjoyed such progress. For example, Africa as a region saw no increase in its overall per capita income between 1965 and 1999, despite significant improvements in certain social indicators. And in Africa and elsewhere, too many countries have suffered deteriorations in economic and social conditions over long periods. The challenges are not just economic and technical but also political, social, institutional, and financial. Even in numerous countries that have worked hard to reform policies (for example, by achieving macroeconomic stability and increasing openness and competition), an unfinished agenda in governance and institutional reform has hampered economic growth and limited poverty reduction. External factors such as Organisation for Economic Co-operation and Development (OECD) agricultural subsidies and trade barriers have impeded developing countries' efforts to integrate and develop. Mistakes by the donor community—such

**Figure 3.1 Population Living below \$1 and \$2 a Day  
(percent)**



Note: The graphs for Africa, East Asia and Pacific, and South Asia do not include figures for \$2 a day.

Source: World Bank. 2002. *World Development Indicators 2002*. Washington, D.C.

as politically motivated aid allocation during the Cold War—have also impeded development in some countries. Evaluation and research are essential, so that the Bank and the development community can learn from both the successes and failures of the past 50 years.

### PROGRESS ON THE MILLENNIUM DEVELOPMENT GOALS

As one indicator of development progress, the World Bank tracks country performance against the

Millennium Development Goals (MDGs). The Bank set out an analysis and an agenda for change in the *World Development Report 2000/2001: Attacking Poverty*. In March 2002 the Poverty Reduction Group reviewed progress in *Poverty Reduction and the World Bank*. The following observations are based on this work and the statistics published in the *World Development Indicators 2002*. It should be emphasized, however, that data are poor in many cases, a problem discussed at length in the fall 2001 edition of the *World Bank Research Observer*.

### **Goal 1: Eradicate Extreme Poverty and Hunger**

The percentage of the world's population living on less than \$1 per day fell from 29 percent in 1990 to 23 percent in 1999. However, almost all of the reduction in the number of people living in extreme poverty was in East Asia and Pacific, where China has made rapid progress. In Europe and Central Asia the number and proportion living in extreme poverty have increased. Elsewhere the poverty ratio has decreased, but the absolute number of people in dire poverty increased. The result has been little change in the number of poor people in the world—about 1.2 billion. And the number of people living on less than \$2 per day, a more realistic poverty line in many countries, increased from 2.7 billion to 2.8 billion from 1990 to 1999.

The World Bank's *Global Economic Prospects 2002* estimates that the proportion of the world's population in extreme poverty could be halved by the MDG target date of 2015 if the growth rate of GDP per capita in developing countries averages 3.6 percent a year for the next 15 years. This growth rate is twice the actual rate during the 1990s. In Africa, where growth is projected to be less than half the global average, the number of people living in poverty will increase.

Halving the proportion of undernourished and malnourished people by 2015 will require concerted action by the affected countries and the international community. Many countries have made dramatic progress in reducing the proportion of underweight children—one measure of malnutrition—during the past three decades, but progress has slowed. In 2002 there are an estimated 150 million children under age five in developing countries who are malnourished. At current rates of improvement there will still be 140 million underweight children in 2020.

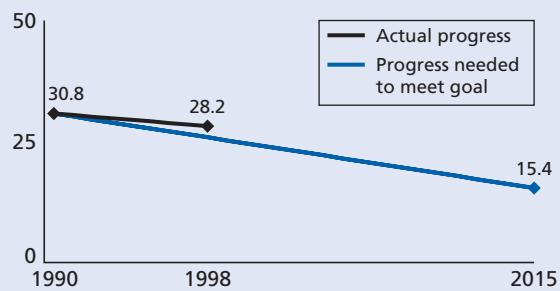
### **Goal 2: Achieve Universal Primary Education**

The Education for All Conference, held in Jomtien, Thailand, in 1990, pledged to achieve universal primary education by 2000. But in 1999 there were still 120 million primary-school-age children not in school, three-quarters of whom live in South Asia or Africa. The MDGs set an ambitious target, for which there is a strong commitment, of ensuring that all children can enroll in and complete a full course of primary schooling by 2015. In many places schools fail to achieve either objective. There can be large gaps between reported enrollment, attendance, and completion rates.



### **Goal 1: Eradicate extreme poverty and hunger**

**Figure 3.2 Prevalence of Child Malnutrition in Low- and Middle-Income Economies**  
Weight for age  
(percent of children under age 5)



Note: Europe and Central Asia region is excluded.

Source: World Bank. 2002. *World Development Indicators 2002*. Washington, D.C.

Approximately 80 developing countries have built a sufficient number of schools to place all of their primary-school-age children, but only about 27 retain most of their students through to completion. Since 1990, 17 developing countries have seen completion rates stagnate or decline.

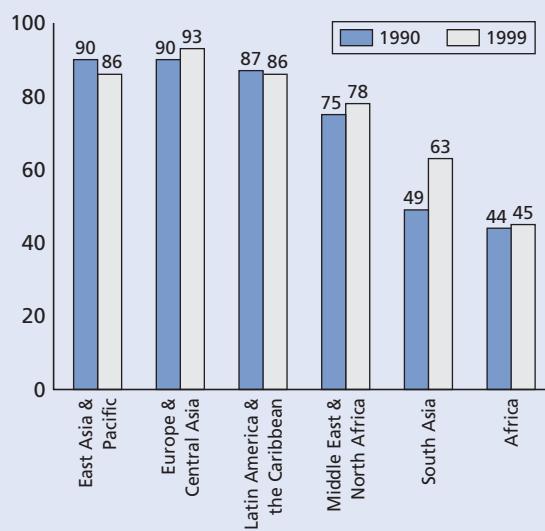
### **Goal 3: Promote Gender Equality and Empower Women**

In most low-income countries girls are less likely to attend school than boys. Reflecting this difference, female youth literacy rates are lower than male youth literacy rates in all regions except Latin America and the Caribbean. The MDGs seek to eliminate the gender gap in primary and secondary education by 2005, and at all levels of education by 2015. Although the gender gap



## Goal 2: Achieve universal primary education

Figure 3.3 Primary Completion Rate  
(percentage of all children who complete primary school)



Source: Human Development Network Education Team. 2002. "Achieving Education for All by 2015: Simulation Results for 47 Low-Income Countries." World Bank, Washington, D.C.

narrowed in the 1990s, many countries in Africa and South Asia will miss the first target date.

## Goal 4: Reduce Child Mortality

The goal is to reduce under-five child deaths by two-thirds between 1990 and 2015. Deaths of infants and children decreased rapidly from 15 million per year in 1980 to about 11 million in 1990. Unfortunately progress slowed almost everywhere in the 1990s, and in parts of Africa, infant and child mortality rates

increased. At the end of the 20th century only 37 developing countries were making fast enough progress to reduce under-five child mortality to one-third of its 1990 level by 2015. The World Health Organization (WHO) estimates that more than two-thirds of these deaths are caused by a combination of malnutrition and diseases that are readily preventable in high-income countries. Vaccination is essential for reducing child mortality, but in some parts of the world vaccination coverage has declined. In 1999, 55 countries had not attained 80 percent measles vaccination of children under one year of age; another 48 reported no data.

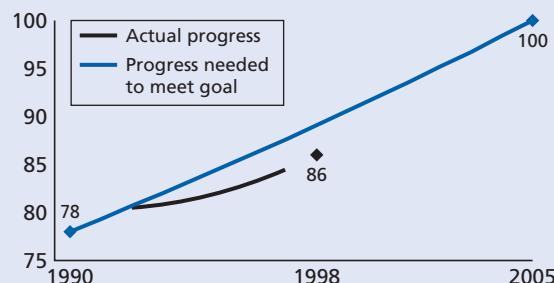
## Goal 5: Improve Maternal Health

The goal is to reduce the maternal mortality ratio by three-quarters between 1990 and 2015. Data on



## Goal 3: Promote gender equality and empower women

Figure 3.4 Ratio of Girls to Boys in Primary and Secondary Education in Low- and Middle-Income Economies  
(percent)



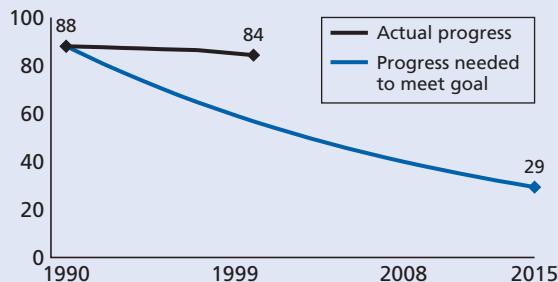
Note: The break in series between 1997 and 1998 is due to the change from ISCED76 to ISCED97.

Source: World Bank. 2002. *World Development Indicators 2002*. Washington, D.C.



#### Goal 4: Reduce child mortality

**Figure 3.5 Mortality Rate in Low- and Middle-Income Economies**  
Children under 5 years of age  
(number per thousand)



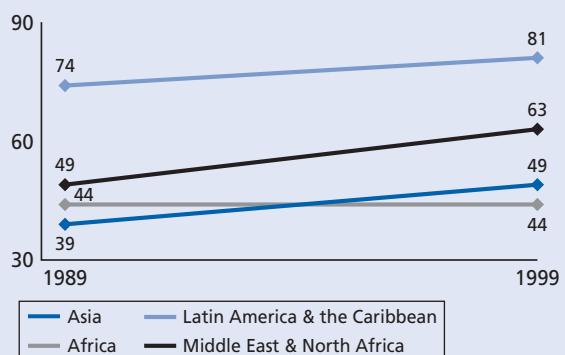
Source: World Bank. 2002. *World Development Indicators 2002*. Washington, D.C.

incidence, by 2015. HIV/AIDS is having a devastating impact in developing countries, especially in Africa. Major breakthroughs in prevention are needed in the next few years if there is to be any hope of stabilizing, let alone reversing, the epidemic by 2015. Approximately 40 million people are infected with HIV/AIDS, and so far, about 20 million people have died from the disease. Malaria is endemic in more than 100 countries and affects approximately 300 million people each year. Tuberculosis is the main cause of death from a single infectious agent among adults in developing countries. Over the past decade its incidence has grown rapidly in several regions. Based on present trends there will be about 10 million new cases in 2005. The directly



#### Goal 5: Improve maternal health

**Figure 3.6 Births Attended by Skilled Health Staff**  
(percentage of total)



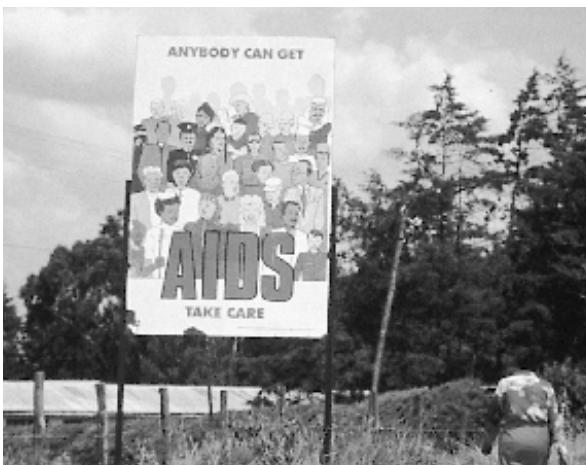
Note: U.N. regions.

Source: World Health Organization, U.N. Children's Fund, and U.N. Population Fund estimates.

maternal mortality are in many instances unavailable or unreliable. In 1995 WHO estimated that more than 0.5 million women died from complications of pregnancy and childbirth, more than half of them in Africa. In Rwanda, for example, the maternal mortality ratio was 2,300 per 100,000 births. In high-income countries it is typically less than 10. Many actions are needed, including a reduction in the number of closely spaced pregnancies, better nutrition and care during pregnancy, and better availability of skilled birth attendants and emergency facilities.

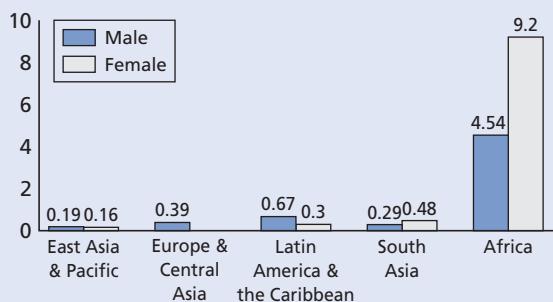
#### Goal 6: Combat HIV/AIDS, Malaria, and Other Diseases

The Millennium Declaration resolved to halt the spread of human immunodeficiency virus/acquired immune deficiency syndrome (HIV/AIDS), malaria, and other major diseases, and begin to reverse their



## Goal 6: Combat HIV/AIDS, malaria, and other diseases

**Figure 3.7 Prevalence of HIV/AIDS among Young People Ages 15 to 24, 1999 (percent)**



Note: No data for the Middle East and North Africa region or for females in the Europe and Central Asia region.

Source: World Bank. 2002. *World Development Indicators 2002*. Washington, D.C.

observed treatment, short course (DOTS) protocol has proven effective, but in 1999 less than half the population in the 23 countries most affected had access to it.

### Goal 7: Ensure Environmental Sustainability

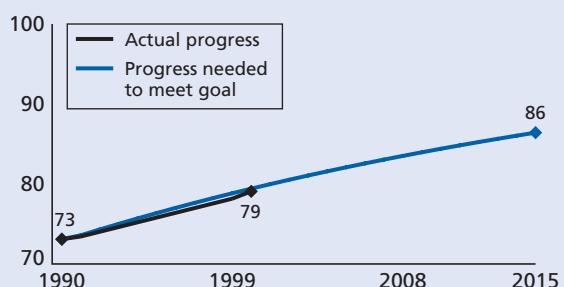
The MDGs call on the world to reverse the loss of environmental resources, halve the proportion of people without access to safe drinking water, and achieve a significant improvement in the lives of at least 100 million slumdwellers. Sustainable environmental policies are important because the environment provides goods and resources needed for human development. Better natural resource management can increase the income

and well-being of poor people. It can also reduce the risk of natural disasters from storms and floods. Access to clean water is important for controlling diarrheal diseases, and better drainage reduces malaria; both are major causes of child mortality. The World Summit on Sustainable Development (WSSD) in August 2002 is expected to produce implementation frameworks anchored in the MDGs, reflecting time-bound commitments from governments, the private sector, and civil society. Building on the accomplishments of the Monterrey conference on Financing for Development, the WSSD is focused on applications in key areas relevant to the accomplishment of the MDGs—agricultural growth, sustainable energy, health and the environment, and sustainable management of natural resources. The *World Development Report 2003: Sustainable Development in a Dynamic World* addresses these issues.



## Goal 7: Ensure environmental sustainability

**Figure 3.8 Access to an Improved Water Source in Low- and Middle-Income Economies (percentage of population with access)**

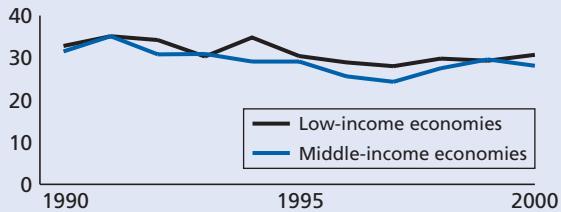


Source: World Bank. 2002. *World Development Indicators 2002*. Washington, D.C.



## Goal 8: Develop a global partnership for development

Figure 3.9 Aid to Low- and Middle-Income Economies  
(billions of dollars)



Note: In 1999 dollars. Includes both official development assistance and official aid. Amounts not specifically allocated to countries are distributed proportionately to low- and middle-income totals.

Source: World Bank. 2002. *World Development Indicators 2002*. Washington, D.C.

## Goal 8: Develop a Global Partnership for Development

This goal is about the means to achieve the first seven MDGs and calls on high-income countries to join with developing countries to ensure fair and open trading and financial systems, better market access for the least developed countries, improved debt sustainability, and increased development assistance. It is clear that business-as-usual will likely fail to achieve the MDGs by 2015. The World Bank has called for rich countries to provide increased aid, to open their markets, and to cut their domestic agricultural subsidies. At the same time, the Bank has committed its support for improvements in weak policy, institutional, and governance

regimes in developing countries. This is the essence of the Monterrey consensus: developing countries take responsibility for their own development programs and set in place the policies that will put them on track to achieve the MDGs, and bilateral and multilateral agencies will work together to support them and create a global environment conducive to poverty reduction and growth.

## ASSESSING DEVELOPMENT EFFECTIVENESS

### World Bank Impact

When assessing the effectiveness of the Bank's work, it is important to recognize that one of the most important roles of the World Bank is to be an agent of change, through analysis and advice, as well as lending. In many countries the resource flows from the World Bank—and even official development assistance (ODA) flows more broadly—are not large enough for the money alone to make a major difference relative to the scale of the challenge. ODA totaled about \$54 billion in 2000. This was only one-third as much as the private foreign direct investment flowing to developing countries, which in turn made up only about one-tenth of those countries' total investment of nearly \$1.5 trillion. Similarly, the Bank usually lends about \$1 billion per year in direct assistance to the education sector (plus additional assistance through programmatic lending with education-related conditions), compared with annual public education spending in the developing world of more than \$250 billion. Therefore when the international financial institutions and other donors have had major effects on development, it is because their assistance has gone beyond mere resource transfer and has helped countries to make fundamental changes—for example, through building institutions or through demonstration projects that have been replicated widely.

These fundamental and wide-ranging changes are typically more difficult to trace to particular donor actions or projects than are traditional project outcomes, especially when governments are the prime movers behind reform. Nevertheless, the need to continue to improve results means that good evaluation and management for results are essential. The World Bank recently launched an initiative to enhance the results orientation of its activities. Working with the other multilateral development banks (African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, and Inter-

American Development Bank) and in cooperation with the Development Assistance Committee of the OECD, the Bank cohosted an international Roundtable on Better Measuring, Monitoring, and Managing for Development Results on June 5–6, 2002. The Roundtable explored the strategic context for results-based development, the challenges of day-to-day management for development results, and the role of independent evaluation in institutional accountability and learning. It established a platform for follow-up by both the Bank and partner agencies.

The Bank has engaged partners more broadly in its work on knowledge development, including experts drawn from academic and research institutions, the private sector, and nongovernmental organizations (see *Drive to Partnership: Aid Coordination and the World Bank*, April 2001). The Bank holds workshops, conducts external reviews, and uses other mechanisms to draw upon the knowledge and experience of partners and staff to help it design its strategies and activities.

Frank and open disclosure and dissemination of the Bank's papers contributes substantially to the intellectual resources of the development community. Recent reviews by the Evaluation Cooperation Group, comprising the heads of the evaluation offices of the major multilateral development banks, concluded that the World Bank is generally their exemplar of best practices in evaluation.

Analysis and advice is a core business of the World Bank. This shows itself in the strong analytical capabilities of mainstream operational divisions. The country economists and other professional staff, for example, play a vital analytic role, as do the specialists within the Bank thematic networks. There is an extensive research program, leading to publications such as the *World Development Report* and *World Development Indicators*. The Bank has also developed specialized units with responsibility for evaluation of effectiveness and risk control, including the following:

- The Bank has an Operations Evaluation Department (OED) that is independent of management, reporting directly to the Board of Executive Directors. OED carries out four main types of evaluations: sector and thematic reviews, country assistance evaluations (CAEs), project reviews, and process reviews. Each year evidence from all these evaluations is marshaled to produce a summary report, the *Annual Review of Develop-*

*ment Effectiveness (ARDE)*. OED reports to the Board on the status of all evaluation activities across the Bank Group through the *Annual Report on Operations Evaluation*, and tracks management's responses to major evaluation recommendations. It also supports evaluation capacity development in client countries.

- The Bank's Quality Assurance Group (QAG) monitors the quality of the Bank's activities during implementation to facilitate better management. It examines project quality for both loans (shortly after project approval by the Board) and advisory services (after delivery to country clients). It also monitors the quality of supervision of projects and reports to the Board on the overall health of the portfolio of ongoing projects through the "Annual Report on Portfolio Performance." QAG's work is in addition to that of the quality assurance teams maintained by the operational vice presidencies. In 2002 QAG has two experimental assessments under way: a study to look at the relevance and coherence of entire programs of advisory and learning activities in a country, and a pilot study to examine the effectiveness of the work of the Bank's Sector Boards. The experience of these pilots will be used for a possible mainstreaming in fiscal 2003.
- The Internal Auditing Department assists Bank management in establishing and maintaining sound risk management and internal controls. It achieves this through the delivery of an integrated audit service that provides an objective assurance to management as to the adequacy and effectiveness of the Bank's risk management and internal controls and any need for improvement, and advice on the identification, control, and management of risk, especially as it concerns issues related to the design, implementation, and operation of internal control systems. The Department carries out an annual business risk analysis and prepares the detailed annual work program, which is part of a three-year plan that covers high-risk areas. The three-year plan is revised and approved by the Bank's president and endorsed by the Audit Committee each year. The Department performs its work in accordance with the Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors.
- In fiscal 2001 the Bank established a Quality Assurance and Compliance Unit in its

Environmentally and Socially Sustainable Development Vice Presidency to ensure the consistent implementation of safeguard policies, such as the policy on indigenous people or the policy on involuntary resettlement, and to give advice on safeguard issues in projects. Safeguard coordinators with dedicated funding have been appointed in each region. In 2002 the safeguard policies are being updated.

- In November 2000 the Corporate Committee on Fraud and Corruption Policy was created to ensure that the Bank Group develops anticorruption policies and strategies that contribute effectively to its poverty reduction goals. The Bank's corruption and fraud investigation unit is now known as the Department of Institutional Integrity (INT). INT investigates any allegations of fraud and corruption within the Bank Group or in connection with Bank-financed contracts, and any allegations of unethical behavior by Bank staff. In addition, the Ethics Office reports directly to the Bank's President and is responsible for outreach and communications on ethics matters.

### **Self-Evaluation**

The Bank relies on self-evaluation validated by independent evaluation. Task managers must produce an Implementation Completion Report (ICR) for each operation. These reports are the Bank's main self-evaluation and learning tool. The Bank also conducts Country Portfolio Performance Reviews. The regional management teams use these to engage borrowers in discussions about the performance of the whole portfolio of Bank operations in a country. These discussions address both the accountability issues that affect the performance of individual operations and those that are systemic in nature. The performance of the Bank's entire portfolio is assessed in the "Annual Review of Portfolio Performance."

The Bank has significantly increased self-evaluations of its products and services in recent years. The Operations Policy and Country Services Vice Presidency, working jointly with other network vice presidencies, periodically assesses select client services and products, and assists the regions in implementing recommendations for improvement. The Strategy and Resource Management (SRM) Vice Presidency assesses the effectiveness of resource use. Its "Assessment of the Strategic Compact," completed in fiscal 2001, evaluated the achievements under the Compact and identified weak-

nesses that required continuing action. Every year the SRM Vice Presidency produces a strategy update that reviews progress against the Bank's objectives, priorities, and commitments.

### **Independent Evaluation**

At the project level, each ICR is reviewed by OED. In addition, OED conducts field assessments for one-quarter of completed projects each year, and a small number of impact evaluations for projects completed 5 to 10 years earlier. This work also provides the building blocks of project knowledge and performance that contribute to country, sector, and thematic evaluations. OED presents to the Board an *ARDE*, which reviews the performance of completed projects and discusses development challenges faced by the Bank. The theme of the fiscal 2001 *ARDE* was the importance of selecting the right development instrument for a given country situation and development objective.

OED's CAEs concentrate on the development effectiveness of the Bank's entire program of assistance to each country. They provide opportunities to assess lending and advisory services in the context of the country assistance strategy (CAS). In fiscal 2002 nine CAEs were undertaken. A major finding from these studies is that the overall impact of the Bank's work in a country is often greater than a simple aggregation of the results of individual projects.

OED sector and thematic evaluations address issues that cut across Bank operations, such as the effectiveness of dialogue between borrowers and the Bank on policies and on project selection, design, and implementation. Many of these studies compare experiences across countries.

OED conducts special studies to review the Bank's performance and experience in an economic sector or thematic area over 5 to 10 years and reports on development effectiveness and on compliance with Bank policy. To maximize the impact of sector and thematic evaluations, these studies are, to the extent possible, scheduled prior to a revision of the related Sector Strategy Paper (SSP). Sector and thematic evaluations completed by OED in 2001 and 2002 included "The Gender Dimension of Bank Assistance: An Evaluation of Results"; "Promoting Environmental Sustainability in Development: An Evaluation of the World Bank's Performance"; and "Social Funds: A Review of World Bank Experience."

The thematic evaluation titled "The Gender Dimension of Bank Assistance: An Evaluation of Results,"

completed in fiscal 2002, examined Bank assistance in 12 countries. Key findings were that Bank assistance was satisfactory in the health and education sectors but weak in promoting the economic participation of women and in improving national institutional frameworks for gender equity. The study called for better integration of gender considerations into the Bank's CASs and into the design of Bank-supported projects so that both men and women are able to access the benefits equitably, especially in countries with high gender disparities. These lessons were incorporated into the SSP, "Integrating Gender into the World Bank's Work: A Strategy for Action." Among other interventions, the strategy recommended the gradual rollout of country gender assessments in all active Bank client countries over the next few years, to underpin CASs and project work.

The study "Promoting Environmental Sustainability in Development: An Evaluation of the World Bank's Performance" found that the Bank has made valuable contributions to environmental work. It has played a leading role in addressing global issues, helped many governments build environmental institutions and programs, mitigated the negative effects of its development interventions, produced high-quality policy analysis and economic and sector work (ESW), and promoted awareness of the linkages between the environment and development. The evaluation, however, found that environmental sustainability has not featured adequately in either the Bank's core objectives or in its country and sector strategies. The linkages between macroeconomic policy, poverty alleviation, and environmental sustainability have not been made sufficiently explicit. In response to the recommendations of this OED sector review, the Bank Group's new environment SSP, "Making Sustainable Commitments," outlines a comprehensive institutional effort to mainstream environmental considerations in CASs.

The second thematic evaluation was "Social Funds: A Review of World Bank Experience." Social funds projects create autonomous implementing agencies to finance small projects based on proposals submitted by local groups. Most social funds are set up temporarily to channel resources to needy communities during a crisis. However, virtually all Bank-supported social funds are still in operation, have been supported by successive Bank loans and grants from other donors, and have assumed longer-term objectives. The evaluation found that the funds have responded effectively in emergencies. They have mobilized nongovern-

mental resources and often have delivered small-scale projects in poor communities well (although project performance has varied considerably). The review also found that projects have been less successful in achieving lasting improvements or in facilitating institutional development. It suggests better integrating social funds into poverty reduction strategies, paying more attention to long-term implications, and having clearer criteria for supporting such funds. The findings of this review are being incorporated into future project designs and are among the inputs to the social development SSP, forthcoming in fiscal 2004.

OED is carrying out an evaluation of global programs and policies, which address critical development problems that affect many countries (such as environmental degradation, the spread of communicable diseases, and the digital divide). To this end, OED and Bank partners convened an international conference on evaluation of global public policies and programs in July 2000. A groundbreaking evaluation study of global public policy was initiated at that conference and is currently under way.

## OPERATIONS QUALITY

In fiscal 2002 the fourth "Quality-at-Entry Assessment" by the World Bank's QAG rated 94 percent of operations as satisfactory or better. This is 12 percentage points higher than in the first annual assessment. Six of eight quality dimensions improved compared with the previous year. Only two dimensions—risk assessment and management, and implementation arrangements—have yet to reach 85 percent satisfactory. Nevertheless, some inconsistencies in the design of operations were noted, as well as some rigidities in applying fiduciary rules and a tendency to shy away from components that might trigger review under the Bank's safeguard policies. Overall, there have been robust gains in the quality of Bank operations.

QAG also reports that both commitments-at-risk and projects-at-risk fell to about 12 percent of the portfolio in fiscal 2001, less than half the level five years ago. However the "Annual Review of Project Performance" warns that the current at-risk system may be understating the true level of risk and that more candid project supervision reports and ratings are needed. QAG completed "Supervision Quality of Risky Projects" in April 2002, which states that supervision was less than satisfactory for almost one-quarter of projects that had been rated at risk, significantly worse than for

the portfolio as a whole, and that routine ratings for projects at risk are not always realistic. The management is following up on the QAG recommendations to help improve the supervision of risky projects. QAG is also working with the Bank's regions to refine the current portfolio indicators to improve realism of project ratings. (Figures 3.10 through 3.12 show the Bank's current portfolio by region, theme, and sector.)

The fourth annual report on the "Quality of Economic and Sector Work Fiscal 2001" notes that overall quality was rated satisfactory, or better, for 91 percent of tasks, and that, while this excellent result partly reflects the continuing cleanup of operations in the pipeline, it also shows a solid general improvement in

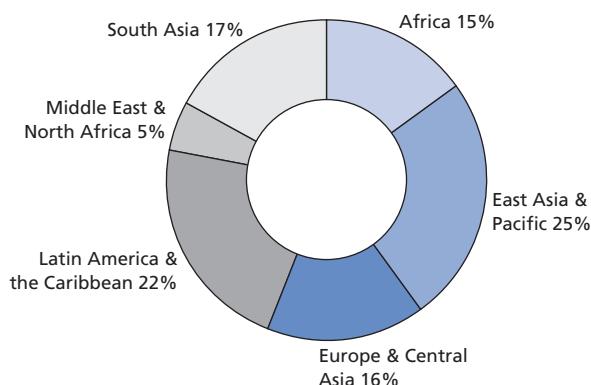
the work of the Bank in partnership with its clients. However, gains have been uneven. For example, strategic relevance is very strong at 97 percent satisfactory, but the likely impact is weaker at 76 percent. Bank processes, at only 66 percent satisfactory, and peer review processes need strengthening. Coverage of poverty reduction issues in ESW has improved, with 82 percent rating satisfactory. Having had four years' experience in assessing the quality of ESW, QAG has recently conducted a review of its methodologies and the costs and benefits of its assessments. The review has suggested moving toward assessment of country and thematic programs of analytical and advisory activities by fiscal 2004.

## RESULTS

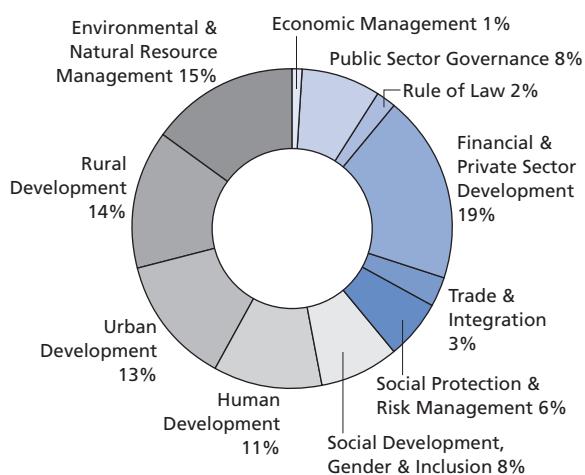
The outcomes of Bank projects that were completed in fiscal 2001 are among the best recorded in two decades. The long-term trend shows a decline in performance from 1977 to 1989 and a strong rebound since. The target of 75 percent of projects having satisfactory outcomes, originally set in the Bank's Strategic Compact in 1995, has been met. In the first half of fiscal 2001, 82 percent of projects reaching completion had satisfactory outcomes, only slightly below the peak of 84 percent in 1999. Figure 3.13 shows satisfactory project outcomes from 1974 to 2001.

The theme of the 2001 ARDE by OED states that the right combination and sequencing of activities in a

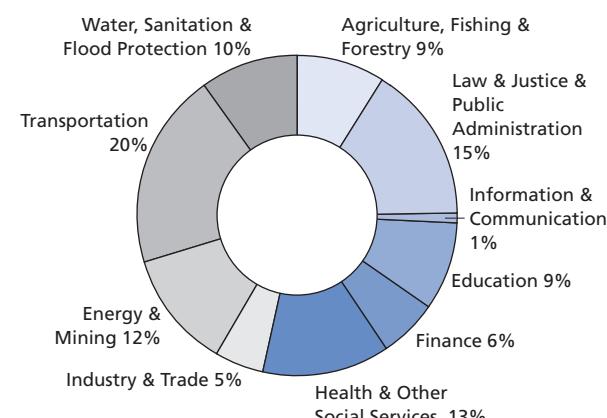
**Figure 3.10 Active Project Portfolio by Region as of June 30, 2002**  
Share of total lending of \$102.1 billion



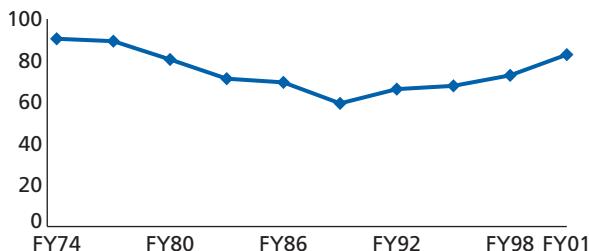
**Figure 3.11 Active Project Portfolio by Theme as of June 30, 2002**  
Share of total lending of \$102.1 billion



**Figure 3.12 Active Project Portfolio by Sector as of June 30, 2002**  
Share of total lending of \$102.1 billion



**Figure 3.13 Satisfactory Project Outcomes, 1974–2001 (percent)**



Note: Includes only lending operations.

Source: OED calculations.

given setting can make the difference between success and failure. Choice of instrument is complex because of the diversity of member countries and objectives and because of the wide range of Bank instruments and possible partners. Being wisely selective is key.

With regard to institutional development impact, 52 percent of projects completed during fiscal 2001 achieved a rating of substantial or better, an improvement of 15 percentage points over the fiscal 1996 to 1999 average. This result is the best on record, weighted either by the number of projects or by size of disbursements. Figure 3.14 identifies the trends in institutional development impact.

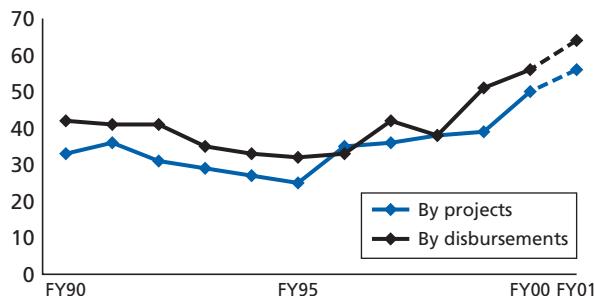
Seventy-one percent of projects completed during fiscal 2001 were rated as likely or highly likely to be resilient to future risks using a recently introduced four-point scale. However, the operating environment has become more risky and there is some question whether gains will be durable. Figure 3.15 identifies trends in sustainability of projects.

## PROJECT AND LOAN PERFORMANCE

### Project Performance, by Region

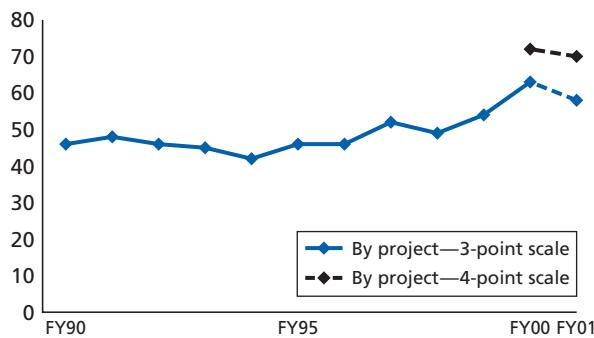
Project outcomes in all regions continue to improve. Projects in Africa show the largest improvement, up 19 percentage points since 1999 to 71 percent in fiscal 2001. On the negative side, average outcomes ratings for projects in the Middle East and North Africa may deteriorate over the next few years, since QAG ratings of those projects currently under implementation show higher-than-normal risk. Figure 3.16 shows trends in project outcomes for Africa and other regions.

**Figure 3.14 Trends in Institutional Development Impact (percent substantial or better)**



Note: Data refer to independent evaluation assessments by OED of projects that have completed their loan disbursement phase and have exited the Bank's active lending portfolio. Results for fiscal 2001, based on all currently available independent assessments, as reported in the *Annual Report for Development Effectiveness 2001*.

**Figure 3.15 Trends in Sustainability (percent likely or better)**



Note: Data refer to independent evaluation assessments by OED of projects that have completed their loan disbursement phase and have exited the Bank's active lending portfolio. Results for fiscal 2001, based on all currently available independent assessments, as reported in the *Annual Report for Development Effectiveness 2001*.

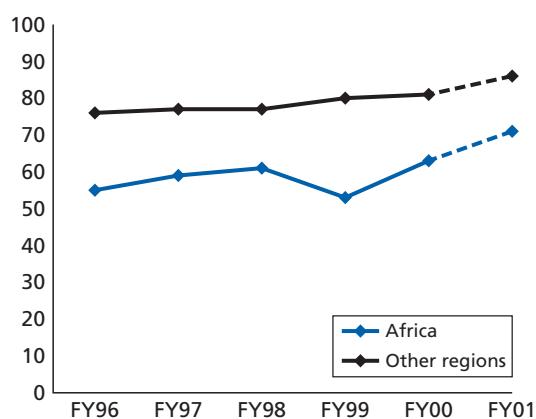
### Project Performance, by Sector

Transportation, education, and public sector management are the best performing sectors for projects reaching completion in fiscal 2000–01, while the energy sector continues to lag. The high ratings for projects in the transportation sector are partially due to improved borrower financial resources, together with improved budget allocations for maintenance. Figure 3.17 shows trends in project outcomes by sector.

### Performance of Adjustment and Investment Loans

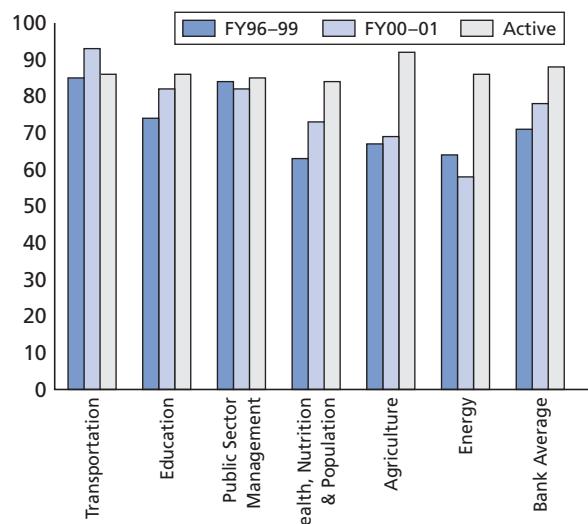
Satisfactory outcomes of adjustment operations fell from 82 percent for fiscal 1996–99 exits to 79 percent for fiscal 2000–01 when weighted by number of

**Figure 3.16 Trends in Outcomes for Africa and Other Regions**  
(percent satisfactory by project)



Note: Data refer to independent evaluation assessments by OED of projects that have completed their loan disbursement phase and have exited the Bank's active lending portfolio. Results for fiscal 2001, based on all currently available independent assessments, as reported in the *Annual Report for Development Effectiveness 2001*.

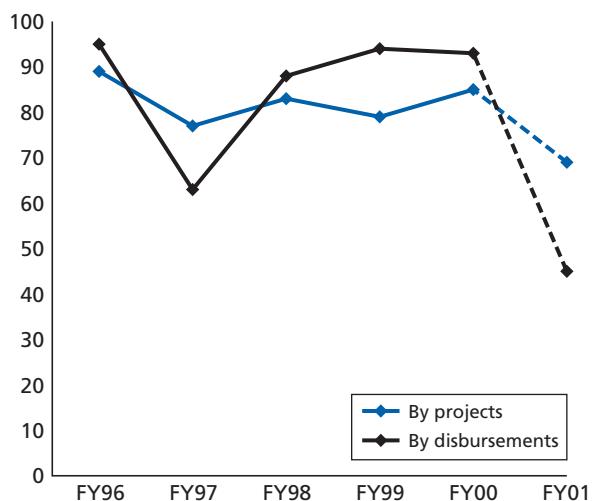
**Figure 3.17 Trends in Outcomes by Sector, Select Sectors**  
(percent)



Note: Sectors in this table do not reflect the new coding system implemented in fiscal 2002. Data refer to independent evaluation assessments by OED of projects that have completed their loan disbursement phase and have exited the Bank's active lending portfolio. Results for fiscal 2001, based on all currently available independent assessments, as reported in the *Annual Report for Development Effectiveness 2001*.

projects, and from 87 percent to 70 percent when weighted by disbursements. Performance weighted by disbursements was volatile. One should note that the outcome data, weighted by disbursements, can be strongly influenced in a particular year by a single very

**Figure 3.18 All Adjustment Lending**  
(percent satisfactory outcomes)



Note: Data refer to independent evaluation assessments by OED of projects that have completed their loan disbursement phase and have exited the Bank's active lending portfolio. Results for fiscal 2001, based on all currently available independent assessments, as reported in the *Annual Report for Development Effectiveness 2001*.

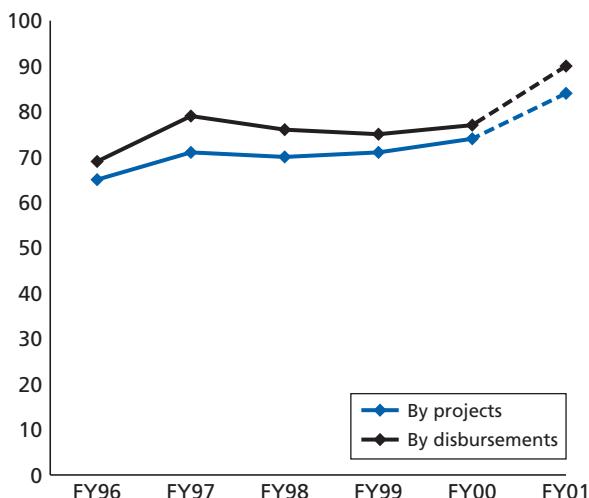
large loan coming to completion. For example, the outcome of a \$1 billion operation can make a difference of up to 4 percentage points in the outcome for the whole Bank in that year. In fiscal 2001 the unsatisfactory performance of two adjustment loans to Russia significantly dampened the Bank's overall outcome rating. This volatility is likely to continue given the number of large adjustment loans in the active portfolio. As risk management in the Bank receives more attention, managers are considering additional quality assurance arrangements for such large projects. Figure 3.18 shows performance of adjustment lending overall.

After a static period of performance scores in the late 1990s, outcomes for investment projects have shown significant recent improvements. The percentage of investment projects with satisfactory outcomes rose from 69 percent in fiscal 1999 to 78 percent in fiscal 2001. Figure 3.19 shows performance of all investment lending.

## BANK SELECTIVITY, BORROWER COMMITMENT, AND CAPACITY

Experience suggests that borrower capacity and commitment are critical for development effectiveness. Selectivity based on a country's policy environment and capacity is therefore an important consideration in the Bank's decisions on what type of support is most

**Figure 3.19 All Investment Lending**  
(percent satisfactory outcomes)



Note: Data refer to independent evaluation assessments by OED of projects that have completed their loan disbursement phase and have exited the Bank's active lending portfolio. Results for fiscal 2001, based on all currently available independent assessments, as reported in the *Annual Report for Development Effectiveness 2001*.

appropriate. The Bank distinguishes between countries that require and can absorb high volumes of lending and those where a large lending program would be counterproductive; in this latter group of countries, capacity building and advisory services, along with well-targeted grants, are the primary intervention. Despite improvements over the past decade, there is still scope for improving performance through increased selectivity at all levels of Bank assistance: the individual instrument, the country assistance program, and the Bank's global, sectoral, and thematic priorities. The 2001 ARDE review of selectivity has identified three themes common to the project, sector, and country levels of analysis.

- Good diagnosis, provided by high-quality ESW, is critical in establishing realistic development objectives. CASSs, sector strategies, and operational guidance all inform the matching of instruments with objectives in light of country and sector characteristics.
- The choice of instrument should reflect not only the objectives of the individual operation but also past performance in the country and sector context. Appropriate sequencing and tapping of complementarities among instruments improve outcomes.

- A weak policy and institutional environment compromises the effectiveness of both lending and nonlending interventions, and calls for a nuanced selection of instruments. The outcomes of projects are closely correlated with the Bank's Country Policy and Institutional Assessment (CPIA) ratings, as is the success rate of individual instruments. In weak country environments, signified by low CPIA ratings, simple project designs—or a series of simple interventions—provide better results than complex, multifaceted undertakings. Even if lending is constrained by poor performance, carefully selected nonlending activities can be useful, especially in keeping the Bank prepared for possible re-engagement.

## MANAGEMENT IMPLICATIONS

In the continuing drive to enhance the impact of development assistance on poverty reduction and growth, the 2001 ARDE noted areas in which the Bank can improve by making the right choice of activity.

The ARDE states that the Bank's best practice in regard to each instrument should be standardized to a greater extent than in the past. The ongoing update on adjustment lending, to be followed by a similar process for investment lending, will offer a good opportunity to do this.

The Bank is devoting renewed attention to achieving better results in countries with poor policy and institutional environments, with a current focus on nonlending support. The 2001 ARDE presents evaluation findings that are germane to this difficult task. Recognizing the significant performance differential across instruments is an important first step. In addition, simple projects are best when country capacity is limited. Nonfinancial activities and pilot projects may be useful in poorly performing countries even when clients are not actively borrowing.

Implementation of sector strategies within countries requires clarity about the country's development objectives as well as a good understanding of the prevailing conditions. Adjustment lending, supported as necessary by capacity-building assistance, is more effective when national ownership and consensus on sector reforms are strong, and when monitoring and evaluation arrangements are in place. In sectors where these prerequisites are lacking, programmatic investment lending may be preferable, supported by Learning and Innovation Loans, and targeted to capacity building.

On the other hand, implementation of the Bank's cross-cutting, thematic objectives depends less on the use of specific lending instruments than on genuine mainstreaming of these operational emphases across all instruments, on the strategic application of safeguards, and on partnerships.

In its Strategic Forum 2002, senior managers from the Bank Group focused on six areas that are key. The Bank will therefore address them in the coming years. They include a sharp focus on the MDGs, assisting clients to build good investment climates, finding ways to assist low-income countries under stress, improving knowledge services as a complement to lending, aligning staff skills with Bank strategy, and improving the measurement of results.

The magnitude of the challenge as articulated in the MDGs is daunting and will continue to grow as developing countries' populations grow by an estimated 2 billion over the next 30 years. A new international commitment and increased understanding of development effectiveness means that the scale of response can rise to meet the challenge. The response, as articulated in the Monterrey Consensus, involves reforms in developing countries themselves as well as in the international economy, particularly in the areas of trade and aid.

For external donor agencies such as the Bank, the overriding importance of promoting change requires an increased focus on partnerships, along with policy analysis and financial support.



*Experts are organized into networks to help share the lessons of development experience and put the best global knowledge and thinking, from inside and outside the World Bank, into the hands of Bank staff teams and clients. These networks are a way of linking Bank-wide communities of staff—working in the same field—across organizational boundaries, and of linking Bank staff with our partners outside the Bank. Country experts, in the Bank’s six regions, work hand-in-hand with the Bank’s sector and subject experts on network activities.*

## Chapter 4

### Thematic Perspectives

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# Addressing the Social, Institutional, and Economic Dimensions of Poverty

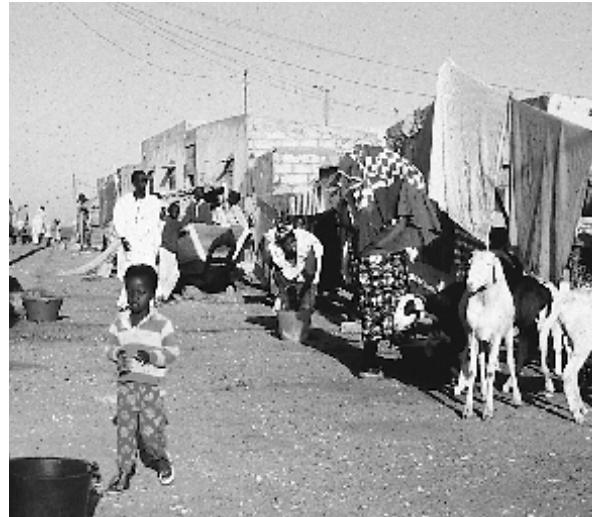
In fiscal 2002 the World Bank intensified its efforts to help countries address social, structural, and economic aspects of poverty, in particular by ensuring that its support for poverty reduction reflected the priorities of developing countries themselves and by working to sharpen the impact of its own work on fighting poverty.

## STRATEGY

Sustained economic growth remains critical for poverty reduction. Without it, poor people's prospects for greater opportunity, empowerment, and security—essential elements of the strategy for poverty reduction described in the *World Development Report 2000/2001*—will be harder to realize. Thus growth is a necessary condition for attacking poverty—but it is not a sufficient one. Bank poverty reduction activities therefore extend beyond supporting growth in member countries to fostering poor countries' leadership in poverty reduction strategy making, addressing gender inequalities, investing in poor people and empowering them, supporting key aspects of good governance and institutional reform, and helping countries participate effectively in the global trading system. Highlights of activities in these areas during fiscal 2002 included conducting (jointly with the International Monetary Fund [IMF]) a comprehensive review of the Poverty Reduction Strategy Paper (PRSP) approach, launching a strategy to integrate gender into the mainstream of Bank lending and nonlending work, and designing a framework for empowerment strategies. Meanwhile, responding to the challenge of the World Trade Organization (WTO) ministerial meeting in Doha, Qatar, the Bank stepped up its efforts to help developing countries benefit from the world trade system.

## POVERTY REDUCTION STRATEGY PAPERS AND RELATED ACTIVITIES

The momentum of the PRSP approach continued during the year. An additional nine countries completed interim PRSPs, and seven countries completed their first full PRSPs. A major initiative undertaken during the year was a comprehensive review of the first two years' experience with the approach (see box 4.1).



*Poverty is a call to action, a call to change the world so that many more may have enough to eat, adequate shelter, access to education and health, protection from violence, and a voice in what happens in their communities.*

Other Bank work related to PRSPs in fiscal 2002 included expansion of a learning agenda for clients (involving large regional learning events in Africa, Central Europe, and East Asia, complemented by individual in-country workshops) and for staff (including the first of a series of new courses on building and supporting PRSPs, drawing on findings from the PRSP Review); completion and publication of a two-volume PRSP Sourcebook that provided practitioners with materials covering macro, sectoral, and cross-cutting issues, along with core techniques for PRSP preparation; and thematic work with relevance for middle-income as well as PRSP countries, such as preparing a "User's Guide to Poverty and Social Impact Analysis," developing indicators and monitoring progress in poverty reduction, working on pro-poor growth, and preparing guidance to staff on incorporating poverty reduction into their work.

## GENDER

Also during the year the Bank launched a new gender mainstreaming strategy, "Integrating Gender into the World Bank's Work—A Strategy for Action," designed to help foster country-led, country-specific efforts to

#### **BOX 4.1 REVIEW OF THE POVERTY REDUCTION STRATEGY PAPER APPROACH**

The review covered the first two years' experience with the PRSP approach. It was based on a broad consultative process involving PRSP countries and multilateral, bilateral, and nongovernmental partners, and it culminated in an international conference in January 2002. The review evaluated experience with a wide range of features of the approach; while recommending no major changes, it included sets of good-practice suggestions for countries and development partners, including the Bank and Fund. Its broad findings on the impact of the approach to date included the following: the concept of country ownership had been and remained crucial to success; the approach had gained strong and widespread acceptance among low-income countries, had promoted enhanced national dialogue, and was helping to put poverty at the center of countries' development efforts; PRSPs were also helping to promote better-informed decisionmaking and more effective use of public resources; and development partners also widely endorsed the approach and were moving toward better aligning their assistance with country-owned PRSPs.

The review also noted challenges and areas for improvement as the PRSP approach evolves. These include the importance of arriving at realistic growth projections, effectively prioritizing and sequencing key strategic initiatives, institutionalizing participatory processes with respect to strategy implementation and monitoring as well as strategy preparation, ensuring an appropriate role for national parliaments in the PRSP process, and ensuring clear and close linkages between PRSPs and countries' public expenditure programs and medium-term expenditure frameworks.

change gender patterns that adversely affect growth, poverty reduction, and human well-being. The strategy also calls on the Bank to ensure that gender assessments are conducted in all borrowing countries, based on inclusive consultations and analysis, in order to identify and help countries to address critical issues and priorities.

Bank-supported gender operations in fiscal 2002 include a women and justice project in Argentina,

a community empowerment project in East Timor, and a water and sanitation project in Ghana. The Bank's Development Marketplace has promoted several innovative gender projects, such as supporting an artisan enterprise institute in Peru, reducing female genital cutting in Africa, and helping poor women and girls in Egypt obtain identity cards and birth certificates to enable them to access microcredit and basic services.

The Bank is also active in promoting gender equality through nonlending activities, including work on gender and human immunodeficiency virus/acquired immune deficiency syndrome and on emerging issues such as gender and the digital divide. A new initiative on gender and macroeconomic policy will identify effective actions for integrating gender into country-level analysis and policy dialogue.

#### **EMPOWERMENT**

Empowerment is a key focus of the Bank's poverty reduction efforts. *Empowerment and Poverty Reduction: A Sourcebook* was produced in fiscal 2002 to improve the Bank's understanding of empowerment and its implications for ongoing work. The report cites evidence linking empowerment to improved project performance and governance and to growth that is more pro-poor. It is based on extensive consultations within the Bank and with government officials, other donor representatives, and civil society.

Since institutional environments vary with location and context, there can be no single model for empowerment. The *Sourcebook* offers a framework for the design of empowerment strategies, recommending that they focus on four key elements: information, inclusion and participation, accountability, and local organizational capacity. These elements can be linked to five priority areas of the Bank's work: access to basic services, improving national governance, improving local governance, pro-poor market development, and access to justice and legal aid. The Peru Programmatic Social Reform Loan, for example, includes many features that enable citizens to hold government accountable, including *mesas de concertación*—roundtables for dialogue and collaboration that include participants from local communities, civil society, local and national government, and the donor community—that are charged with monitoring all public funds allocated to poverty reduction.

## GOVERNANCE AND PUBLIC SECTOR REFORM

The Bank has increasingly moved governance and public sector institutional reform to center stage in its assistance to client countries, recognizing that good governance and strong public institutions lie at the core of achieving development and poverty reduction. Fiscal 2002 has been a year of further deepening these efforts and of taking stock of what has been learned thus far.

Many ongoing initiatives moved to a second phase this year. First, the Public Expenditure and Financial Accountability (PEFA) Program—developed to coordinate and integrate PEFA efforts both within the Bank and across donors—was formalized. Second, a report, “Actions to Strengthen the Tracking of Poverty-Reducing Public Spending in Heavily Indebted Poor Countries (HIPC)s,” a follow-up to last year’s HIPC expenditure tracking study, was prepared by Bank and IMF staff. Finally, a joint proposal from the Bank, IMF, and Organisation for Economic Co-operation and Development for the establishment of an International Tax Dialogue was approved.

## TRADE

While openness to trade can be an important spur to growth, trade liberalization alone is insufficient for generating widely shared income gains. The Bank’s trade-related activities seek to improve understanding of the conditions that lead from openness to growth and poverty reduction, and to help integrate development considerations into international collective actions on trade—and trade into development strategies (see box 4.2).

At the country level the Bank seeks to help developing countries respond to new market opportunities. The challenge is to integrate trade reforms into national development strategies that support growth and poverty reduction. The Bank also provides direct advice and capacity building, including for WTO accession negotiation. In June 2002 the Bank published *Development, Trade, and the WTO: A Handbook*.

## BOX 4.2 INTEGRATING TRADE AND DEVELOPMENT

The Bank has continued to play a leading role in conducting diagnostic trade integration studies through the Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries (IF), a partnership with other multilateral institutions and bilateral donors. Studies have been completed for three pilot countries—Cambodia, Madagascar, and Mauritania—and are being prepared for another four—Lesotho, Malawi, Senegal, and the Republic of Yemen. Work is being expanded to select low-income countries not classified as least developed. The studies identify key constraints to a country’s integration into the multilateral trading system and the global economy, and the implications for policy reform and technical assistance needs. The Bank and IF partners are actively pursuing mobilization of trade-related assistance to poor countries as a follow-up to the Doha declaration.

At the global level, work has focused on strengthening the development aspects of the global trade agenda. For example, *Global Economic Prospects 2002*, released in November 2001, and the Policy Research Report *Globalization, Growth and Poverty: Building an Inclusive World Economy* have helped shape the global trade debate and the agenda set at the WTO ministerial meeting in Doha, Qatar. Trade work is based on a strengthened program of technical research, focused on a better understanding of how institutional and regulatory reforms affect trade and investment liberalization; provision of an analytical framework to help developing countries set priorities for reform and multilateral trade negotiations; analysis of how trade policy reforms and domestic institutions can together help to reduce poverty; and work to make the global trading system more transparent and more attuned to the needs of developing countries.

# Investing in People

The Millennium Development Goals (MDGs) commit the international community to a vision of development that vigorously promotes human development as the key to sustaining social and economic progress in all countries. People living in poverty lack access to basic health care, education, and social safety nets. Each year more than 13 million people lose their lives to human immunodeficiency virus/acquired immune deficiency syndrome (HIV/AIDS) and other communicable diseases such as tuberculosis (TB), leprosy, malaria, and acute respiratory infections. Other people have little income or savings, and many are vulnerable to crisis. The World Bank stands by its commitment to scale up efforts to help countries achieve universal primary education, combat communicable diseases, reduce child mortality, improve maternal health, and protect the vulnerable from crisis.

The World Bank remains the largest source of external financing for human development programs. New lending commitments for education; health, nutrition, and population (HNP); and social protection amounted to \$4.26 billion in fiscal 2002. In addition to its lending activities, the Bank's human development agenda included analytical work, active involvement in country poverty reduction strategies, and extensive outreach and collaboration with partners to build strong alliances to help developing countries achieve their Education for All (EFA) goal of getting every girl and boy into primary school by 2015 and having them complete a primary education. Another such alliance has been to intensify the fight against communicable diseases. Collaborative efforts were undertaken with governments, U.N. agencies, and other partners to create the Global Fund to Fight HIV/AIDS, TB, and Malaria, in recognition of the devastating impact of these diseases on education and health systems, and wider prospects for reducing poverty in many countries.

## THE EDUCATION AGENDA: FOCUSING ON UNIVERSAL PRIMARY EDUCATION

The Bank vigorously strengthened its support for education in fiscal 2002, building on a convergence of favorable developments, including increased global commitment to the MDGs; growing adoption of Poverty Reduction Strategy Papers (PRSPs), which



*Education: creating opportunities for life-long learning.*

can help situate education within a country's overall developmental activity; and increased resources released through the Heavily Indebted Poor Countries (HIPC) Initiative. A primary thrust of the Bank's education work was to help countries achieve key EFA targets—set in 1990 and reaffirmed in 2000 as MDGs—adopt primary education completion rates as the yardstick of development success rather than the traditional means of measuring gross enrollments. This important shift is necessary to deliver the full development benefits of EFA. A second strategic thrust aims to help countries build the human capital needed to develop competitive knowledge economies. Long-standing issues of access, equity, and quality need urgent attention: 113 million children are out of school, two-thirds of them girls, and a billion adults are illiterate. Equally important are the 21st century challenges posed by HIV/AIDS, armed conflicts, knowledge gaps, and the digital divide (see box 4.3).

In fiscal 2002 the Bank proposed, in consultation with partners, an Action Plan to accelerate progress on EFA. The Plan was adopted by the Bank's Development Committee in April 2002. It outlines measures to close the data, policy, capacity, and financing gaps for 88 countries not on track to achieve, by 2015, universal primary education. The Bank has subsequently invited 18 countries to join an EFA Fast Track and is working with another 5 to qualify them for the program. This is

#### **BOX 4.3 HELPING EDUCATION SYSTEMS COPE WITH HIV/AIDS**

Among the earliest to urge action against HIV/AIDS, the Bank is actively helping countries deal with the epidemic's impact on education.

The central message of *Education and HIV/AIDS: A Window of Hope*, published by the Bank in fiscal 2002, is that educating children and youth merits the highest priority in an HIV/AIDS-afflicted world. Education is both a proven means of HIV prevention and a sector whose very existence is threatened by the epidemic. AIDS is eroding the supply and quality of education, weakening demand and access, drying up human capital, and increasing sector costs.

The paper calls for urgent and innovative action to protect schoolchildren ages 5 to 14—the group least infected, and young people who are sexually active—often the highest risk group, accounting for some 60 percent of all new HIV infections. It urges countries to:

- Establish education as an urgent national priority
- Engage in systematic sector planning
- Ensure close collaboration with other sectors
- Develop policies that make schools safe for children
- Strengthen delivery of prevention education
- Address the needs of girls and orphan children.

an initiative designed to help developing countries meet the 2015 education goal. Many more countries are expected to benefit from this initiative in the months and years to come. A first-ever database on primary completion rates helped project an EFA external financing gap of about \$2.5 billion to \$5 billion. Achieving EFA will require sound macroeconomic and education sector policies that emphasize efficiency and quality, such as reasonable teachers' salaries and school construction costs, as well as adequate domestic—and external—resources. It will also require addressing bottlenecks that may reside outside the formal education sector. In fiscal 2002 the Bank helped countries mobilize domestic resources for education through active support for the PRSP process.



*Health, Nutrition, and Population: protecting people from communicable diseases, ill health, and malnutrition.*

Bank lending for education in fiscal 2002 was \$1.4 billion. Africa accounted for most of the projects, which supported primary education, distance learning, and higher education. A key focus was on the quality of education, as in Bangladesh's Second Female Secondary School Assistance Project, which builds on impressive gains in access. Support to the Latin America and the Caribbean region (\$560.4 million) will also help raise quality and expand basic education coverage to the poorest areas in Mexico, and provide "lifelong" learning for unemployed youth and poor people in Chile.

#### **EXPANDING EFFORTS TOWARD A HEALTHY GLOBAL POPULATION**

##### **Health, Nutrition, and Population**

In fiscal 2002 Bank lending to help countries improve HNP outcomes totaled \$1.4 billion. The Bank conducted a review this year of its progress in achieving the objectives outlined in the 1997 HNP Sector Strategy. While noting some important accomplishments—for example, a sharper focus on health and poverty, and modest beginnings in financial protection against impoverishment from ill health—many challenges remain. Helping countries achieve the MDGs has now taken center stage, as has addressing inequities in access to and the quality of health services, and the growing burden on poor people of noncommunicable diseases. For example, an adaptable program loan for nutrition in Senegal was approved this year to help mothers

prevent, rather than treat, children's malnutrition. In reproductive health, the prevention of sexually transmitted infections continued to figure prominently. Finally, emphasis on strengthening health systems as a cornerstone for improved HNP outcomes continued to grow.

#### **Communicable Diseases**

Significant support was directed last year toward combating HIV/AIDS, TB, malaria, and other communicable diseases, amounting to \$320 million. A second Multicountry HIV/AIDS Program (MAP) for Africa was approved in fiscal 2002, earmarking another \$500 million in IDA resources for projects that support the scaling up of national HIV/AIDS prevention and care programs. In fiscal 2002 the Bank appointed its first Global HIV/AIDS Advisor, who will be responsible for intensifying the Bank's operational work in the field and for representing the Bank in the global movement of governments, communities, private companies, development agencies, and civil society groups determined to reverse the course of the epidemic.

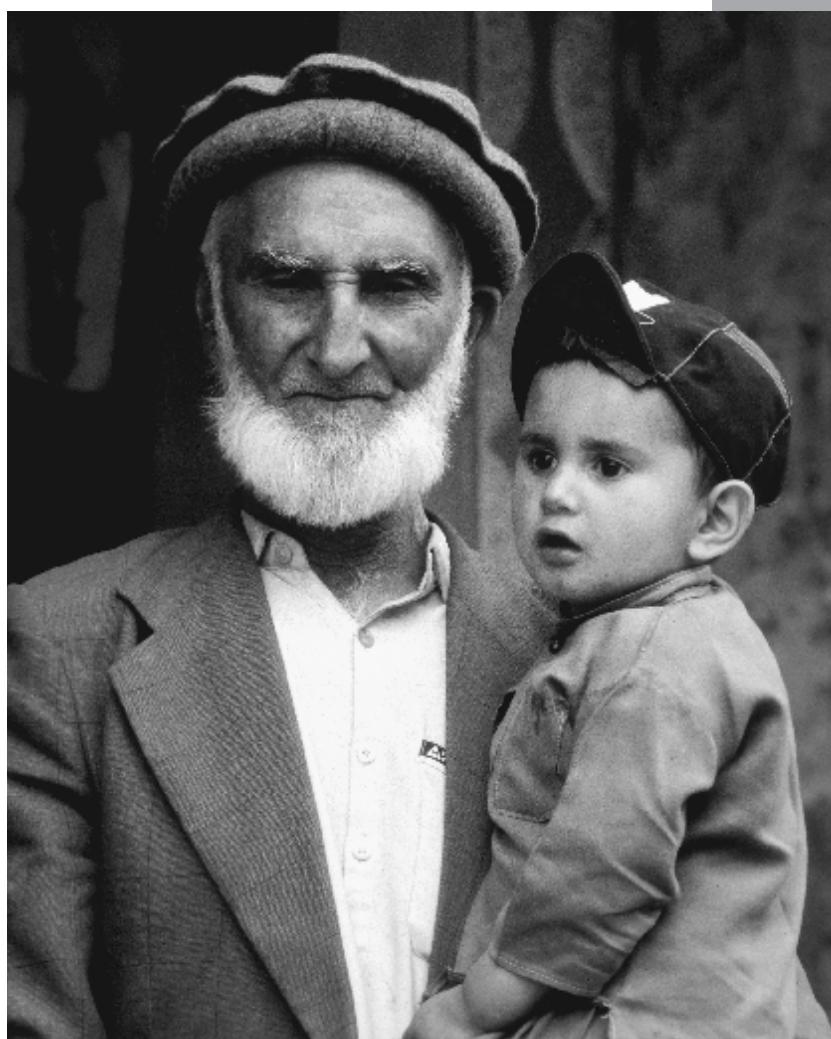
More than 30 countries are benefiting from Bank financing for the adoption and expansion of the TB control strategy known as DOTS—directly observed treatment, short course. More specifically, the second TB Control Project in China builds on a previous operation that demonstrated the successful application of DOTS on a massive scale. This project is also innovative: it involves cofinancing from the United Kingdom's Department for International Development to reduce the interest burden on the Chinese government. In addition, support for rolling back malaria through Bank operations includes some 45 active projects, and the Bank is helping to ensure malaria is a priority in its work through sectorwide approaches (SWAPs), PRSPs, the Comprehensive Development Framework, and HIPC.

The Bank plays a key role in well-established communicable disease partnerships—such as the Joint United Nations Programme on HIV/AIDS (UNAIDS), Roll Back Malaria, and Stop TB—that have been essential in keeping the world focused on these challenges. Other communicable disease partnerships remain a priority for the Bank, including collaboration with the World Health Organization (WHO), U.N. agencies such as UNAIDS, bilateral donors, and the private sector, including foundations. Through the Development Grant Facility the Bank is steadfast in its support to the International AIDS Vaccine Initiative (IAVI), which has been instrumental in the development and testing

of AIDS vaccines in developing countries, and the Global Alliance for Vaccines and Immunization, a key public-private partnership that works toward improved access to existing childhood vaccines and the development of new ones (see box 4.4).

#### **PROTECTING THE MOST VULNERABLE**

Natural or man-made crises can devastate poor families, robbing them of security, income, and productivity. Social protection, such as risk reduction and mitigation, and coping measures are essential to protecting the vulnerable. Such measures seek to help individuals, households, and communities better manage risks, and to provide support to the critically poor. In fiscal 2002 these measures helped countries build viable old-age



*Social Protection: reducing vulnerability for the young and old.*

#### **BOX 4.4 PARTNERSHIP AGAINST HIV/AIDS**

Only with concerted effort can the world hope to win the fight against HIV/AIDS. While the unfinished agenda is significant, there is reason for hope:

- More governments than ever before have confronted HIV/AIDS publicly over the past year, displaying leadership, committing unprecedented resources, and taking action.
- Global support has grown with the creation of the Global Fund to Fight AIDS, TB, and Malaria; new resource commitments by bilateral, multilateral, private, and philanthropic organizations; and the U.N. General Assembly and Security Council resolutions on HIV/AIDS.
- The landmark U.N. General Assembly Special Session on HIV/AIDS in June 2001 renewed the global commitment to cooperation amid a heightened awareness that funding from all sources needs to increase substantially for the spread of HIV/AIDS to be halted by 2015.
- Following negotiations with UNAIDS cosponsors—including the Bank—under the Accelerating Access Initiative, several manufacturers of HIV/AIDS drugs have reduced their prices by 90 percent.
- The Bank is a founding member and supporter, through the Development Grant Facility, of IAVI. IAVI is promoting the development of HIV/AIDS vaccines for developing countries.
- The Bank has worked with UNAIDS and the International Partnership against AIDS in Africa to support 16 African countries under the \$1 billion MAP. Another 15 countries are preparing programs for funding. Similar support to Caribbean nations is benefiting from collaboration with UNAIDS, the Pan American Health Organization, the WHO, and other regional partners. The Bank has also worked closely with the IMF and UNAIDS to help countries integrate HIV/AIDS support into HIPC and PRSP programs.
- The International AIDS Economic Network—a partnership of the Bank, UNAIDS, the U.S. Agency for International Development, and the European Union—provides data, tools, and analysis to thousands of researchers and practitioners worldwide for compassionate, cost-effective responses to the epidemic.

protection mechanisms, develop equitable and inclusive labor markets, eliminate child labor, and provide social safety nets and social funds to reach vulnerable groups. Lending for other social services and pensions was \$1.44 billion. Lending has increased in Africa, Latin America and the Caribbean, and Europe and Central Asia but has fallen in South Asia, the Middle East and North Africa, and East Asia and Pacific. Identifying how to provide more effective risk protection to households outside the formal economy is an important part of our efforts.

The Bank implemented the social protection strategy that was adopted in September 2000. This included

undertaking social risk assessments in eight Latin American countries to determine the risks to which the poor are exposed, the instruments they have available, and the actions needed to reduce their vulnerability. Three specific vulnerable groups have been targeted: working children, orphans and other vulnerable children, and the disabled. Work to help these vulnerable groups is already progressing in all three areas in other regions, with pilot studies on child labor in Guatemala, Morocco, and the Republic of Yemen; a workshop on orphans, particularly those from Africa; and the establishment of the Norwegian Trust Fund for Disability and Development.

# Promoting Environmentally and Socially Sustainable Development

During fiscal 2002 poverty reduction became, more than ever, associated with the prospects of peace and stability in the world. Development in a sustainable manner—through sustained growth, good governance, social inclusion, environmental responsibility, and creation of opportunities for the poor—represents the most effective path to ensuring long-term security.

On the sustainable development path, the Bank has focused over the past year on developing client-responsive sector strategies in environment, rural development, forests, water resources, and social development, while implementing the environment strategy and scaling up conflict prevention and postconflict reconstruction ([www.worldbank.org/sustainabledevelopment](http://www.worldbank.org/sustainabledevelopment)).

The Bank geared up for the World Summit on Sustainable Development (WSSD) held in Johannesburg, South Africa, August 26 to September 4, 2002. Its flagship contribution to the Summit was the *World Development Report 2003*. The Millennium Development Goals (MDGs) provide a framework for collaboration on sustainable development and underpin the Bank's agenda at the WSSD (see box 4.5).

## ENVIRONMENTAL SUSTAINABILITY

In fiscal 2002 the Bank launched a new environment strategy aimed at improving the quality of life, the

### BOX 4.5 WORLD SUMMIT ON SUSTAINABLE DEVELOPMENT

The World Bank, as the largest lender for sustainable development, is fully committed to the goals of the WSSD, held in Johannesburg, South Africa, August 26 to September 4, 2002. During fiscal 2002 the World Bank supported the preparatory process of the Summit. Based on the common platform of achieving the MDGs, the WSSD was a unique opportunity to move the sustainable development agenda closer to implementation, adding coherence to the gains coming out of the Financing for Development conference in Monterrey, Mexico, and the Doha, Qatar, conference on Trade and Development.



*Development is a long-term process that ultimately involves the transformation of whole societies. Sustainable development means not only caring for today's world, but also trying to leave the planet a better place for our children and their children.*

quality of growth, and the quality of the global commons. It builds on the linkages between poverty and environment, stressing the areas of health, livelihoods, and vulnerability. The strategy is now being implemented, and it includes tools to help integrate environment into development decisions such as country environmental analyses, poverty-environment analyses, and strategic environmental assessment. An environmental mainstreaming fund supports regional activities applying this comprehensive approach (see [www.worldbank.org/environmentstrategy](http://www.worldbank.org/environmentstrategy)).

The Environment Network focuses particularly on the MDG of ensuring environmental sustainability. The Bank is exploring how countries can generate the resources they need through partnerships with the private sector, government, donors, and local communities. Work is also under way in critical countries on indicators such as water supply, sanitation, forest management, and infant mortality rates.

As an implementing agency for the Global Environment Facility and the Multilateral Fund of the Montreal Protocol, the Bank has helped countries meet their obligations under the global conventions on biodiversity, land degradation, ozone depletion, persistent organic pollutants, and climate change. The Bank

supports developing market mechanisms to reduce greenhouse gas (GHG) emissions; the Prototype Carbon Fund is demonstrating how market-based carbon emissions transactions can be implemented. The Bank is also helping countries identify potential carbon markets and other financing opportunities for GHG offsets.

### **FOCUS ON AGRICULTURAL GROWTH**

The Bank's future direction for rural development and poverty reduction was developed during fiscal 2002. Agricultural growth was identified as a fundamental pathway out of poverty. The multidimensional nature of activities and work across all rural sectors is recognized as a key factor to achieving poverty reduction. The focus is on a more holistic, pro-poor, rural development approach, enhancing returns to labor and land, and more effective agricultural investments. The new emphasis addresses the entire rural space, including social, economic, and environmental aspects of rural development. It encourages broad-based stakeholder participation in project design and implementation, moving away from working only with the central government. A draft strategy that includes these issues will be presented for Board discussion in fiscal 2003.

As a result of the crisis in the commodities market in fiscal 2002 that affected many developing countries, the Bank was called upon by client countries to continue development of new approaches and tools to deal with commodity risk management. The International Task Force on Commodity Risk Management, with its secretariat housed at the Bank, is exploring the potential of market-based commodity price risk management—a type of price insurance that will serve to mitigate exposure of developing-country producers to price shocks and the negative effects of price volatility. In addition, the Bank is helping clients to increase competitiveness and build capacity to successfully engage in the WTO, and is advocating the reduction of Organisation for Economic Co-operation and Development agricultural subsidies.

The Bank also supports the Consultative Group on International Agricultural Research (CGIAR) ([www.cgiar.org](http://www.cgiar.org)), a broad-based partnership comprising the Food and Agriculture Organization of the United Nations, the International Fund for Agricultural Development (IFAD), the U.N. Development Programme, 22 developing and 21 industrial countries,

private foundations, and regional organizations. A far-reaching reform program launched by the CGIAR in fiscal 2002 is increasing the relevance and impact of its research through innovative programs and new mechanisms to ensure that the quality of science meets the highest international standards. Research at the CGIAR-supported Centers—Future Harvest Centers—is helping launch a rice revolution in West Africa through the release of new rices for Africa, and a corn variety bred for high-quality protein is being planted on 1 million hectares in 20 countries. Per Pinstrup-Andersen, Director General of the International Food Policy Research Institute, a Future Harvest Center, won the 2001 World Food Prize for efforts to improve food policies, a first for an agricultural economist. In a signal of growing confidence in the system, the IFAD agreed to become a cosponsor of CGIAR.

### **SOCIAL DIMENSIONS OF SUSTAINABLE DEVELOPMENT**

A range of participatory approaches to public expenditure management has been developed to ensure greater accountability to citizens for public actions and outcomes, including participatory budgeting, budget review and analysis, expenditure tracking, and performance monitoring through the use of citizen report cards. With the advent of PRSPs, country clients and Bank staff seek to better understand the distributional impacts of policy reforms on the well-being of different stakeholders. In response, a “Guidance Manual” to help undertake poverty and social impact analysis of policy reforms was prepared during fiscal 2002 (see <http://www.worldbank.org/poverty/>).

Community-driven development, an approach that gives control of decisions and resources to community groups, is now an important priority in the Bank's business.

Bank staff began work on a social development strategy in fiscal 2002 aimed at reviewing and defining the Bank's social development agenda, and at developing a program of action to help projects and programs better achieve poverty reduction.

The events of September 11 put an increased focus on the Bank's work in conflict prevention and reconstruction, while demands for assistance for conflict-affected countries in the Bank's Europe and Central Asia region and Africa region have continued to be strong. In fiscal 2002 the Post-Conflict Fund approved

over \$13 million, including funds to Afghanistan to support the reconstruction strategy, and to the Afghan Interim Administration.

## **SAFEGUARD POLICIES**

Safeguard policies, incorporating environmental principles, are designed to protect the interests of third parties from adverse impacts of Bank-assisted projects. They have become a cornerstone of the Bank's poverty reduction efforts. In fiscal 2002 the Bank continued to improve its safeguard systems with a number of new initiatives. In December 2001 the Involuntary Resettlement Policy was revised and includes safeguards to address and mitigate the impoverishment risks. Its annex describes the elements of a resettlement plan and a resettlement process framework. In addition to the Resettlement Policy, the Forest Policy, the Indigenous

People's Policy, and the Physical Cultural Resources Policy have been revised after extensive public consultations and are expected to be presented to the Board of Directors in fiscal 2003 (see [www.worldbank.org/safeguards](http://www.worldbank.org/safeguards)).

## **SCIENCE AND TECHNOLOGY**

A Strategic Directions Paper "Science and Technology in Development" was produced; it reviews the main policy options for improving science and technology systems in developing countries, particularly through greater coordination of existing programs.

The Bank was also active in international scientific assessments, such as the Intergovernmental Panel on Climate Change and the Millennium Ecosystems Assessments.

# Supporting Private Sector Development and Infrastructure

Private initiative plays an important part in the quest for poverty reduction. While private capital flows to emerging markets remain vastly larger than official development assistance, there has been a downward trend in net long-term private flows to developing countries. This has been due in part to crises in emerging markets and to a general economic downturn.

The World Bank promotes the development of private initiative through its Private Sector Development and Infrastructure Network (PSI), which supports the institution's commitment to the Millennium Development Goals (MDGs). The core of the network's activities is consistent with the Bank Group's corporate strategy for achieving these goals. The activities rest on the twin pillars of building the investment climate and empowering poor people.

## PRIVATE SECTOR DEVELOPMENT STRATEGY—HARNESSING PRIVATE INITIATIVE

Much of this approach is captured in the World Bank Group's private sector development strategy, designed to better harness private initiative for growth and poverty reduction. In February 2002 Executive Directors of the Bank Group gave their support to the strategy, following a year of dialogue and consultation during which comments and feedback were elicited from a broad range of constituencies. Poverty is reduced when investment climates are improved and the reach of markets can be extended to provide greater job and income opportunities for poor people.

The strategy acknowledges the centrality of infrastructure to poverty reduction, and encourages continued private sector participation while fostering stronger regulatory regimes. Nearly 3,000 regulators from 115 countries have attended formal regulatory training programs supported by PSI, the World Bank Institute, and external partners. These efforts are contributing to more effective regulation of infrastructure in client countries, with positive impacts on the flow of private investment to improve essential infrastructure services. The regulatory approaches being supported make an important contribution to the broader poverty and governance agenda. This also points to the critical role of the public sector in fostering an enabling climate for private sector development, and to its



New tools developed by the Bank, such as the private sector guarantees for IDA countries, are encouraging private investment.

responsibility for ensuring access to affordable basic services such as health and education.

## SOME KEY INSTRUMENTS

Consistent with the directions of the private sector development strategy, the Bank has been developing an array of new instruments and programs to support its objectives. Investment climate assessments are being carried out with the aim of having a catalytic impact on private flows and spurring greater private sector initiative to benefit the poorest. An assessment has already been completed for India and 15 more are currently under way.

Other important instruments being pursued include output-based aid (OBA) pilots. OBA contracts shift the responsibility for service delivery to private operators by linking the disbursement of aid to actual provision of the service. The Bank has contributed to the design of OBA pilots in most regions and sectors, including a water project in Cambodia, an electricity project in Mozambique, road projects in India, telecommunications projects in Nepal, and rural multi-sector projects in Bangladesh and Mauritania.

Internally, organizational innovations such as the establishment of a number of joint World Bank–IFC departments or Global Product Groups are helping to

leverage the impact of World Bank Group operations in sectors with heavy private sector involvement. These joint departments cover oil, gas, and mining; information and communications technology; small and medium enterprises; and private sector advisory services. An evaluation of the joint model will soon be carried out.

### **EMBEDDING NEW APPROACHES AT THE COUNTRY LEVEL**

Considerable attention is being given to embedding these new approaches in the Bank's country work through country assistance strategies (CASs) and Poverty Reduction Support Credits (PRSCs). Private sector development and infrastructure issues have been well positioned in cross-sector activities across the Bank. PSI staff are integrated into multisector teams.

In Uganda, for example, a PRSC covers roads and water and sanitation along with health, education, and public governance, underscoring a new broad-based or multisector project approach. What this and many other initiatives like it show is the direct link between infrastructure initiatives and poverty reduction as called for in the MDGs.

A Business Primer Fund has also been set up to spur work on cross-sector issues. PSI has established partnerships with different country teams to enhance its support for the preparation of Poverty Reduction Strategy Papers. Such efforts are currently under way with poverty reduction strategies for the Democratic Republic of Congo, Côte d'Ivoire, Ethiopia, and Nigeria. The network is also coordinating upstream interventions in key CASs in China, Colombia, Mexico, Pakistan, the Philippines, the Russian Federation, and Thailand.

### **MAKING AN IMPACT THROUGH INFRASTRUCTURE**

The MDGs do not specifically mention key areas of infrastructure such as electricity, transportation, and telecommunications, but infrastructure remains central to achieving the goals. The provision of infrastructure is also central to building the climate for investment and to investing in poor people and empowering them to participate in development. The Bank is intensifying efforts in a wide range of infrastructure initiatives.



*Young boy fetching water at a small town water installation in Hetosa, Ethiopia.*

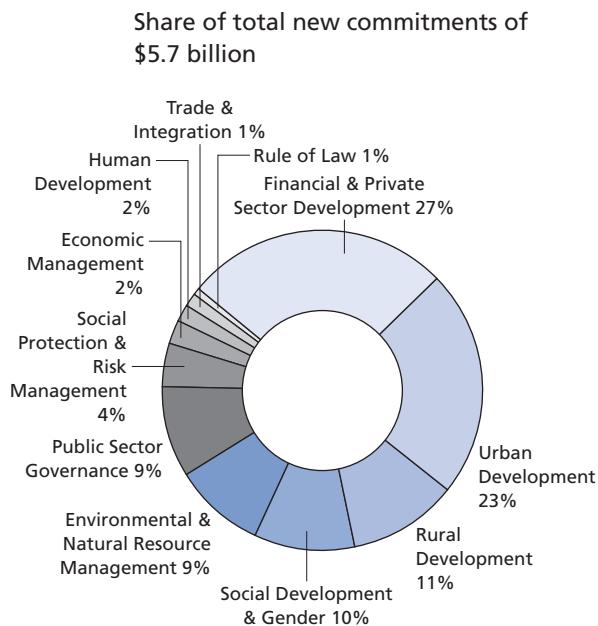
The Energy Sector Management Assistance Programme, a global technical program supported by the Bank, the U.N. Development Programme, and others, is helping to build consensus and provide policy advice on sustainable energy development to governments.

The Water and Sanitation Program, an international partnership to help poor people in developing countries gain access to safe drinking water and sanitation services, is focusing its efforts on policy reforms and institutional change in the water supply and sanitation sector. From a health perspective, its Global Initiative for Public-Private Partnerships in Hand Washing is catering to the huge unmet need for hand washing with soap in poor communities in developing countries.

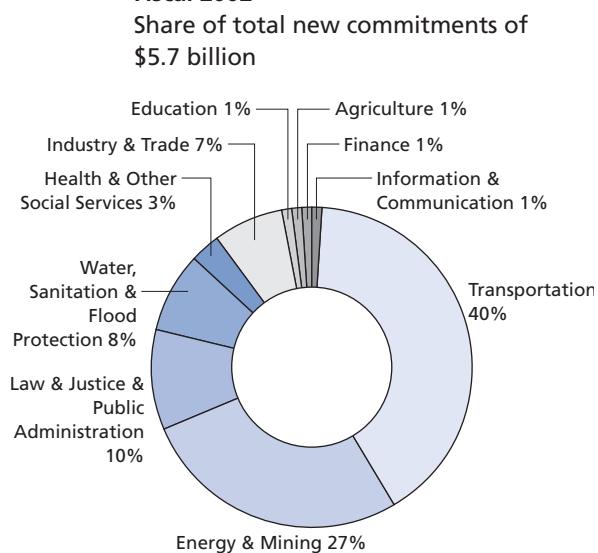
Transportation remains central to many potential gains: with roads, people have access to markets, schools, health facilities, and a host of other services. In March 2002 the Bank approved \$315 million to support physical and management improvements of transportation networks in India. The Mizoram State Roads Project and the Kerala State Transport Project will expand and rehabilitate transportation systems and help strengthen the capacity of the respective state road agencies to manage and deliver quality road services. The government of India strongly supports the provision of basic infrastructure as a priority to help

boost the long-term economic growth needed to reduce poverty and create opportunities and access for communities. And in Brazil a \$209 million World Bank loan for the financing of the São Paulo Metro 4 Line Project, approved in January 2002, is supporting São Paulo's urban poor.

**Figure 4.1 Lending for Infrastructure by Theme, Fiscal 2002**



**Figure 4.2 Lending for Infrastructure by Sector, Fiscal 2002**



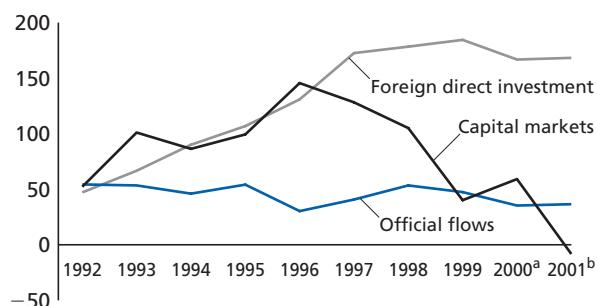
Note: Numbers do not add to 100 percent because of rounding.

In fiscal 2002 the Bank adopted an information and communications technology strategy, which guides the formation of its telecommunications policy. In December 2001 the Bank approved a \$22.6 million credit to the government of Nepal to help finance the Telecommunications Sector Reform Project. The project specifically targets low-income, rural, and other disadvantaged people, and will provide them with telecommunications and information services, often for the first time. This project strongly underscores the use of OBA outlined above.

World Bank guarantees are also playing a significant role in catalyzing private capital flows to several large infrastructure projects in developing countries. Supported by a partial risk guarantee, the Haripur Power Project in Bangladesh was commissioned in December 2001, adding 360 megawatts to the country's generating capacity. The total cost of the project was \$176.5 million. By mitigating government performance risk, the partial risk guarantee allowed Bangladesh to catalyze more than \$115.6 million of private financing in this transaction, with a 14-year tenure.

Finally, the Bank continues to place much attention on the effectiveness of development assistance. Its activities to provide people with access to financial

**Figure 4.3 Net Long-Term Resource Flows to Developing Countries, 1992–2001**  
(billions of dollars)



a. Preliminary. Net long-term resource flows are defined as net liability transactions or original maturity of greater than one year.

b. Estimate.

Source: World Bank. 2002. *Global Development Finance 2002*. Washington, D.C.

services are a case in point. The Consultative Group to Assist the Poorest (CGAP), a consortium of 29 bilateral and multilateral donor agencies supporting microfinance in developing countries, is currently facilitating an initiative on aid effectiveness using microfinance as a test case. Over the next year CGAP will coordinate

donor-led peer reviews of the institutional policies, practices, and processes of 17 multilateral and bilateral donor agencies to improve microfinance operations and donor communications. The strategic reviews are expected to yield lessons on improving the effectiveness of all areas of development assistance.

# Building Strong Financial Systems

A robust financial system is a precondition for a sound investment climate, growth, and the reduction of poverty. The loss of over \$1 trillion in developing countries as a result of banking crises in the 1980s and 1990s is equal to the total flow of official development assistance from 1950 to today. This underscores the priority of helping countries build stable financial systems fortified by compliance with international standards and diverse financial institutions and instruments.

As the global economic downturn was accelerated by the events of September 11 and their aftermath, capital flows to emerging markets fell sharply and only recovered following U.S.-led growth in early 2002. Slow growth worldwide and the financial crisis in Argentina have provided the impetus for many countries to take new steps toward improving their investment climates, restructuring the enterprise and banking sectors, and strengthening financial supervisory agencies.

## BANK PRIORITIES

Where financial crisis has occurred in client countries, the Bank has taken action: in response to Turkey's twin banking and currency crises, the Bank has continued to assist the government in restructuring its banking system by strengthening the bank resolution framework; improving the legal framework for creditor rights, bankruptcy, and corporate debt workouts; and implementing a comprehensive restructuring and privatization of state-owned banks.

The most important contribution of the Bank is on the developmental side of the financial sector: building the foundations to ensure not only a more stable system but also one that allocates credit to its best uses, thereby maximizing growth and poverty alleviation. The Bank's programs also strive to broaden access to financial services, for example, by small and medium enterprises. Through the Financial Sector Assessment Program (FSAP), the World Bank and International Monetary Fund (IMF) diagnose vulnerabilities and identify developmental priorities in financial sectors and assess the observance of several international supervisory and regulatory standards and codes. Twenty-one country assessments were undertaken in



*People lining up at Banco Postal, a joint venture between the Post Office and the largest private bank (Bradesco) in Brazil. The new entity has offered banking (and payment) services through postal branches in remote and poor areas of the country since March 2002.*

fiscal 2002, bringing the total to 55 assessments since the program's inception in May 1999. An additional 24 countries are expected to participate in the program in fiscal 2003. These assessments provide a wealth of information, as well as recommendations for follow-up, to national authorities. As a result, countries increasingly seek technical assistance for their financial sectors. (See [www1.worldbank.org/finance/html/fsap.html](http://www1.worldbank.org/finance/html/fsap.html).)

The demand for preparation and follow-up assistance related to the FSAP and the Reports on the Observance of Standards and Codes (ROSCs) goes beyond the resources and the expertise that any single institution can provide. Recognizing this, the Bank, in partnership with the IMF, Canada, the Netherlands, Switzerland, and the United Kingdom, has launched the Financial Sector Reform and Strengthening Initiative. This new effort, to which \$51 million has been committed over four years, puts in place a systematic mechanism for responding to countries' technical assistance, capacity-building, and information needs, and provides a framework for the international community to coordinate more effectively.

Since the terrorist attacks of September 11, the international community has placed increased importance on the fight against money laundering and abuse of the financial system to support terrorism. Threats to financial system integrity pose developmental risks for client countries, since growth can occur only if financial systems serve the legitimate needs of the many rather than the corrupt needs of the few.

The Bank, working closely with the IMF, has significantly stepped up its efforts to help member countries identify weaknesses in their legal and institutional capacity in this area and to address the problems through technical assistance. The Bank has provided assistance to over 20 countries in reviewing anti-money-laundering and counterterrorism laws and regulations, and has helped establish the institutional capacity to carry out effective programs in these areas. The Bank is also leading the development of an international technical assistance coordination mechanism that will contribute to more effective identification and delivery of technical assistance, working with the IMF, Financial Action Task Force, the United Nations, the Egmont Group (an informal organization of financial intelligence units—the cornerstone of national anti-money-laundering programs), regional development banks, and other partners.

### BUILDING THE CLIMATE FOR INVESTMENT AND EMPOWERING POOR PEOPLE

Financial systems that allocate credit to the private sector efficiently can increase access of the poor to financial services. Countries that allocate their resources well will prosper. In Jordan the Bank helped establish a secondary mortgage facility, resulting in impressive growth and increases in the affordability of residential mortgages. A Bank credit to the Federal Republic of Yugoslavia has helped the government begin liquidation of 60 percent of the banking system, including four of the largest banks. This restructuring will improve the environment under which banks operate, thereby boosting financial intermediation, encouraging domestic savings, and generating the necessary working capital and investment finance needed for private sector growth and job creation. In Colombia the Bank worked to establish an effective corporate debt restructuring system, enabling the resolution of banking asset problems and laying the groundwork for an improved investment climate (see box 4.6).

### BOX 4.6 PAYMENT SYSTEM REFORM

The reform of payment systems (the mechanisms for moving funds, payments, and money among financial institutions in countries) throughout Latin America and the Caribbean has been taking place over the last two years, driven by the Bank-led Western Hemisphere Payments and Securities Clearance and Settlement Initiative (WHI). WHI was launched in 1999 by the Bank in partnership with the Centre for Latin American Monetary Studies following a request from the Western Hemisphere finance ministers. Its objective is to describe and assess the payment systems of the Western Hemisphere for the purpose of improving their safety, efficiency, and integrity.

The Initiative has undertaken a number of activities to strengthen the payments arrangements in Latin America and the Caribbean, including the development of descriptive reports ("yellow books") and a methodology for assessing payments systems and securities clearance and settlement systems at the same time; the delivery of recommendations to country authorities; and the creation of a Web-based resource for all governments in the region (see [www.ipho-whpi.org](http://www.ipho-whpi.org)). The direct result of this work has been improved payments arrangements in Argentina, Brazil, Chile, Colombia, and Peru, and major reform programs in The Bahamas, Barbados, El Salvador, Jamaica, and Trinidad and Tobago.

To help countries overcome the low intermediation trap—where the formal financial system services only large firms, leaving SMEs with little access to financial services—the Bank is tapping the potential of information technology. For example, the World Bank and the Indian post office are collaborating to investigate ways in which information technology can be used to help overcome poverty in remote, rural areas of India by establishing public-private partnerships that could use the vast infrastructure of the post office as a conduit for the delivery of basic financial products and services: delivering microfinance services at lower costs, providing SMEs with access to finance and markets, and helping the poor manage risk through offering pension and insurance products. This platform is also expected to be extended to nonfinancial activities such

as the provision of pricing and other information, and e-government—the use of information and communications technologies to improve efficiency, effectiveness, transparency, and accountability.

In addition to its FSAP and ROSC assessments, the Bank works at the regional and country levels,

strengthening financial supervision and the regulatory framework. In Brazil, for example, the Bank is helping the authorities improve the legal and incentive environment for financial services, focusing on strengthening the central bank's functions and dealing with corporate governance and financial contract enforcement.

# Promoting the Rule of Law

The rule of law is essential to equitable economic development and sustainable poverty reduction. Weak legal and judicial systems undermine the fight against poverty on many fronts: they divert investment to markets with more predictable rule-based environments, deprive important sectors of the use of productive assets, and mute the voice of citizens in the decisionmaking process. Vulnerable individuals, including women and children, are unprotected from violence and other forms of abuse that exacerbate economic inequalities. Ineffectual enforcement of laws engenders environmental degradation, corruption, money laundering, and other problems that burden people and economies around the world.

The diversity of the world's cultures, traditions, and political systems does not allow for a single recipe for legal and judicial reform. The needs of each country must be assessed individually, involving key stakeholders in the public and private sectors. With comprehensive and appropriately tailored and sequenced reform initiatives, the Bank can succeed in assisting its member countries to systematically strengthen their rule of law.

In the past year legal and judicial sector assessments were completed with Bank assistance in Mongolia, Romania, Vietnam, and the Federal Republic of Yugoslavia. Several more assessments are presently in progress or planned. Bank-financed legal and judicial development projects continue to increase, supporting activities such as law reform, court modernization, training for judges and court personnel, and legal education. Commercial mediation centers and pilot courts have been established in countries including Argentina, Ecuador, Mongolia, and Sri Lanka.

New lending for stand-alone projects in legal and judicial reform in Colombia and Mongolia, financed by Learning and Innovation Loans, amounted to \$10 million for fiscal 2002, with another \$104 million in preparation for fiscal 2003 projects in Argentina, Cambodia, El Salvador, Guinea, Peru, and the Philippines.

## IMPROVING THE LEGAL CLIMATE FOR INVESTMENT

Improving a country's climate for investment requires strengthening the legal regime and its related



*In July 2001 the Legal Vice Presidency sponsored its second global conference on law and justice in St. Petersburg, Russia. Judges, lawyers, and other participants from over 75 countries discussed "Empowerment, Security, and Opportunity through Law and Justice."*

institutions for a market economy. In countries including Georgia, Indonesia, Lithuania, the Philippines, Sri Lanka, Tunisia, and Uganda, the Bank has helped to improve financial and private sector capacity through new central bank and commercial banking legislation, capital markets initiatives, and corporate and commercial legislation; to facilitate the emergence and expansion of private sector firms and the efficient liquidation of irretrievably insolvent firms; and to ensure appropriate regulation of the private provision of public services. These activities are supported by the Bank's analytical work identifying the effect of legislation, regulatory arrangements, and institutional capacity on the investment climate; and by the Bank's in-depth, country-by-country, financial sector assessments, legal and judicial sector assessments, insolvency and creditor rights systems assessments, and corporate governance and securities market assessments.

Fair and efficient legal mechanisms for debt resolution play a pivotal role in fostering commercial confidence and enabling markets to more accurately price, manage, and resolve default risk, while encouraging enterprise rehabilitation, job preservation, and transfer of assets to more efficient market users. Following the 1997–98 financial crises in emerging markets, the Bank led an international coalition in developing the Principles and Guidelines for Effective Insolvency and

Creditors Rights Systems. These principles, finalized in April 2001, are an important milestone in promoting international consensus on a uniform framework to assess the effectiveness of insolvency and creditor rights systems and to guide system reform and benchmarking in developing countries. In 2002 under the joint Bank-Fund program to develop ROSCs, the Bank completed a series of pilot country assessments based on these principles in Argentina, Brazil, the Czech Republic, Lithuania, the Philippines, the Slovak Republic, South Africa, and Turkey. Assessments were also substantially completed in the Russian Federation and were initiated in Croatia, India, Morocco, Thailand, and Ukraine.

### **ENHANCING ACCESS TO JUSTICE FOR THE POOR**

Access to justice is a key concern in the Bank's law and justice efforts. Providing legal services for the poor is one way to help break down barriers to justice. In the past year grants made under the Bank-administered Japan Social Development Fund financed legal aid and other services for poor women in Ecuador, Jordan, and Sri Lanka.

Access to justice has also received significant attention at Bank-sponsored events over the past year. The second global conference organized by the Legal Vice Presidency, held in St. Petersburg, Russia, in July 2001, addressed the theme "Empowerment, Security, and

Opportunity through Law and Justice." The Europe and Central Asia Regional Forum focused on law and justice issues specific to transition countries. In March 2002 a regional conference in Marrakech, Morocco, cosponsored by the Legal Vice Presidency and the U.N. Development Programme, addressed the topic "Strategies for Modernizing the Judicial Sector in the Arab Countries." Most recently, in Washington, D.C., the Bank convened a second meeting of the International Advisory Council on Law and Justice, a council of world-renowned legal experts and jurists that advises the Bank on legal and judicial reform strategy, including empowerment of the poor. (See [www.worldbank.org/ljr/](http://www.worldbank.org/ljr/).)

### **USING LAW FOR SUSTAINABLE DEVELOPMENT**

As a major mobilizer of resources to protect the global commons, the Bank continues to innovate with new legal instruments and to promote improved legislative models and legal knowledge sharing for sustainable development (see box 4.7).

The Bank has led the way with innovative international legal instruments under the Montreal and Kyoto Protocols. In 2002 the Montreal Protocol's Multilateral Fund began financing the total phaseout of chlorofluorocarbon (CFC) production and consumption in certain economies. The amount of \$35.8 million was approved for the total phaseout of CFCs in The Bahamas, Malaysia, Thailand, and Turkey. A new voucher-based disbursement mechanism enables the Bank, as an implementing agency, to cost-effectively make grants available for the smaller activities carried out under the new approach.

The Prototype Carbon Fund (PCF) moved fully into its operational phase in 2002. The PCF aims to purchase certified emission reductions from projects that reduce greenhouse gases; contributors to the PCF hope to use the purchased emission reductions to offset the targets agreed on under the Kyoto Protocol. In 2002 innovative purchase agreements were signed with Chile and Uganda, countries eligible under the protocol's Clean Development Mechanism. These purchase agreements are being used as a model by other organizations and entities to address the requirements of the Kyoto Protocol.

The sustainability of fish stocks is a cause of increasing international concern in the field of natural



*Legal clerks of the Galle District Court, Sri Lanka, are implementing model court administrative reforms as part of the Legal and Judicial Reforms Project.*

#### BOX 4.7 LEGAL KNOWLEDGE SHARING ON THE WEB

The Bank contributes to knowledge sharing on substantive law and legal developments through a number of Web resources.

The Global Insolvency Law Database ([www.worldbank.org/gild](http://www.worldbank.org/gild)) is a seminal forum for comparative research and dialogue on questions of corporate insolvency and creditor rights systems, primarily legislative and regulatory reform, relevant public institutional capacity building, and related policy issues.

The Global Banking Law Database (GBLD) ([www.gbld.org](http://www.gbld.org)), a joint Bank-Fund project, is searchable by jurisdiction and standard themes based on the Basel Committee Core Principles of Effective Bank Supervision. GBLD provides the first electronically accessible collection of commercial banking, central bank,

and deposit insurance laws for jurisdictions around the world.

The Legal and Judicial Reform page on the Bank's Web site ([www.worldbank.org/ljr/](http://www.worldbank.org/ljr/)) features online discussions of key legal and judicial reform themes, information on Bank projects, a judicial indicator database, a consultant database, and guided links to related sites.

The Global Development Gateway ([www.developmentgateway.org](http://www.developmentgateway.org)), an interactive Web portal designed to serve as a virtual forum for knowledge sharing on major development topics, projects, and programs, receives substantial content and support from the Bank, including for the Gateway's pages on Environmental Law and Judicial and Legal Reform.

resources legislation. The Bank has developed a handbook, *Legislating for Sustainable Fisheries*, in collaboration with the U.N.'s Food and Agriculture Organization. The handbook introduces the key aims and provisions of two major international conventions that are aimed at promoting sustainable fisheries, and it provides a toolkit of drafting techniques that countries may use to transform these provisions into national law. The handbook is the first in the new Law,

Justice, and Development series of monographs recently launched by the Legal Vice Presidency.

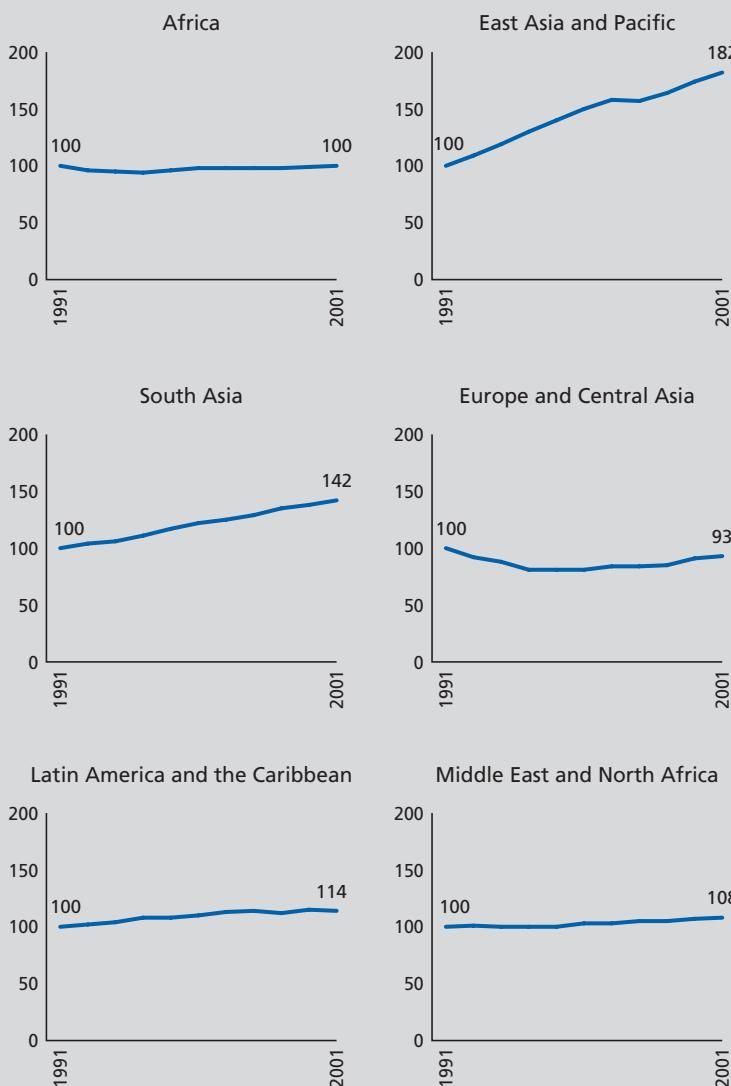
In June the Bank's Legal Vice Presidency, together with the U.N. Environment Programme, cosponsored a conference in Montreal, "Sustainable Justice 2002: Implementing International Sustainable Development Law." The conference's recommendations on sustainable development law issues will be presented at the World Summit on Sustainable Development in Johannesburg.





## Chapter 5

### Gross Domestic Product per Capita Index 1991–2001



Source: World Development Indicators database.

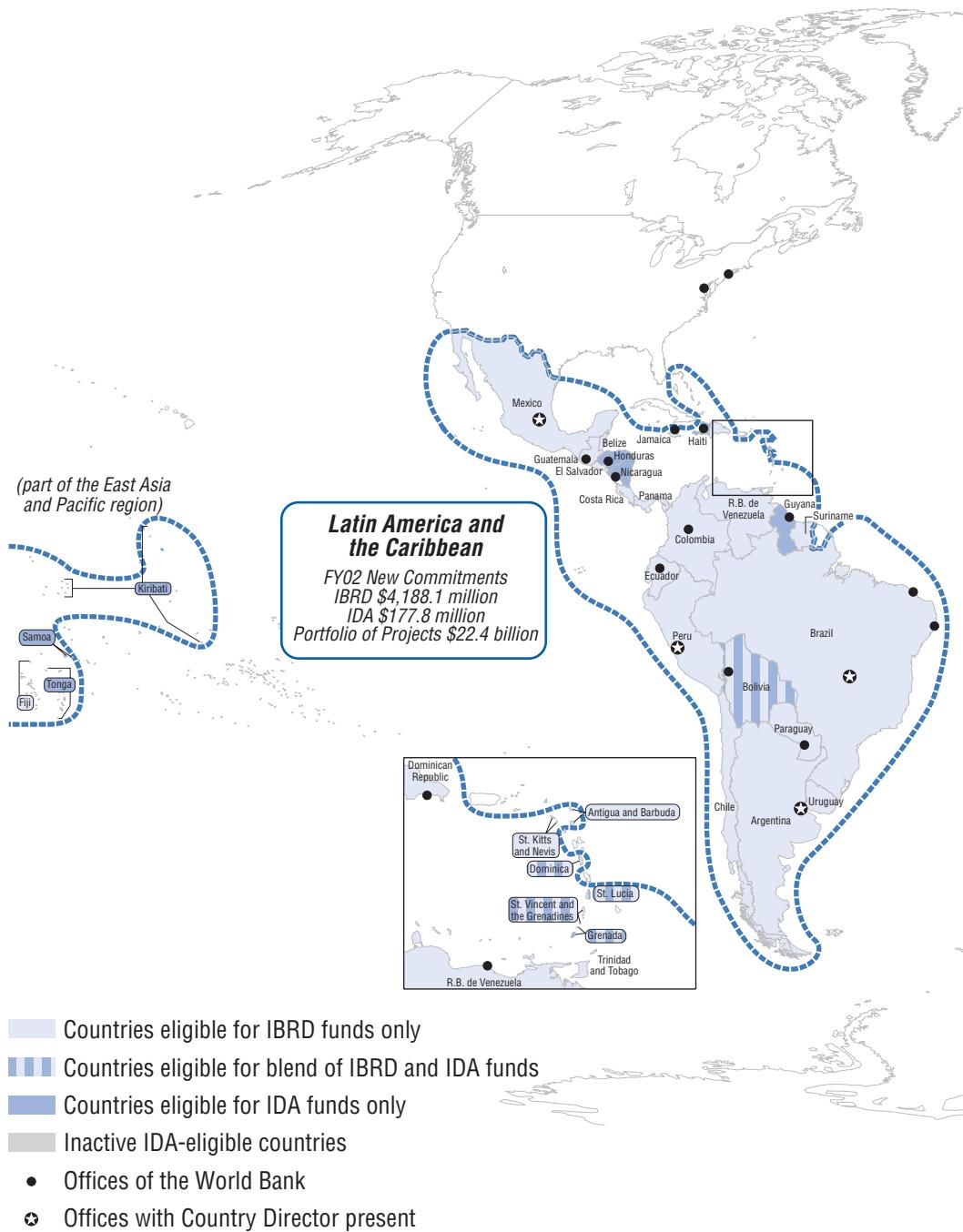
### Regional Perspectives

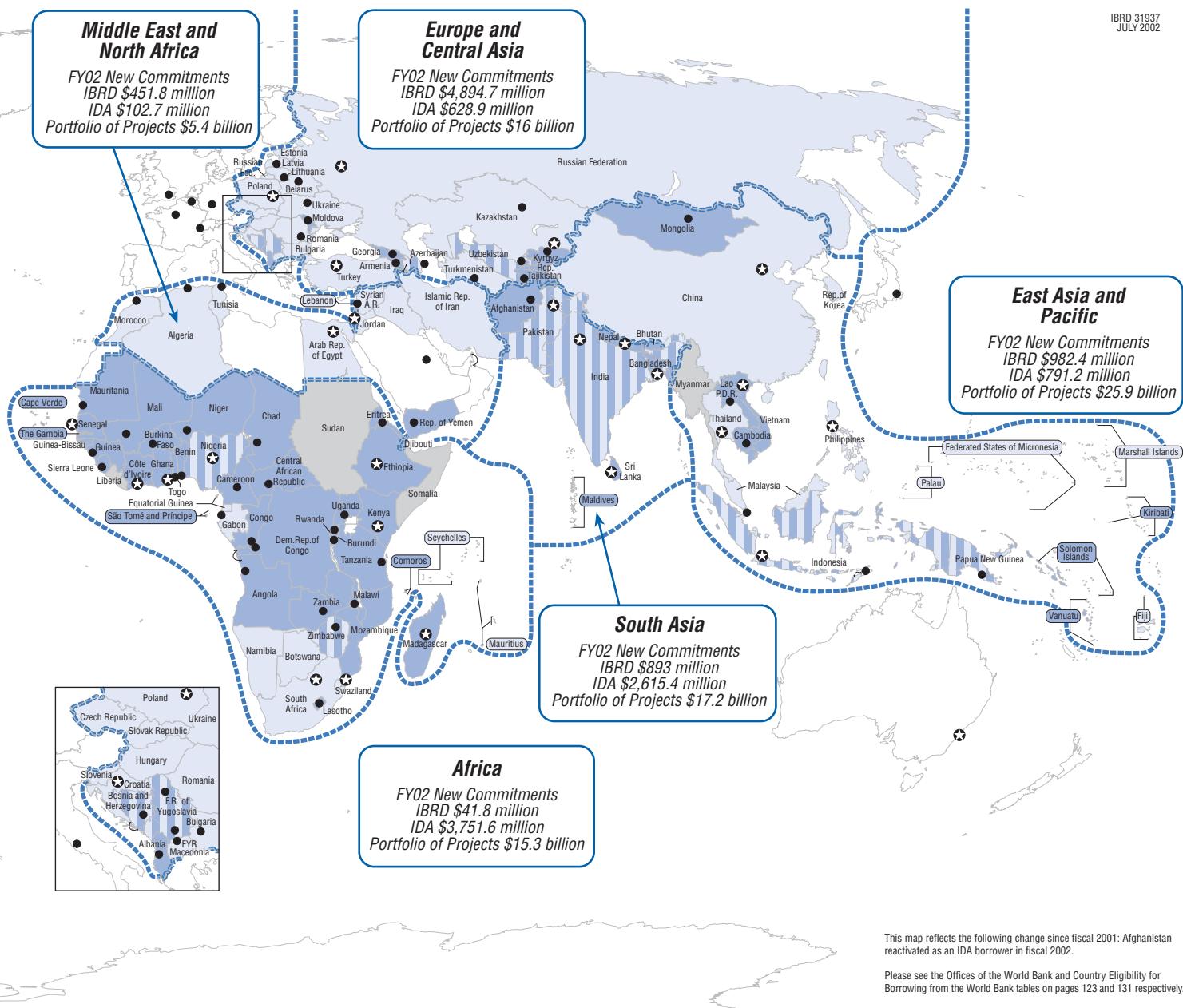
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Figures for the number of people with HIV/AIDS presented in the Fast Facts boxes in this chapter represent UNAIDS estimates as of December 2001 and are based on UNAIDS regional definitions, which differ somewhat from those used by the World Bank. For more details, visit [www.unaids.org](http://www.unaids.org).

## World Bank Regions, Country Offices, and Borrower Eligibility

The World Bank today operates out of nearly 100 offices worldwide. Increased presence in client countries is helping the Bank to better understand, work more closely with, and provide faster service to clients. Three-fourths of outstanding loans are managed by country directors located away from the Bank's Washington, D.C., headquarters. Almost 30 percent of staff are now based in country offices.





**Countries Eligible for World Bank Borrowing:**

Angola  
Benin  
Botswana  
Burkina Faso  
Burundi  
Cameroon  
Cape Verde  
Central African Republic  
Chad  
Comoros  
Congo,  
Democratic Republic of Congo,  
Republic of Côte d'Ivoire  
Equatorial Guinea  
Eritrea  
Ethiopia  
Gabon  
Gambia, The  
Ghana  
Guinea  
Guinea-Bissau  
Kenya  
Lesotho  
Liberia  
Madagascar  
Malawi  
Mali  
Mauritania  
Mauritius  
Mozambique  
Namibia  
Niger  
Nigeria  
Rwanda  
São Tomé and Príncipe  
Senegal  
Seychelles  
Sierra Leone  
Somalia  
South Africa  
Sudan  
Swaziland  
Tanzania  
Togo  
Uganda  
Zambia  
Zimbabwe

## Africa

A new dynamic has emerged on the continent, with African people and leaders increasingly taking the reins of the development agenda. Despite a difficult economic environment, growth in Africa has averaged about 3 percent in the last fiscal year, and well-managed countries, which have implemented solid reform agendas and built a record of stability and good governance, had an average growth of 4 percent. This still falls short of the 7 percent needed to reach the Millennium Development Goal (MDG) of halving poverty by 2015. Governance issues continue to plague a number of countries in the region, while the slow pace or lack of political and economic progress in some of the key countries also affects investors' perceptions of the continent. While the prospect of Africa meeting the MDGs remains uncertain, the picture is not a uniform one. Increased primary school enrollments have improved prospects in education, but such progress has not been registered in the health sector. The spread of human immunodeficiency virus/acquired immune deficiency syndrome (HIV/AIDS) is having an impact on growth and income and threatens to wipe out important gains in life expectancy.

The global economic slowdown has also had a negative impact on Africa's development. Several countries registered slower export market growth, especially in nontraditional exports such as horticultural products. The situation has been particularly difficult for non-oil-commodity-dependent countries such as copper-producing Zambia or cotton-producing countries in West Africa. Farm subsidies in the industrial countries have also distorted and depressed prices for some products, limiting developing-country farmers' prospects for escaping poverty. This situation has further highlighted the need for export diversification, which

has made it possible to cushion the economic shocks in several countries. Aid flows to Africa have been declining, having fallen in per capita terms by about 40 percent over the past decade, although recent commitments at the Monterrey conference hold out the prospect for a reversal of these trends.

Progress has been made toward restoring peace and stability in key parts of the continent. The peace process in Ethiopia and Eritrea is gradually progressing, bringing new hopes for development to one of the poorest parts of Africa. In the Great Lakes subregion the stabilization process in the Democratic Republic of Congo is progressing well and could turn a country where chaos and conflict have been predominant over the past 10 years into an engine of growth for the subregion. Sierra Leone is moving firmly toward lasting peace, and a peace treaty has been signed between the government and rebels in Angola, possibly ending Africa's longest civil war. Violent conflict in Africa may have reduced growth rates in the region by between 1 and 2 percentage points over the past decade.

### WORLD BANK ASSISTANCE

IDA flows to Africa increased significantly in fiscal 2002, reaching a 10-year high of \$2.6 billion, and fiscal 2002 commitments reached \$3.7 billion. The increase was a result of both improved management of the project portfolio in the Africa region and evidence of significant improvements in the policy environment in a majority of African countries.

This increase is expected to be sustained in the coming years, with the objective of 50 percent of IDA resources being directed to Africa. New commitments were channeled through both adjustment and investment operations, but while adjustment lending remained at the level of the 11th Replenish-



## Africa Fast Facts

Total population: 0.7 billion
Population growth: 2.3%
Life expectancy at birth: 47 years
Infant mortality per 1,000 births: 91
Female youth illiteracy: 27%
2001 GNI per capita: \$470
<b>Number of persons living with HIV/AIDS: 28.5 million</b>

*Note: Life expectancy at birth, infant mortality rate per 1,000 births, and female youth illiteracy are for 2000, other indicators are for 2001, from the World Development Indicators database. The term gross national income (GNI) is now used instead of gross national product (GNP).*

Total FY02	Total FY02
<b>New Commitments</b>	<b>Disbursements</b>
IBRD \$41.8 million	IBRD \$87.3 million
IDA \$3,751.6 million	IDA \$2,563.9 million

Portfolio of projects under implementation as of June 30, 2002: \$15.3 billion



Culverts are essential for safeguarding accessibility. Construction of culverts is undertaken under the IDA-funded feeder road project in Zambia.

ment of IDA (IDA11), investment operations are expected to increase by over 60 percent during the IDA12 period (fiscal 2000–02). Disbursements are expected to gradually increase from the level of \$2.25 billion reached in fiscal 2001.

This trend was accompanied by the further development of new instruments to channel resources directly to communities and grassroots organizations, tackle regionwide issues, and prepare for the introduction of grant components in Bank-funded projects. Also, in the context of the Poverty Reduction Strategy Paper (PRSP), an increased share of resources will be channeled through programmatic lending, which is expected to represent 22 percent of lending under IDA12, compared with 6 percent under IDA11. In parallel, the quality of Bank-funded projects increased notably. Sixty-four percent of projects completed in fiscal 2000 were rated satisfactory by the Operations Evaluation Department, which is a 10-year high. The proportion of projects and commitments at risk is down from 40 percent and 42 percent, respectively, in fiscal 1997 to 15 percent and 17 percent currently.

In order to maximize the impact of assistance, the allocation of IDA resources across countries has mirrored the quality of policies and institutions. Several countries, including Burkina Faso, Ghana, Mali, Mozambique, Senegal, Tanzania, and Uganda, have, as a result, received increased assistance. In addition, the Bank re-engaged in the Democratic Republic of Congo, Côte d'Ivoire, Eritrea, and Ethiopia—countries emerging from conflict or political instability.

The Bank has continued its efforts to have African countries fully benefit from debt relief through the Heavily Indebted Poor Countries Initiative and to ensure the effective use of resources in alleviating poverty. Under the Initiative, 26 countries (of which 22 are in Africa) were granted \$41 billion in debt service relief from all creditors, reducing debt by about two-thirds and increasing social spending by some \$830 million per year.

### REGIONAL PRIORITIES

The Bank's strategy in Africa is to accelerate progress toward the MDGs. The strategic objectives are consistent with those outlined by African heads of state in the New Partnership for Africa's Development (NEPAD) Framework and are based on the analysis of the seminal 2000 study, *Can Africa Claim the 21st Century?* (see box 5.1). Four major areas of focus have been

identified: (a) improving governance and resolving conflict; (b) developing Africa's enormous human resource potential; (c) diversifying production and increasing competitiveness; and (d) reducing aid dependence and debt, and strengthening the partnership with the donor community.

The Bank continues to focus on some important regional priorities, including postconflict support, capacity building, assistance in dealing with communicable

#### **BOX 5.1 A PARTNERSHIP FOR AFRICAN DEVELOPMENT**

There is a growing consensus, both within Africa and among donors, that a rebalancing of power and accountability is needed among government, the private sector, and civil society, as well as a rebalancing between countries in the region and the donor community. This new development approach underpins the PRSP process as well as NEPAD.

NEPAD has amplified Africa's approach to poverty reduction. Adopted by African heads of state in July 2001, the homegrown framework puts primary responsibility for success on African governments and African people, and it emphasizes the importance of governance, participation, wider markets, and private initiative in ensuring development. A meeting in March 2002 involving delegations from 21 countries produced eight draft codes of behavior and set up an African peer review mechanism. Another meeting in April 2002 discussed private financing for development. Although it is new, NEPAD marks an important step toward

ensuring that Africans take the lead responsibility for their development strategies.

NEPAD builds on many of the principles of the PRSP approach that has been put into place at the national level. Over the past two years 39 countries have completed interim PRSPs and eight have completed full PRSPs. Several key lessons have already been learned. First, the principles underpinning the PRSP approach are rapidly taking root. Although the degree of effective participation varies with each country, the PRSP process has established a presumption in favor of openness, transparency, and participation. Second, civil society's efforts have improved PRSP content in many cases, particularly in drawing attention to the problems of social exclusion and bad governance. An analysis of budget trends for 32 low-income countries suggested that full PRSPs were associated with a significant increase in spending on basic social services between 1999 and 2001.



*Millions of Africans still do not have access to safe drinking water. Women in Ghana at a water post.*

diseases, further debt relief, market access for African products, and regional integration.

#### **BUILDING THE CLIMATE FOR INVESTMENT**

The Bank increased support to African countries that are emerging from conflict, taking advantage of the

grant facility existing under IDA12 to provide assistance to countries that took convincing steps toward social and economic recovery. The Democratic Republic of Congo received a \$50 million grant to help stabilize the economy and contribute to addressing such pressing issues as HIV/AIDS. The Bank also developed an operational agenda to better tackle post-conflict issues.

#### **EMPOWERING POOR PEOPLE**

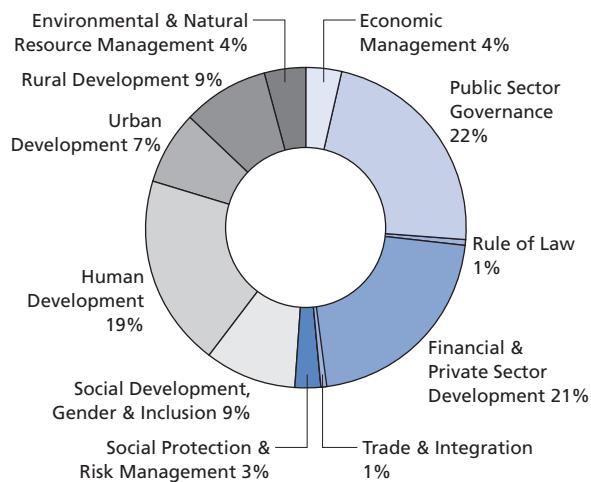
The Bank continues to support efforts in Africa to build capacity and strengthen institutions. It works through the Harare-based African Capacity-Building Foundation, to which it has made a \$150 million multiyear commitment in support of the Foundation's activities. The Bank is also facilitating knowledge and experience sharing among African professionals.

#### **GLOBAL PRIORITIES**

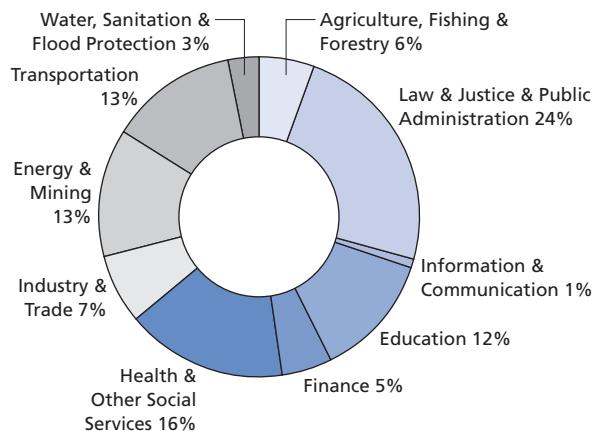
##### **Communicable Diseases**

Health issues, particularly communicable diseases such as HIV/AIDS, pose important challenges for Africa's

**Figure 5.1 Africa: IBRD and IDA Lending by Theme, Fiscal 2002**  
Share of total of \$3.8 billion



**Figure 5.2 Africa: IBRD and IDA Lending by Sector, Fiscal 2002**  
Share of total of \$3.8 billion



development. The Bank has approved \$1 billion to fight HIV/AIDS in Africa, and \$552.5 million has been committed in 16 countries; projects are under preparation in 15 others. The continued spread of HIV/AIDS is wiping out important gains in life expectancy in the region; the disease has already claimed the lives of more than 18 million Africans. World Bank support this year reached more countries and subregional HIV/AIDS programs. For the first time, the Bank provided support for cross-border HIV/AIDS initiatives, targeting such transportation routes as the Abidjan-Lagos corridor, which passes through Côte d'Ivoire, Ghana, Togo, Benin, and Nigeria. The Bank is also involved in regional programs such as the Onchocerciasis Control Program and the Roll Back Malaria Campaign.

### Trade and Integration

Regional integration in Africa is seen as one approach to creating a larger economic space with more opportunities for investors and entrepreneurs. The Bank is supporting regional efforts to create integrated markets and initiatives aimed at increasing cooperation to address common issues in a regional context, such as with the Nile Basin Initiative. Two regional IDA operations became effective in fiscal 2002: a \$9.4 million project to strengthen payments systems in the West Africa Economic and Monetary Union, and a \$5 million trade facilitation project in East Africa.

The Bank has been a fervent advocate for a fairer post-Doha trade system, urging industrial countries to increasingly open their markets to African products. The Bank has also provided technical support to African countries in trade negotiations.

**Table 5.1 World Bank Lending to Borrowers in Africa, by Theme and Sector, Fiscal 1993–2002**  
(millions of dollars)

	1993–97 (annual average)	1998–99 (annual average)	2000	2001	2002
<b>THEME</b>					
Economic Management	165.9	165.0	78.2	138.5	138.7
Public Sector Governance	317.6	291.7	495.3	429.6	851.9
Rule of Law	42.1	21.0	26.7	34.0	22.5
Financial and Private Sector Development	564.6	509.0	466.7	625.8	780.7
Trade and Integration	158.4	120.5	53.7	261.5	46.4
Social Protection and Risk Management	67.4	117.2	140.5	376.4	98.3
Social Development, Gender, and Inclusion	145.9	167.6	210.5	491.8	347.4
Human Development	256.3	267.7	208.5	399.4	739.0
Urban Development	319.1	253.8	154.9	206.1	279.6
Rural Development	237.9	393.6	151.8	296.3	329.2
Environmental and Natural Resource Management	201.0	156.0	172.4	110.0	159.9
<b>Theme Total</b>	<b>2,476.0</b>	<b>2,463.2</b>	<b>2,159.1</b>	<b>3,369.6</b>	<b>3,793.5</b>
<b>SECTOR</b>					
Agriculture, Fishing, and Forestry	164.1	170.0	111.5	212.0	210.4
Law and Justice and Public Administration	551.4	610.9	834.9	880.8	906.9
Information and Communication	19.2	36.7	17.3	21.1	33.8
Education	223.5	304.4	189.8	209.5	472.6
Finance	172.0	53.7	121.7	200.1	192.8
Health and Other Social Services	240.1	273.6	183.1	889.9	616.6
Industry and Trade	317.1	94.3	104.7	170.6	266.7
Energy and Mining	269.3	244.0	176.3	198.0	490.3
Transportation	376.1	533.5	263.9	229.8	491.1
Water, Sanitation, and Flood Protection	143.1	142.0	155.9	357.8	112.2
<b>Sector Total</b>	<b>2,476.0</b>	<b>2,463.2</b>	<b>2,159.1</b>	<b>3,369.6</b>	<b>3,793.5</b>
Of which IBRD	62.3	31.2	97.6	0.0	41.8
Of which IDA	2,413.7	2,432.0	2,061.5	3,369.6	3,751.6

Note: Lending is summarized in the 11 main theme categories and 10 main sector categories in the new thematic-sectoral system, which includes 68 themes and 57 sectors. See table 2.2, page 30. Numbers may not add to totals because of rounding. In fiscal 2002 under phases I (\$500 million earmarked in fiscal 2001) and II (\$500 million in fiscal 2002) of the Multicountry AIDS Program for Africa, the Bank approved 9 operations totaling \$262.3 million in new IDA commitments.



## East Asia and Pacific

The East Asia and Pacific region was hard hit by the global economic downturn of 2001. Growth fell from over 7 percent to less than 5 percent. But a quicker and more robust regional recovery appeared to be under way by early 2002, supported by a stronger-than-expected recovery in major export markets like the United States and solid local private consumer spending. A more balanced recovery resting on increased exports and domestic demand seemed likely. Political stability improved as new governments in Indonesia, the Philippines, and Thailand strengthened their mandates and their credibility with the public. China's still-robust economy was pulling in imports at a near-10 percent pace in the first several months of 2002 and continued as a bright spot in the regional export and economic picture, enhanced by the anticipated impact of China's entry into the World Trade Organization (WTO), the increased pace of its institutional reform program, and its emergence as a key center of regional trade and investment flows.

The impact of the 2001 downturn on poverty in East Asia and Pacific was muted because growth fell most in countries with low poverty. Robust growth in China and other transition countries, which contain the large majority of the region's poor, helped offset any widening income disparities. Still, a sustained regional recovery is important to counter the long-term trend of slow poverty reduction since the mid-1990s—and to ensure that countries in East Asia remain on track to achieve the Millennium Development Goals (MDGs).

### WORLD BANK ASSISTANCE

One of the Bank's primary objectives is to support poverty reduction in the client countries, using country assistance strategies that are focused on the countries' development needs. Strategic alliances

and partnerships play a large role in the effectiveness of this approach. During the fiscal year the Bank supplemented policy advice and technical support with nearly \$1.8 billion in new loans, covering about 27 projects. The strategic thrust of Bank assistance continues to focus on building the climate for investment, improving public sector governance, investing in poor people and empowering them, and protecting the environment (see box 5.2).

#### BOX 5.2 POVERTY REDUCTION STRATEGIES IN EAST ASIA—REGIONAL, NATIONAL, AND LOCAL

In Cambodia, East Timor, the Lao People's Democratic Republic, Indonesia, Mongolia, and Vietnam, programs are under way to develop nationally owned Poverty Reduction Strategy Papers (PRSPs). Governments have taken the lead on a comprehensive strategy that draws on participatory poverty assessments, consultations with civil society, and coordination with donor partners. PRSP teams from these countries recently met in Hanoi at a conference sponsored by the World Bank, Asian Development Bank, and U.N. Development Programme to learn from each other's experiences. A follow-up session shared lessons on integrating gender issues into poverty strategies. In Vietnam local governments and communities are taking the lead in developing their own targets and action plans to meet the MDGs with Bank and Department for International Development (DfID) support. In Mongolia and the Lao People's Democratic Republic, the Bank is carrying out reviews of public expenditure, financial management, and procurement to help underpin an improved budgetary focus on the poor.

#### Countries Eligible for World Bank Borrowing:

Cambodia  
China  
Fiji  
Indonesia  
Kiribati  
Korea,  
Republic of  
Lao People's  
Democratic  
Republic  
Malaysia  
Marshall Islands  
Micronesia,  
Federated  
States of  
Mongolia  
Myanmar  
Palau  
Papua New  
Guinea  
Philippines  
Samoa  
Solomon Islands  
Thailand  
Tonga  
Vanuatu  
Vietnam

*This section also reports on East Timor.*

## East Asia and Pacific Fast Facts

Total population: 1.8 billion

Population growth: 1%

Life expectancy at birth: 69 years

Infant mortality per 1,000 births: 36

Female youth illiteracy: 4%

2001 GNI per capita: \$900

**Number of persons living with HIV/AIDS: 1 million**

*Note: Life expectancy at birth, infant mortality rate per 1,000 births, and female youth illiteracy are for 2000, other indicators are for 2001, from the World Development Indicators database. The term gross national income (GNI) is now used instead of gross national product (GNP).*

### Total FY02

#### New Commitments

IBRD \$982.4 million

IDA \$791.2 million

### Total FY02

#### Disbursements

IBRD \$2,846.4 million

IDA \$745.1 million

Portfolio of projects under implementation as of June 30, 2002: \$25.9 billion



*A schoolgirl studying in Ningxia Province, China, at a school whose village is benefiting from the Qinba Mountains Poverty Project, which is helping the Chinese government improve the quality of and access to basic education.*

The region's effectiveness is enhanced by basing nearly one-half of the staff and all country directors in the field. The Bank also increasingly emphasizes work at the subnational level. This shift helps deepen the reach of reforms at the national level and reflects an increasing trend of subnational responsibility for service delivery and financing in the region. An estimated 40 percent of the Philippines expenditures, 35 percent in Thailand (by 2006), and 25 percent in Indonesia are being delivered in this way.

## BUILDING THE CLIMATE FOR INVESTMENT

Domestic business revitalization and recovery in private capital flows call for more emphasis on strengthening the investment climate. The Bank is preparing a legal reform loan in Mongolia and is undertaking legal needs assessments in a number of countries, including Vietnam. In China the Bank is providing technical assistance on financial sector reform, access by small and medium enterprises to financial services, government bond market development, and securities market regulation—reforms made all the more urgent by China's accession to the WTO.

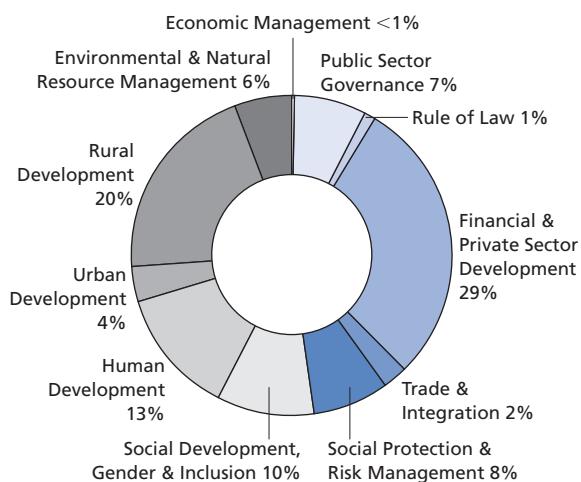
To help regional competitiveness and to meet high-tech challenges, the Bank is investing in information infrastructure, technology innovation and adaptation, and skills development. It is sponsoring country Innovation Days as part of the global Development Marketplace—a competition encouraging innovation and creative partnerships among nongovernmental organizations, businesses, and government. In Thailand it is funding 16 proposals to increase access to information services in rural communities in order to help bridge the urban-rural digital divide. A new report analyzes the Republic of Korea's experience with firm innovation and its implications for public policy. The Bank carried out assessments of transportation and logistics in Cambodia, and in lagging regions of China, the Lao People's Democratic Republic, Mongolia, and Vietnam, to identify ways to improve access to markets for low-income areas.

## IMPROVING PUBLIC SERVICES AND GOVERNANCE

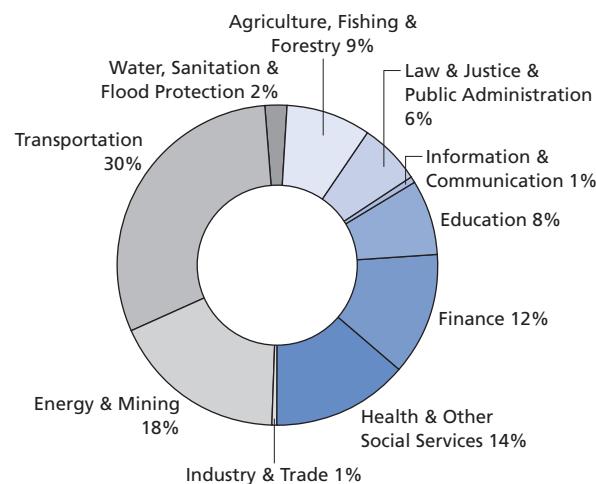
The Bank's governance work focuses on decentralization, building subnational capacity, increasing public sector transparency and accountability, and fostering stakeholder participation in project design and implementation. Public expenditure reviews at the local government level are taking place in China and Indonesia. In Thailand the Country Development Partnership in Governance supports government efforts to improve the delivery of public services, strengthen government decisionmaking, and promote accountability and transparency.

In China the Bank is working with the government to update the Ministry of Finance's competitive bidding guidelines by introducing fraud and anticorruption measures. It is also helping to improve

**Figure 5.3 East Asia and Pacific: IBRD and IDA Lending by Theme, Fiscal 2002**  
Share of total of \$1.8 billion



**Figure 5.4 East Asia and Pacific: IBRD and IDA Lending by Sector, Fiscal 2002**  
Share of total of \$1.8 billion



transparency in procurement by establishing safeguards for World Bank projects and setting up new procurement procedures governed by a new bidding law. Civil servants and project staff were trained on the new procurement framework. The Bank carried out about 30 postprocurement reviews once the new guidelines were in place. It has also used the Global Distance Learning Network to conduct workshops on anticorruption approaches in other parts of the region, involving government and civil society in Bangkok, Jakarta, Manila, and Singapore.

East Timor's Community Empowerment and Local Governance Project has set up 400 village development councils and funds more than 800 smaller projects. In Vietnam two IDA credit agreements were approved this year for decentralized, participatory projects to help reduce poverty in 979 poor communities and help 3.4 million poor people by making investments in rural roads and markets, irrigation and water supply, basic education and health, and community development budgets—all based on the expressed needs of poor households and communities.

#### Reducing Vulnerability and Ensuring That Poor People Benefit from Growth

Bank strategy has evolved from supporting safety nets and crisis assessment to focusing on a social policy framework that helps households manage social risks and enables the poor to participate in the benefits of growth. Social programs emphasize community empowerment and demand-driven approaches to

promote efficiency, transparency, and effectiveness. In China the Bank has embarked on a unique partnership with DfID, the British government aid arm, to finance a tuberculosis (TB) control project aimed at helping China meet its global TB targets by 2005 by expanding directly observed treatment, short course (DOTS) to at least 90 percent of the country's population and identifying and treating 2 million infections.

The Bank has also been channeling support to areas of extreme poverty. In Indonesia, to improve road conditions in its lagging eastern region, a regional transportation project will serve 15 provinces in the eastern islands. In Vietnam the Rural Electrification Project aims to bring electricity to 2 million people in 32 provinces and 671 communities, one-third of which are designated as the poorest. A Global Development Learning Center has been opened in Ningxia to transfer knowledge to one of the poorest parts of China.

#### Protecting the Environment

The Bank is funding studies of the links between poverty and the environment in Cambodia, the Lao People's Democratic Republic, and Vietnam. It is funding a forest conservation project in Papua New Guinea in partnership with the Global Environment Facility. With one-half of the population in the region's major countries living in cities, urban air and water pollution is an extremely serious problem—which the Bank is addressing through investments in environmental infrastructure and policy advice. In the area of sanitation, the Bank has promoted the creation of

**Table 5.2 World Bank Lending to Borrowers in East Asia and Pacific, by Theme and Sector,  
Fiscal 1993–2002**  
(millions of dollars)

	1993–97 (annual average)	1998–99 (annual average)	2000	2001	2002
<b>THEME</b>					
Economic Management	40.6	280.0	0.0	0.0	4.8
Public Sector Governance	239.9	543.1	556.2	65.1	127.4
Rule of Law	85.2	19.2	9.3	3.8	20.3
Financial and Private Sector Development	1,476.8	4,441.8	627.6	310.9	512.8
Trade and Integration	193.3	333.2	36.2	40.0	43.3
Social Protection and Risk Management	165.0	708.4	55.2	239.4	136.6
Social Development, Gender, and Inclusion	163.1	273.5	72.1	248.0	173.0
Human Development	420.9	406.1	81.1	52.6	226.4
Urban Development	702.9	900.8	230.6	433.1	63.6
Rural Development	851.6	855.6	430.3	341.6	363.1
Environmental and Natural Resource Management	1,177.6	932.4	880.4	399.3	102.3
<b>Theme Total</b>	<b>5,516.8</b>	<b>9,694.2</b>	<b>2,979.1</b>	<b>2,133.8</b>	<b>1,773.6</b>
<b>SECTOR</b>					
Agriculture, Fishing, and Forestry	472.4	803.8	118.4	109.7	151.2
Law and Justice and Public Administration	398.9	1,066.5	590.3	255.3	115.2
Information and Communication	150.9	51.9	20.0	12.5	11.1
Education	426.4	411.6	84.4	14.8	134.6
Finance	253.2	3,180.8	36.3	89.6	219.2
Health and Other Social Services	248.3	581.6	118.4	217.3	243.8
Industry and Trade	274.2	1,569.8	28.8	151.8	9.4
Energy and Mining	1,502.5	517.0	640.5	142.2	314.5
Transportation	1,162.8	1,133.3	584.4	729.7	540.2
Water, Sanitation, and Flood Protection	627.1	377.9	757.7	410.8	34.4
<b>Sector Total</b>	<b>5,516.8</b>	<b>9,694.2</b>	<b>2,979.1</b>	<b>2,133.8</b>	<b>1,773.6</b>
Of which IBRD	4,389.6	8,800.9	2,495.3	1,136.1	982.4
Of which IDA	1,127.3	893.3	483.8	997.7	791.2

Note: Lending is summarized in the 11 main theme categories and 10 main sector categories in the new thematic-sectoral coding system, which includes 68 themes and 57 sectors. See table 2.2, page 30. Numbers may not add to totals because of rounding.

autonomous water and wastewater companies and the establishment of tariffs and pollution charges—both to reduce emissions and as a means of financing operation and maintenance to guarantee long-term sustainability. The largest share of the Bank's pollution abatement investment has been for water pollution.

The Bank is also working on rural development and land management. A land management project in Cambodia was approved in fiscal 2002 and aims to assist the government in developing relevant policies and regulations while establishing titling programs, under which about 1 million titles will be issued.



#### Countries Eligible for World Bank Borrowing:

Afghanistan  
Bangladesh  
Bhutan  
India  
Maldives  
Nepal  
Pakistan  
Sri Lanka

## South Asia

South Asia is a region of tremendous political, religious, ethnic, and linguistic diversity. With a population of 1.4 billion, South Asia has the world's largest concentration of poverty and some of the worst human development indicators, particularly for women. The economic and social progress of this region is of significance to the entire world and to the achievement of the Millennium Development Goals. While the region's growth performance has continued to be respectable in the aggregate at around 5 to 6 percent for over a decade and 5.4 percent for 2001, it is still below South Asia's potential. The aggregate figure also masks large variations in performance among the eight South Asian countries, all of which face common challenges of accelerating growth and human resource development by making their economies more competitive and better integrated with the world economy, and expanding the provision of health and education services, especially for poor people.

Events in fiscal 2002 influenced South Asia dramatically, from the opening up of Afghanistan to increased tension between India and Pakistan and renewed hope of peace in Sri Lanka with the expected commencement of a peace process. In Bangladesh a national election brought a new government to power in a poll read widely as a resounding call for change and better government. In Nepal the escalating Maoist insurgency brushed aside earlier hopes of a dialogue, and uncertainty across the region has had a negative impact on foreign investment.

Poverty in South Asia—and its measurement—is the focus of an energetic debate in the region (see box 5.3). Poverty has continued to decline from over 40 percent in the mid-1980s to current estimates of around 25 percent in India and slightly

more than 30 percent in Bangladesh, Nepal, and Pakistan. However, there are indications, too, that poverty might have stagnated or even risen in Nepal and Pakistan over the past decade. Equally important in the fight against poverty are indicators of health and education, which continue to be low in South Asia, with women particularly disadvantaged.

### BOX 5.3 REDUCING POVERTY

India accounts for one-third of the world's poor, so reducing poverty in this nation of over 1 billion people is a challenge of global significance. The current Bank country assistance strategy (CAS) for India focuses on both strengthening the enabling environment for growth and on pro-poor interventions such as health and education, rural development, and the expansion of access to economic opportunities for poor people.

A program of analytical work on poverty is under way in support of the latter interventions, including country and state level poverty assessments, and technical assistance in monitoring both access to social services and changes in poverty levels. In January 2002 the Indian Planning Commission and the World Bank gathered national and international experts to discuss the measurement of poverty and ways in which accuracy of information generated by household surveys could be improved. The government has also requested that the Bank help develop a project to implement a wide range of recommendations made by the National Statistical Commission to modernize India's statistical system.

## South Asia Fast Facts

Total population: 1.4 billion

Population growth: 1.8%

Life expectancy at birth: 62 years

Infant mortality per 1,000 births: 73

Female youth illiteracy: 40%

2001 GNI per capita: \$450

**Number of persons living with HIV/AIDS: 5.6 million**

*Note: Life expectancy at birth, infant mortality rate per 1,000 births, and female youth illiteracy are for 2000, other indicators are for 2001, from the World Development Indicators database. The term gross national income (GNI) is now used instead of gross national product (GNP).*

### Total FY02

#### New Commitments

IBRD \$893 million

IDA \$2,615.4 million

### Total FY02

#### Disbursements

IBRD \$908.7 million

IDA \$2,483.6 million

Portfolio of projects under implementation as of June 30, 2002: \$17.2 billion



*Approved in June 2002, the Emergency Education Rehabilitation and Development Project in Afghanistan focuses on a countrywide plan for learning and skill development.*

## WORLD BANK ASSISTANCE

The Bank's focus in South Asia has continued to be on supporting sustainable reforms: fiscal consolidation, privatization, trade liberalization, and banking reform; establishing transparency, effectiveness, and accountability of public institutions; and supporting the expansion of services to the poor. Bank lending is based on an extensive program of analytical work in the form of reports, workshops, policy notes, and ongoing policy dialogue.

Lending for fiscal 2002 was \$3.5 billion, concentrated on support for reform and investments in agriculture, health, education, and infrastructure. In

Bangladesh and Sri Lanka, policy dialogue was the focus of the Bank's program.

Afghanistan's rapid transition from the status of a country in conflict to one of full re-engagement with the Bank has demanded an intense focus from Bank staff (see box 5.4).

Lending in India is guided in every sector by analytical work; in fiscal 2002 the Bank delivered both transportation and health sector reports, which were discussed with national and state authorities. A review of power sector reforms, where progress continues to be a challenge, drew on the experience of Orissa and other states, as well as international experience.

Pakistan is in the third year of a comprehensive program of reform designed to turn around deteriorating economic performance and restore the integrity of the country's institutions.

## BUILDING THE CLIMATE FOR INVESTMENT

Building a healthy investment climate has been an important Bank priority across the region. In India and Pakistan, firms were surveyed in reviews of the investment environment that helped identify the main constraints to private investment, as seen by investors themselves. Adjustment lending in Pakistan, and at the state level in India (in Karnataka and Andhra Pradesh), explicitly supported policy reforms that seek to restore fiscal sustainability, reform public expenditure management, and improve the overall functioning of governments to increase efficiency in the use of public resources and delivery of social services.

The provision of roads is a critical component of the Bank's poverty focus, improving the productivity of the economy and opening up market access and delivery of basic services to the poor. Infrastructure projects in India and Nepal sought to provide much-needed investments that will help reduce transportation and telecommunication costs. These include three projects in India: the Kerala State Transport Project (IBRD \$255 million); the Mizoram State Road Transport Project (IDA \$60 million); and the Mumbai Urban Transport Project (IBRD \$463 million and IDA \$79 million); and in Nepal, a Telecommunication Sector Reform Project (\$22.6 million). In India the transportation sector report complements the Bank's ongoing support for highways and looks ahead to next steps.

Power reform is particularly important in South Asia. In virtually every country, but particularly in

Bangladesh, India, and Pakistan, large subsidies for power have become the single largest source of fiscal imbalances. Reduction of these subsidies is an essential step to restoring national and subnational fiscal balances and to freeing resources for much-needed investments in infrastructure and social services. In addition, availability of reliable power is a key constraint to private sector investments and activities, and reduces opportunities for rural employment and growth.

In Pakistan a newly expanding Bank program has supported institutional reforms through analytical work, advisory services, dialogue, and lending of \$800 million for fiscal 2002, including a banking sector credit of \$300 million. Institutional reforms have focused on financial management, decentralization, tax reform, reorganization of the central bank, and corruption, all captured in the CAS presented to the Board in June 2002 and designed to support the implementation of Pakistan's poverty reduction strategy for the next three years.

### EMPOWERING POOR PEOPLE

The empowerment of poor people is a central objective in South Asia, again pursued through both analytical and advisory services and lending. Poverty assessments in Bangladesh, India, and Pakistan are increasing the understanding of recent poverty trends and the reasons behind them. In India the findings of the health report will guide future Bank engagement, starting with a Health Systems Development Project being prepared for Rajasthan.

To help organize communities, increase economic opportunities to the poor, and increase access by the poor to social services and infrastructure, the Bank has financed community-based projects in India with the Karnataka Tank Management (IDA \$99 million), Rajasthan (IDA \$140 million), and Uttar Pradesh (IDA \$149.2 million) Water Sector Restructuring Projects, and the Second Karnataka Rural Water Supply and Sanitation Project (IDA \$151.6 million).

In education a successful stipend program is helping to improve school enrollment of girls in Bangladesh through the second phase of an IDA \$120.9 million loan approved in March. Additionally, in Afghanistan, a \$15 million grant is supporting skills development for women and girls with a special focus on underserved groups such as war widows and illiterate young women.

### BOX 5.4 AFGHANISTAN IN TRANSITION

Since the collapse of the Taliban and the installation of the U.N.-brokered Afghanistan Interim Administration, the most urgent need has been the creation of sustainable security and the urgent opening up of opportunities to bring Afghan women and men into the process of restarting the country's economic and social development.

In November 2001 a conference on preparing for Afghanistan's reconstruction was hosted in Islamabad by the Bank with its partners, the U.N. Development Programme and the Asian Development Bank. This set the stage for the rapid delivery of a joint preliminary needs assessment in preparation for an international donor conference in Tokyo, at which over \$4.5 billion was pledged by all donors to rebuild the war-ravaged country. Since then, and faithful to the guiding principle that Afghanistan's recovery has to be led first and foremost by Afghans themselves, the Bank's Board has approved four emergency projects with an emphasis on supporting the administration of incoming funds with transparency and accountability, and a series of efforts designed to provide quick delivery in areas such as education, infrastructure, and community participation.

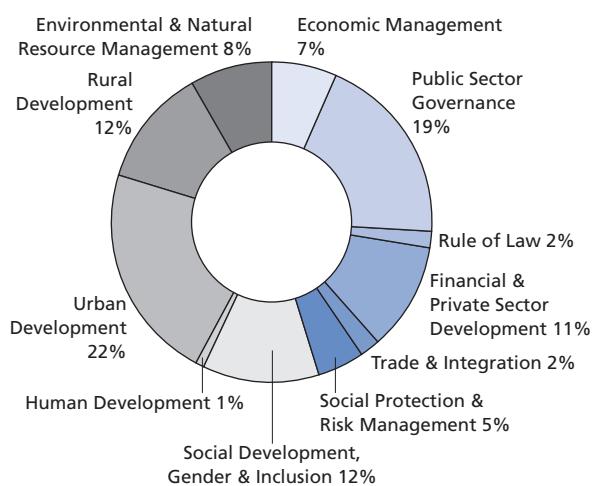
A total of \$100 million has been delivered in grant support from IDA. The Bank's re-engagement is guided by a Transitional Support Strategy that was approved by the Board on April 4, 2002. The Bank is also administering the Afghanistan Reconstruction Fund. In April, and under the chairmanship of Afghanistan's Ministry of Finance, donors and international agencies met in Kabul to discuss the administration's National Development Framework and fiscal 2002 recurrent budget requirements.

In Pakistan the Poverty Assessment and the government's interim Poverty Reduction Strategy Paper (I-PRSP) represented the first substantive focus on strategic priorities for poverty reduction in Pakistan in over five years. The Poverty Assessment presents a deep understanding of poverty trends throughout the 1990s, and the I-PRSP was hailed by the Bank's Board as one of the finest examples of poverty reduction planning.



*In India, water-related diseases are a major health problem. For women and children, fetching water remains an arduous and time-consuming daily task. Four projects totaling over \$450 million in interest-free IDA support have been provided to India's water sector in the current fiscal year.*

**Figure 5.5 South Asia: IBRD and IDA Lending by Theme, Fiscal 2002**  
Share of total of \$3.5 billion

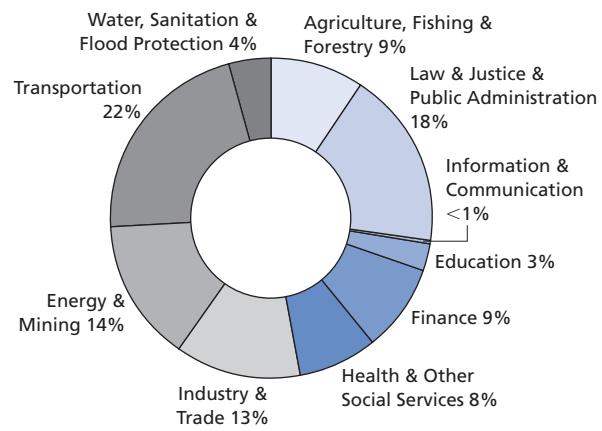


## GLOBAL PRIORITY: COMMUNICABLE DISEASES

With 5.6 million people infected (by U.N. estimates), human immunodeficiency virus/acquired immune deficiency syndrome (HIV/AIDS) in South Asia is a picture of low prevalence but high risk. Governments in the region have recognized the effectiveness of early responses—beginning with India in 1992—and are shaping public health policies with a focus on prevention, health promotion in high-risk populations, mitigation, and somewhat hesitantly, treatment. The Bank has supported this process through advisory and analytical assistance and lending which, for HIV/AIDS, amounts to \$326.7 million for existing projects, with new projects proposed for Pakistan and Sri Lanka. All countries now have strong national programs, except Nepal, where implementation of the national program is weak and poorly financed, and Afghanistan, where the situation needs to be assessed. Bank-supported HIV/AIDS projects are under implementation in India, where the \$191 million Second National HIV/AIDS Control Project is ongoing, and in Bangladesh with the HIV/AIDS Prevention Project funded by \$40 million from IDA and \$10 million from the United Kingdom's Department for International Development.

In Pakistan the government has been implementing a modest National AIDS Control Program since 1989 with some support from the Bank. Aware of the growing challenge, the government has now sought to expand this program based on the National HIV/AIDS Strategic Framework. With Bank analytical support, a project has been under preparation in fiscal 2002. The Sri Lankan government is developing a program along similar lines.

**Figure 5.6 South Asia: IBRD and IDA Lending by Sector, Fiscal 2002**  
Share of total of \$3.5 billion



**Table 5.3 World Bank Lending to Borrowers in South Asia, by Theme and Sector, Fiscal 1993–2002**  
 (millions of dollars)

	1993–97 (annual average)	1998–99 (annual average)	2000	2001	2002
<b>THEME</b>					
Economic Management	45.2	85.3	35.2	47.4	232.5
Public Sector Governance	40.0	254.9	212.7	261.0	678.0
Rule of Law	33.5	89.1	56.5	36.1	59.3
Financial and Private Sector Development	735.4	639.2	265.4	865.9	381.6
Trade and Integration	25.6	84.5	29.4	398.3	70.0
Social Protection and Risk Management	166.1	162.8	168.0	118.4	164.0
Social Development, Gender, and Inclusion	360.1	328.9	261.5	240.5	414.2
Human Development	385.3	627.5	276.2	124.8	30.2
Urban Development	181.6	297.1	300.7	186.8	766.2
Rural Development	354.6	377.0	426.1	379.5	417.2
Environmental and Natural Resource Management	419.7	266.8	80.8	587.8	295.2
<b>Theme Total</b>	<b>2,747.2</b>	<b>3,213.2</b>	<b>2,112.4</b>	<b>3,246.6</b>	<b>3,508.4</b>
<b>SECTOR</b>					
Agriculture, Fishing, and Forestry	305.2	534.4	65.0	116.1	328.1
Law and Justice and Public Administration	247.9	436.3	407.0	377.4	632.5
Information and Communication	4.7	35.3	54.6	17.7	12.4
Education	280.8	385.1	171.4	206.4	95.9
Finance	205.3	168.2	46.0	209.7	310.0
Health and Other Social Services	489.5	589.3	393.3	188.1	278.7
Industry and Trade	173.1	68.3	85.3	34.0	443.1
Energy and Mining	482.5	545.9	277.8	746.2	504.8
Transportation	269.4	354.1	590.6	1,294.3	758.1
Water, Sanitation, and Flood Protection	288.9	96.4	21.4	56.8	144.9
<b>Sector Total</b>	<b>2,747.2</b>	<b>3,213.3</b>	<b>2,112.4</b>	<b>3,246.5</b>	<b>3,508.4</b>
Of which IBRD	998.4	1,034.0	934.3	2,035.0	893.0
Of which IDA	1,748.8	2,179.3	1,178.1	1,211.5	2,615.4

Note: Lending is summarized in the 11 main theme categories and 10 main sector categories in the new thematic-sectoral coding system, which includes 68 themes and 57 sectors. See table 2.2, page 30. Numbers may not add to totals because of rounding.



Countries  
Eligible for  
World Bank  
Borrowing:

Albania  
Armenia  
Azerbaijan  
Belarus  
Bosnia and  
    Herzegovina  
Bulgaria  
Croatia  
Czech Republic  
Estonia  
Georgia  
Hungary  
Kazakhstan  
Kyrgyz Republic  
Latvia  
Lithuania  
Macedonia, for-  
    mer Yugoslav  
    Republic of  
Moldova  
Poland  
Romania  
Russian  
    Federation  
Slovak Republic  
Slovenia  
Tajikistan  
Turkey  
Turkmenistan  
Ukraine  
Uzbekistan  
Yugoslavia,  
    Federal  
    Republic of

This section also  
reports on  
Kosovo, Federal  
Republic of  
Yugoslavia.

## Europe and Central Asia

All economies in Europe and Central Asia—except Turkey and the former Yugoslav Republic of Macedonia—grew during 2001. The Russian Federation and Ukraine, the last economies to emerge from the unexpectedly long “transformation recession,” grew at 5 percent and 9.1 percent, respectively. Overall, the Commonwealth of Independent States (CIS) grew at 6.6 percent. In Central and Eastern Europe growth averaged 3.5 percent. In Turkey, however, markets responded somewhat more slowly than expected to reforms, resulting in an output decline of 6.5 percent.

Notwithstanding this broad-based growth, Europe and Central Asia remains highly diverse, both in terms of per capita income and global integration. Per capita income ranges from \$10,070 in Slovenia to \$170 in Tajikistan. Poverty prevalence—although now generally declining as a result of the region’s continuing growth—ranges from under 5 percent to over 50 percent of the population. While many countries, especially those in Central Europe and the Baltics, are firmly headed toward European and global integration and graduation from Bank borrowing, others still struggle with long-simmering tensions and the constraints of geography.

### WORLD BANK ASSISTANCE

Europe and Central Asia’s diversity is reflected in the evolution of the Bank’s assistance program. To accommodate a rapidly changing relationship with the advanced EU accession countries, the region developed a partnership framework for phasing and prioritizing support to these countries, the Pro-

posed Framework for World Bank Group Support to EU Accession Candidate Countries of Central and Eastern Europe. In Southeast Europe the regional strategy continued to evolve from post-conflict stabilization and reconstruction to structural reform and institutional development. The Federal Republic of Yugoslavia’s eligibility for Bank lending was restored, and a major program of adjustment and investment lending was successfully launched. The Bank’s postconflict program of assistance to Kosovo continued. The seven IDA-eligible CIS countries—Armenia, Azerbaijan, Georgia, the Kyrgyz Republic, Moldova, Tajikistan, and Uzbekistan, known as the CIS-7—along with bilateral donors, neighboring countries, and four international financial institutions (including the World Bank, International Monetary Fund, European Bank for Reconstruction and Development [EBRD], and Asian Development Bank) launched a collaborative international effort to accelerate growth and poverty reduction through intensified development and reform efforts and the strengthened involvement of the international community. And finally, the deepening of reforms in the region’s larger economies, while increasing the need for Bank financial assistance in Turkey and Ukraine, is shifting the demand for Bank services toward analytic and advisory activities in Russia.

The Bank’s Europe and Central Asia region operations during fiscal 2002 continued to emphasize investments, policy reforms, and institutional development needed to underpin sustained growth and poverty reduction in transition and postconflict countries, and an accelerated structural reform program in crisis-stricken Turkey (see box 5.5). Lending during the year (inclusive of four special financing operations) reached \$5.5 billion (of which \$0.6 billion were IDA and \$4.9 billion were IBRD). Significant additions were made to the region’s

## Europe and Central Asia Fast Facts

Total population: 0.5 billion  
Population growth: 0.1%  
Life expectancy at birth: 69 years  
Infant mortality per 1,000 births: 20  
Female youth illiteracy: 1%  
2001 GNI per capita: \$1,960  
**Number of persons living with HIV/AIDS: 1 million**

*Note: Life expectancy at birth, infant mortality rate per 1,000 births, and female youth illiteracy are for 2000, other indicators are for 2001, from the World Development Indicators database. The term gross national income (GNI) is now used instead of gross national product (GNP).*

Total FY02	Total FY02
New Commitments	Disbursements
IBRD \$4,894.7 million	IBRD \$3,393.9 million
IDA \$628.9 million	IDA \$429.8 million

Portfolio of projects under implementation as of June 30, 2002: \$16 billion



A rural enterprise support project in Uzbekistan is providing better quality farm extension services to Uzbek women such as these who rely on agriculture for their livelihoods.

It has promoted the adoption of new technologies with support to e-government (applying information and communications technologies to improve government functioning) efforts in Russia and Ukraine. Finally, it has supported anticorruption programs in Armenia, Bosnia and Herzegovina, Kazakhstan, the Kyrgyz Republic, Romania, and the Slovak Republic.

## EMPOWERING POOR PEOPLE

Empowerment presents a special challenge in much of the Europe and Central Asia region, where traditions

Global Environmental Facility (GEF) portfolio with seven new projects totaling \$31 million. On the non-lending front, several major activities were completed, including a retrospective report on the transition experience in Europe and Central Asia, a regionwide survey of the gender impacts of transition, and an analysis of the potential fiscal impacts of EU accession on EU accession candidate countries.

## BUILDING THE CLIMATE FOR INVESTMENT

Most countries in Europe and Central Asia are relatively well endowed, for their income levels, with physical and human capital. The most serious constraints on growth and poverty reduction lie in policies and institutions that distort the framework for economic decisionmaking. This is reflected in comparative ratings of business environments, in which countries in Europe and Central Asia typically fare poorly. The Bank is tackling the underlying policy and institutional constraints through support of systemic reforms, which include maintaining macroeconomic stability, legal reform, and improved corporate governance; sectoral reforms such as utility regulation and pricing, and better functioning labor and financial markets; and selective investments in industrial restructuring and infrastructure. To focus on achieving results in the field, the Bank has been financing systematic enterprise surveys that track changes in the business environment both at the country level (in Bosnia, Moldova, Russia, and Ukraine) and at the regional level, together with EBRD, with the *Business Environment and Enterprise Performance Survey*.

## IMPROVING PUBLIC SECTOR GOVERNANCE

Countries in Europe and Central Asia, particularly the CIS, also fare relatively poorly on governance indicators. To improve public sector performance, the Bank has supported reforms to encourage voice, transparency, and accountability through decentralization in Russia, Ukraine, Central Europe, and Southeast Europe. It has supported reforms to enhance participation and competition in public service delivery and to marshal the power of data to monitor outcomes with expenditure-tracking surveys in Albania and Macedonia. It has supported the strengthening of government institutions through tax and customs reforms in Kazakhstan, Russia, and Ukraine, and through country financial accountability assessments in Albania and Azerbaijan.

### **BOX 5.5 HELPING THE POOR WEATHER ECONOMIC CRISIS—TURKEY'S SOCIAL RISK MITIGATION PROJECT**

With the support of the \$100 million rapid response component of a \$500 million hybrid loan from the Bank, in the 2001 calendar year Turkey was able to reach 1.6 million poor people who have been hurt by the economic crisis of February 2001. Cash and in-kind assistance, valued at about \$35 per person, was provided to over 1 million poor schoolchildren. The money was used for out-of-pocket expenses such as clothing, textbooks, and stationery—with the objective of supporting poor families and, more importantly, preventing the schoolchildren from dropping out of school. This support helped prevent about 100,000 school dropouts.

Food assistance was made available during the religious festival season to 400,000 poor households suffering from the economic downturn. Given the depth of the crisis, most beneficiaries require continued support throughout the year and prefer cash to in-kind assistance.

A further 200,000 very poor households received cash and in-kind assistance for coal heating to provide warmth over the severe winter.

These activities provided lessons that clarified the priorities for strengthening and improving the social safety net in Turkey. Of key importance are conditional cash transfers to help meet basic needs and cash for social assistance to the poorest 8 percent of the population, with the requirement that the beneficiaries keep their children in school and take their preschool children regularly to health clinics.

and institutions of voice and accountability generally are still nascent. The Bank's support for improving the investment climate and its support for improving public sector governance both have strong empowerment dimensions. The Bank is also promoting empowerment through emphasizing broad participation in the preparation of Poverty Reduction Strategy Papers (PRSPs). Three countries completed their interim PRSPs (I-PRSPs) during fiscal 2002: Azerbaijan, Bosnia and Herzegovina, and the Kyrgyz Republic. In addition, Albania completed a full PRSP, the first in the Europe and Central Asia region. In total, nine countries have

prepared I-PRSPs or full PRSPs (see <http://poverty.worldbank.org>). The Bank is supporting PRSP implementation using a mixture of country-specific instruments. Direct poverty reduction lending focused on improving the risk management capability of the poor in postconflict countries such as Bosnia and Herzegovina and the Federal Republic of Yugoslavia, and in economic crisis situations such as in Turkey. Many new operations will use community-driven development approaches to confront economic and social risks in a participatory manner, including multisectoral social funds in Bulgaria, the former Yugoslav Republic of Macedonia, Romania, Tajikistan, and Ukraine. These operations increasingly target persistent poverty among the long-term unemployed and ethnic minorities.

## **GLOBAL PRIORITIES**

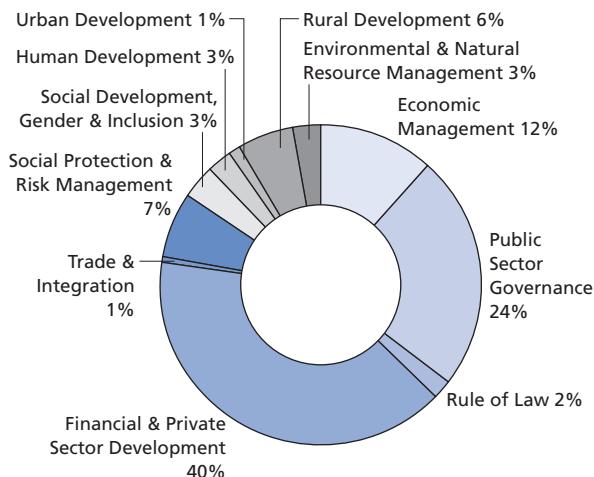
### **Fighting Communicable Diseases**

The number of people living with human immunodeficiency virus/acquired immune deficiency syndrome (HIV/AIDS) in Europe and Central Asia has dramatically increased to 1 million over the past decade, with one-quarter of infections occurring in the past three years. Tuberculosis (TB) is also on the rise, with approximately 250,000 new cases each year, many of which are multidrug-resistant. Due to the links between the two diseases, the Bank is providing technical and financial support for the development of stand-alone projects in Europe and Central Asia that aim to tackle the epidemics in Belarus, Moldova, Russia, and Ukraine. The Bank will also provide support to TB and AIDS activities in the context of health sector projects in other countries in the region.

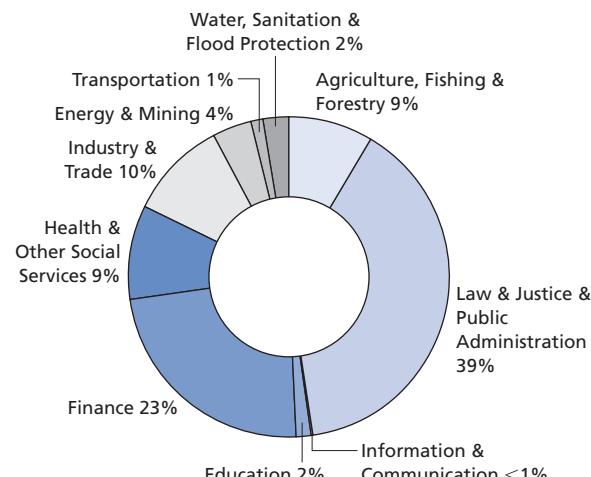
### **Protecting the Environment**

Ozone-depleting substance phaseout work was completed in Russia under a GEF operation that began in the late 1990s. Projects in Croatia, Romania, and Ukraine were added to the Bank's GEF portfolio, and implementation of a forestry project commenced in Russia. Support was provided to establish effective public-private partnerships for improved environmental performance in Bulgaria; to deal with inherited environmental problems in Albania and Turkey; to use economic instruments and manage public finances for enhanced environmental protection in the Republic of Serbia, Federal Republic of Yugoslavia, and Ukraine; and to help EU accession candidates to identify cost-

**Figure 5.7 Europe and Central Asia: IBRD and IDA Lending by Theme, Fiscal 2002**  
Share of total of \$5.5 billion



**Figure 5.8 Europe and Central Asia: IBRD and IDA Lending by Sector, Fiscal 2002**  
Share of total of \$5.5 billion



effective investment strategies to comply with EU environmental standards.

### Supporting Trade and Integration

There are substantial untapped opportunities for cooperation in many of Europe and Central Asia's subregions. Together with the European Commission, Europe and Central Asia programs provide support to EU accession candidates on numerous subregional activities, including transportation, environment, energy, and knowledge economy strategies. Analytical work on trade issues has also been undertaken for the countries of Southeast Europe that are not EU accession candidates, including five country studies, a regional report in progress, and technical assistance. In the CIS-7, studies of trade, transportation, and telecommunications have been carried out. Bank support for trade integration in Russia and Ukraine is focusing on technical assistance for WTO accession.

### Improving Information and Knowledge

The Bank has initiated a dialogue with EU accession candidates to help the countries develop strategies to increase their international competitiveness through more effective use of knowledge and technology in both the public and private sectors. Approaches taken in these countries could provide lessons and experience

throughout the region. The Bank has also begun to implement a broad-based program for the establishment of a Global Development Learning Network (GDLN). In addition to the distance learning center established in Ukraine last year, four additional centers became affiliated with the GDLN in fiscal 2002: two in Turkey and one each in Russia and the Federal Republic of Yugoslavia. Work has also commenced on the establishment of an additional 10 to 12 centers in eight countries in the region.

### International Financial Architecture

The Bank was an active participant in the Financial Sector Assessment Program, with assessments completed during the fiscal year in Croatia, Georgia, and Latvia, and six additional assessments initiated for completion in fiscal 2003 and 2004 in Bulgaria, the Kyrgyz Republic, Lithuania, Russia, the Slovak Republic, and Ukraine. As part of the review of standards and codes incorporated in these assessments, evaluations of the legal and institutional framework for dealing with money laundering and terrorist financing are now being incorporated in the analyses. The Bank has also hosted, with the World Bank Institute, the first regional dialogue—Involving five countries in the region—on issues related to combating money laundering and terrorist financing.

**Table 5.4 World Bank Lending to Borrowers in Europe and Central Asia, by Theme and Sector,  
Fiscal 1993–2002**  
(millions of dollars)

	1993–97 (annual average)	1998–99 (annual average)	2000	2001	2002
<b>THEME</b>					
Economic Management	328.5	723.2	98.6	127.4	636.1
Public Sector Governance	384.8	547.7	227.8	95.6	1,313.7
Rule of Law	67.5	80.1	160.2	77.4	106.6
Financial and Private Sector Development	1,769.1	1,908.0	890.7	1,074.0	2,210.8
Trade and Integration	319.9	91.6	143.5	138.4	32.5
Social Protection and Risk Management	247.1	575.6	530.1	381.2	363.9
Social Development, Gender, and Inclusion	42.9	126.9	43.6	65.1	188.8
Human Development	177.9	217.6	278.9	51.1	138.3
Urban Development	287.8	248.9	153.6	383.9	65.4
Rural Development	269.7	331.5	213.4	137.6	309.9
Environmental and Natural Resource Management	374.9	404.3	301.7	161.3	157.5
<b>Theme Total</b>	<b>4,270.2</b>	<b>5,255.1</b>	<b>3,042.2</b>	<b>2,693.1</b>	<b>5,523.6</b>
<b>SECTOR</b>					
Agriculture, Fishing, and Forestry	237.5	114.5	317.8	139.0	470.4
Law and Justice and Public Administration	774.8	1,568.5	796.4	445.2	2,170.9
Information and Communication	55.3	4.5	151.9	8.7	9.6
Education	70.7	299.2	22.7	62.5	83.2
Finance	461.7	484.0	176.6	803.6	1,295.9
Health and Other Social Services	306.9	359.7	277.8	281.9	524.7
Industry and Trade	835.7	817.4	604.7	296.5	552.1
Energy and Mining	889.6	849.2	398.6	336.6	218.0
Transportation	496.2	533.1	207.1	118.3	67.1
Water, Sanitation, and Flood Protection	141.6	225.0	88.5	200.7	131.7
<b>Sector Total</b>	<b>4,270.2</b>	<b>5,255.2</b>	<b>3,042.1</b>	<b>2,693.1</b>	<b>5,523.6</b>
Of which IBRD	3,907.6	4,406.3	2,733.0	2,154.0	4,894.7
Of which IDA	362.6	848.9	309.1	539.0	628.9

Note: Lending is summarized in the 11 main theme categories and 10 main sector categories in the new thematic-sectoral coding system, which includes 68 themes and 57 sectors. See table 2.2, page 30. Numbers may not add to totals because of rounding.



## Latin America and the Caribbean

While the economy of Latin America and the Caribbean recovered from the shocks triggered by the 1998–99 crises in Asia and Russia, the recovery was short lived. After increasing from 0.1 percent in 1999 to 3.9 percent in 2000, the region's annual gross domestic product (GDP) growth declined to 0.4 percent in 2001. It is expected to decline slightly in 2002 as a result of a weak global economy, a sharp contraction in Argentina, and drought in Brazil and Central America.

A decline in the growth of world trade and drops in export commodity prices reduced Latin America and the Caribbean's export revenue growth to 1.4 percent in 2001, after a 19 percent rise in 2000. The trade surpluses of oil exporters decreased, but trade balances increased in other countries in the region as they imported less due to slower GDP growth. Overall, the region's trade surplus increased by \$17 billion, while the current account deficit widened by \$5 billion as a result of lower receipts from tourism and remittances.

Evidence of progress toward achieving the Millennium Development Goals in Latin America and the Caribbean surfaced in 1999 data showing that the proportion of people living on less than \$1 a day had declined from 16.8 percent in 1990 to 15.1 percent. Some of these gains were likely lost in 2001 due to a decline in per capita GDP growth, especially in Central America and the Caribbean, which was hit by drought, low coffee prices, a drop in tourist traffic after September 11, and a decline in foreign remittances stemming from the U.S. economic slowdown. Given expected trends in per capita GDP, poverty will likely rise in 2002 and perhaps decline modestly in 2003. Increases in poverty levels will be

most pronounced in Argentina and neighboring countries affected by its crisis.

### WORLD BANK ASSISTANCE

In fiscal 2002 the Bank's strategy in Latin America and the Caribbean remained focused on fighting poverty while including adjustments to respond quickly to urgent social needs prompted by events such as the economic crisis in Argentina, a slump in Caribbean tourism, and reconstruction in El Salvador after two earthquakes in early 2001. In Jamaica and the Organization of Eastern Caribbean States, where airline tourist visits dropped following the terrorist attacks, the Bank provided \$75 million and \$20.9 million, respectively, to protect social programs and to strengthen airport security. The Bank's new assistance strategy for El Salvador coincided with the reconstruction effort there and included a \$142.6 million loan to help restore health services undermined by the 2001 earthquakes that severely damaged hospitals and health facilities. The Bank's commitment to fighting communicable diseases was underscored in Latin America and the Caribbean, too, with support for acquired immune deficiency syndrome (AIDS) prevention and treatment in Barbados, Brazil, the Dominican Republic, and Jamaica.

In Argentina, as economic conditions deteriorated during 2001, the Bank provided a \$400 million structural adjustment loan to bolster the government's efforts to reverse increasing market pessimism. By year's end, however, a serious economic and political crisis triggered an abrupt change in government and economic policies. The Bank responded with advice and technical support in key areas such as the banking sector, corporate debt restructuring, renegotiations of public utility tariffs, and provincial finances, while also redirecting

#### Countries Eligible for World Bank Borrowing:

Antigua and Barbuda  
Argentina  
Belize  
Bolivia  
Brazil  
Chile  
Colombia  
Costa Rica  
Dominica  
Dominican Republic  
Ecuador  
El Salvador  
Grenada  
Guatemala  
Guyana  
Haiti  
Honduras  
Jamaica  
Mexico  
Nicaragua  
Panama  
Paraguay  
Peru  
St. Kitts and Nevis  
St. Lucia  
St. Vincent and the Grenadines  
Suriname  
Trinidad and Tobago  
Uruguay  
Venezuela, República Bolivariana de

## Latin America and the Caribbean Fast Facts

Total population: 0.5 billion

Population growth: 1.5%

Life expectancy at birth: 70 years

Infant mortality per 1,000 births: 29

Female youth illiteracy: 6%

2001 GNI per capita: \$3,560

**Number of persons living with HIV/AIDS: 1.9 million**

*Note: Life expectancy at birth, infant mortality rate per 1,000 births, and female youth illiteracy are for 2000, other indicators are for 2001, from the World Development Indicators database. The term gross national income (GNI) is now used instead of gross national product (GNP).*

### Total FY02

#### New Commitments

IBRD \$4,188.1 million

IDA \$177.8 million

### Total FY02

#### Disbursements

IBRD \$3,505.1 million

IDA \$272.5 million

Portfolio of projects under implementation as of June 30, 2002: \$22.4 billion



*World Bank support for construction of over 11,000 km of roads has helped reduce poverty in Peru's Sierra by ending the isolation of rural municipalities and creating 4,700 jobs in road maintenance microenterprises.*

\$100 million from ongoing social sector operations to support an emergency social program. This included vaccines, maternal and child health care, blood

banks, public health care, human immunodeficiency virus (HIV) AIDS medicines, food kitchens, and educational supplies for high-risk schools. Work also began on another social protection program—to provide income supplements to the unemployed with dependents, and to respond to the needs of a growing number of families living in poverty.

With about 170 million of the region's 510 million people living on less than \$2 a day, of whom 70 million live on less than \$1 a day, the Bank's loans and analytical work seek to improve the investment climate while also supporting local efforts to empower people, communities, and governments. Specifically, the Bank's priorities in the region are education, strengthening the financial sector, social protection, institutional reform and governance, empowerment and inclusion of excluded groups, and environmental sustainability.

In fiscal 2002 the Bank approved financing to stimulate and improve productivity in rural communities by supporting small businesses, farming inputs, and land management. Support was also provided to expand basic health and education services to low-income communities, and to assist governments seeking to maintain fiscal balances as they undertook policy reforms and investments in infrastructure.

## BUILDING THE CLIMATE FOR INVESTMENT

Investment is essential to stimulating economic growth. The Latin America and the Caribbean region needs about \$70 billion a year over the next five years—equivalent to its total foreign direct investment in 2000—to build and upgrade water, sewerage, roads, power, and transportation systems. These infrastructure needs are expanding in concert with the region's rapid population growth, including large numbers of poor in the mushrooming cities, now home to 75 percent of the region's people. The Bank is responding to this demand with 82 infrastructure projects worth over \$8 billion that are currently under way. Private sector participation is also needed, within sound regulatory frameworks, to ensure that the poor have access to vital services at affordable prices. In Colombia the Bank provided \$40 million to support reform of municipal water utilities in the Caribbean coastal region in order to enable the private sector investment needed to extend water services to the poor. The strategy replicates a series of successful projects started in 1995 in Cartagena, which have resulted in about 50 water companies

delivering services with high customer satisfaction in several large municipalities across northern Colombia.

Conscious that investor confidence is won by countries whose governments are efficient and free of corruption, the Bank is working in partnership with Chile, Guatemala, Mexico, Nicaragua, and Panama. These partnerships support the modernization of financial management practices and the development of online government procurement practices that reduce red tape while strengthening impartiality and transparency. These efforts often complement Bank support for fiscal reform and decentralization, as in Argentina, Colombia, and Mexico, or judicial reform, as in El Salvador and Guatemala. They also integrate the use of new knowledge and information technologies, which are critical to increasing the global competitiveness of the region's economies.

## EMPOWERING POOR PEOPLE

The Bank is working with the nine states in Brazil's northeast and in Minas Gerais to combat rural poverty with decentralized, community-driven approaches. For example, during 2002 the Bank approved a project in the state of Sergipe to provide matching grants for rural community groups. The grants will help finance about 1,000 small-scale projects to create jobs and improve the health and well-being of some 52,000 families. This approach to social investment not only delivers water, health care, and agricultural extension services to poor families but also builds social capital and ensures that the communities themselves select and implement the projects. Similar community development projects are under way in Colombia, Ecuador, Honduras, Nicaragua, and Paraguay, and will be extended to the Amazon region.

Empowering poor people also includes initiatives to reach out to the region's indigenous people, about 80 percent of whom live in extreme poverty, as well as to communities largely composed of Afro-descendants. In Brazil, Ecuador, and Peru, the Bank is supporting projects tailored to assist indigenous communities to regularize communal land rights, to promote the use of indigenous knowledge for more environmentally sustainable land management practices, and to build project management capacity.

Recognition of legal title is an essential condition for poor farmers of all ethnic origins to improve their economic status. The Bank has supported an effort in Colombia whereby 58 Afro-Colombian



*These Achuar people of Ecuador's Amazon participate in the Indigenous and Afro-Ecuadorian People's Development Project. The Bank-supported project channels resources to over 4,000 communities to support land tenure regularization, farming inputs, microcredit schemes, and construction of schools and health posts.*

community councils in the Pacific coastal Chocó region gained title to almost 2.4 million hectares of rainforest on which they depend for hunting, fishing, and traditional farming. The Bank has supported similar land-titling initiatives in 10 countries, including Bolivia, El Salvador, Guatemala, Honduras, Nicaragua, and Panama.

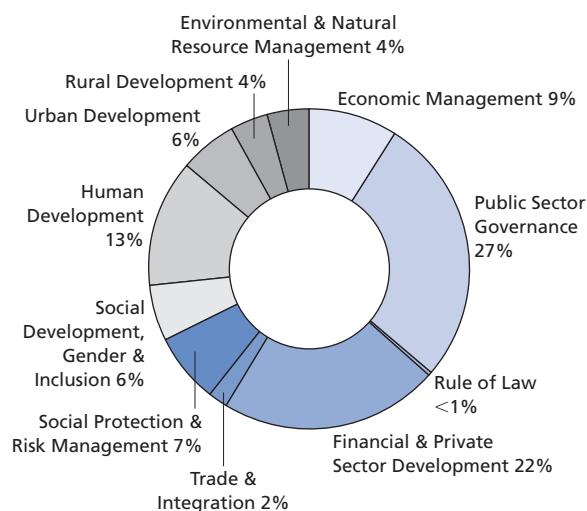
A vital element in this grassroots, community-oriented approach is the Bank's effort to engage civil society in developing its lending and knowledge products, especially in the rural, environmental, health, education, and social protection sectors, but increasingly in projects in judicial reform and infrastructure as well. Under the aegis of a new framework (see [www.worldbank.org/laccs](http://www.worldbank.org/laccs)), the Latin America and the Caribbean region is also beginning to engage civil society around the Bank's adjustment and programmatic lending in order to provide information on Bank projects to communities so that they can assess their impact and implementation. In Peru, for example, the Bank is backing a government-led effort to provide information on social programs, expenditures, and statistics to citizens in order to involve them in planning services and budgets at the local and national level, and to strengthen their capacity to monitor and evaluate public services (see box 5.6).

#### BOX 5.6 RESOURCE EXPORTS OFFER PATH TO KNOWLEDGE ECONOMY JOBS

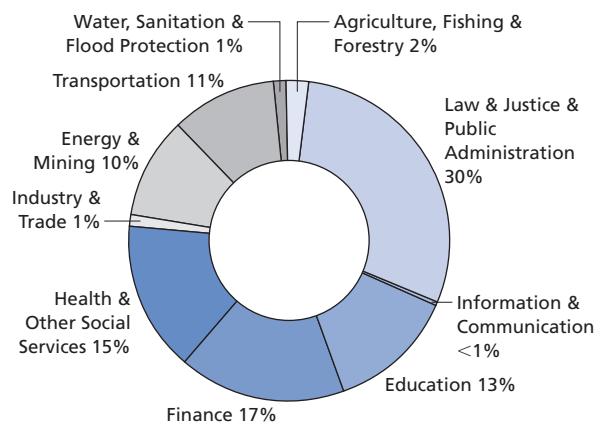
Natural resources are an asset for countries in Latin America and the Caribbean seeking to create high-quality jobs in the knowledge economy, according to a World Bank study. Despite recent stagnation of prices for many primary commodities and some disquieting trends in job quality and unemployment in the region, *From Natural Resources to the Knowledge Economy—Trade and Job Quality* presents evidence that, “rich endowments of natural resources, combined with aggressive pursuit and adoption of more productive technologies, are a proven growth recipe.”

Citing experiences in countries including Australia, Canada, Finland, and some Latin American countries, the report argues that it is not so much *what* is produced, but *how* it is produced. The critical complementary ingredients are high levels of human capital and knowledge networks that generate innovation and adoption of foreign technologies. The region’s countries, it recommends, should pursue trade openness, develop human capital and innovation networks, and “not turn their backs on their natural wealth.”

**Figure 5.9 Latin America and the Caribbean: IBRD and IDA Lending by Theme, Fiscal 2002**  
Share of total of \$4.4 billion



**Figure 5.10 Latin America and the Caribbean: IBRD and IDA Lending by Sector, Fiscal 2002**  
Share of total of \$4.4 billion



**Table 5.5 World Bank Lending to Borrowers in Latin America and the Caribbean, by Theme and Sector,  
Fiscal 1993–2002**  
(millions of dollars)

	1993–97 (annual average)	1998–99 (annual average)	2000	2001	2002
<b>THEME</b>					
Economic Management	437.3	694.0	587.6	570.1	391.0
Public Sector Governance	505.2	825.2	519.9	1,099.7	1,182.8
Rule of Law	70.0	94.1	111.7	202.2	15.5
Financial and Private Sector Development	1,295.4	1,626.9	1,056.1	985.4	965.4
Trade and Integration	121.7	144.6	160.7	218.3	83.9
Social Protection and Risk Management	415.2	1,002.4	901.2	530.0	310.4
Social Development, Gender, and Inclusion	253.4	359.1	141.5	371.7	248.9
Human Development	565.9	786.9	157.7	471.2	560.4
Urban Development	480.3	576.9	53.3	202.0	251.9
Rural Development	462.6	613.3	103.0	580.8	168.3
Environmental and Natural Resource Management	588.1	164.8	270.8	68.8	187.4
<b>Theme Total</b>	<b>5,195.2</b>	<b>6,888.3</b>	<b>4,063.5</b>	<b>5,300.1</b>	<b>4,365.8</b>
<b>SECTOR</b>					
Agriculture, Fishing, and Forestry	285.3	326.4	104.1	72.3	85.0
Law and Justice and Public Administration	1,101.3	2,208.9	1,787.8	1,722.9	1,299.5
Information and Communication	20.6	17.2	28.7	97.8	16.5
Education	601.4	659.8	62.8	529.1	560.4
Finance	708.2	1,089.5	1,195.1	950.5	734.1
Health and Other Social Services	514.6	1,150.5	360.2	904.7	660.5
Industry and Trade	154.9	204.2	165.3	38.3	51.4
Energy and Mining	254.5	98.1	79.3	107.6	445.6
Transportation	988.1	875.6	11.6	650.3	463.1
Water, Sanitation, and Flood Protection	566.3	258.0	268.7	226.6	49.8
<b>Sector Total</b>	<b>5,195.2</b>	<b>6,888.3</b>	<b>4,063.5</b>	<b>5,300.1</b>	<b>4,365.8</b>
Of which IBRD	4,897.2	6,406.4	3,898.1	4,806.7	4,188.1
Of which IDA	297.9	481.9	165.4	493.4	177.8

Note: Lending is summarized in the 11 main theme categories and 10 main sector categories in the new thematic-sectoral coding system, which includes 68 themes and 57 sectors. See table 2.2, page 30. Numbers may not add to totals because of rounding. In fiscal 2002 \$15 million in new IBRD commitments were approved for a project in Jamaica under the Multicountry HIV/AIDS Prevention and Control Project for the Caribbean (\$155 million was earmarked in fiscal 2001).



Countries  
Eligible for  
World Bank  
Borrowing:

Algeria  
Djibouti  
Egypt, Arab  
Republic of  
Iran, Islamic  
Republic of  
Iraq  
Jordan  
Lebanon  
Morocco  
Syrian Arab  
Republic  
Tunisia  
Yemen,  
Republic of

*This section also  
reports on the  
West Bank and  
Gaza.*

## Middle East and North Africa

The Middle East and North Africa region was strongly impacted by the aftermath of events of September 11, with sharp declines in exports to Europe, the Middle East and North Africa's main trading partner. In addition, continued violence in the Middle East has worsened investors' perception of risks and is slowing down already limited foreign direct investment in the region. In 2001 economic growth had slowed to 3.1 percent (down from 4.2 percent the previous year), with sharp declines among oil exporters (from 3.6 percent to 2.5 percent), and more moderate declines among the diversified exporters (0.5 percentage points).

The lack of higher and sustained growth throughout the Middle East and North Africa has made the region's greatest challenge—finding sufficient employment opportunities for the rapidly growing labor force—substantially more difficult. Although only 2.3 percent of the population is living on less than \$1 a day, poverty remains a prime concern, with some 30 percent of the population living on less than \$2 a day.

### WORLD BANK ASSISTANCE

The Bank's overarching objectives in the region are to strengthen the momentum for building a climate for investment, job creation, and sustainable growth; and to empower the poor to become assets in the development process. During fiscal 2002 the Bank has worked to better identify the key sources and impediments to growth, particularly in Algeria, the Arab Republic of Egypt, the Islamic Republic of Iran, Jordan, Lebanon, the Syrian Arab Republic, and in the West Bank and Gaza (see box 5.7). With

private sector development becoming a prime source of job creation, the Bank has worked extensively to improve the investment climate in the region. Projects and advisory services to strengthen financial sectors in Algeria and the Republic of Yemen; trade and competitiveness in Tunisia; private sector development in Algeria; and information technology in the West Bank and Gaza, Tunisia, and the Republic of Yemen are good examples. The weight of the public sector and governance issues also constitutes a serious impediment to more rapid growth. Work in fiscal 2002 has focused on improving public expenditure efficiency and public sector management in Algeria, Djibouti, Jordan, and Morocco, and decentralization in Algeria, Jordan, Tunisia, and the Republic of Yemen.

#### BOX 5.7 WEST BANK AND GAZA—SUPPORT IN A CONFLICT-AFFECTED AREA

In the West Bank and Gaza the Emergency Services Support Project addresses the deterioration of education, health, and social welfare services in the face of increasing inability of central institutions to meet nonsalary operating costs. The project targets key social service delivery agencies and municipalities, enabling them to help the segments of the population hardest hit by the ongoing conflict. The recently completed Emergency Response Program addressed rising unemployment and poverty by offering work opportunities to the most needy through community-based, labor-intensive microprojects. Both programs leveraged considerable donor funds.

## Middle East and North Africa Fast Facts

Total population: 0.3 billion  
Population growth: 2%  
Life expectancy at birth: 68 years  
Infant mortality per 1,000 births: 43  
Female youth illiteracy: 24%  
2001 GNI per capita: \$2,000  
**Number of persons living with HIV/AIDS: 0.5 million**

*Note: Life expectancy at birth, infant mortality rate per 1,000 births, and female youth illiteracy are for 2000, other indicators are for 2001, from the World Development Indicators database. The term gross national income (GNI) is now used instead of gross national product (GNP).*

**Total FY02**  
**New Commitments**  
IBRD \$451.8 million  
IDA \$102.7 million

**Total FY02**  
**Disbursements**  
IBRD \$514.6 million  
IDA \$117.0 million

Portfolio of projects under implementation as of June 30, 2002: \$5.4 billion



A group of Yemeni women in a focus group meeting in a rural area in the Republic of Yemen with a Social Fund member during a subproject identification.

Poverty assessments for Djibouti, Egypt, the Islamic Republic of Iran, and the Republic of Yemen, and social protection analyses for Lebanon, Morocco, and the region as a whole, have contributed to a better understanding of poverty and social exclusion issues. Under process-oriented economic and sector work, engagement with civil society actors in Morocco is giving over 200 civil society organizations a voice in identifying and addressing the challenges they face in participating in the development process. Ongoing work to strengthen education and health systems in Djibouti, Egypt, the Islamic Republic of Iran, Jordan, Lebanon, Morocco, the Republic of Yemen, and the region as a whole also includes key elements to protect the poor. Finally, the region has launched a series of studies to analyze and advise on the various aspects of regional and global integration.

To achieve its objectives in the region, the Middle East and North Africa region is intensifying its partnership-building, knowledge-sharing, and outreach efforts at the strategy and implementation levels. At the regional level there is coordination with the African Development Bank and the Islamic Development Bank. The Luxembourg Process ensures semi-annual coordination meetings among the European Union, the European Investment Bank, the International Monetary Fund, and the Middle East and North Africa. In the West Bank and Gaza, where donor partnership is critical, 13 bilateral and multilateral agencies collaborated with the Bank and Palestinian technical specialists to prepare a comprehensive Emergency Assessment; the Bank-administered Palestinian Economic Assistance and Cooperation Expansion Facility has leveraged \$26 million from five donors for an emergency employment program. At the thematic level, partnerships such as the Mediterranean Environmental Technical Assistance Program, the Regional Water Initiative, and Cultural Heritage are leveraging the Bank's work on sustainable development (see box 5.8). The jointly funded European Union–World Bank Program on Private Participation in Mediterranean Infrastructure, based in Brussels, helps promote key private sector and infrastructure reforms in client countries. Public sector management is fostered through the Maghreb Public Procurement Modernization Initiative (see [www.worldbank.org/mena](http://www.worldbank.org/mena)).

In its knowledge-sharing activities the Middle East and North Africa region is piloting a nonlending, programmatic instrument to support the region's countries on the basis of mutually agreed-on medium-term

outcomes. The new instrument will entail activities such as diagnostic pieces, training, and peer learning. It responds to the countries' need for vehicles other than lending to deliver sustained engagement by the Bank on issues facing them. The Global Development Learning Network has now expanded from two distance-learning centers in Amman, Jordan, and Cairo, Egypt, to partners in Saudi Arabia and Kuwait. Work is ongoing to establish new partnerships in Bahrain, the Islamic Republic of Iran, Oman, the United Arab Emirates, and the Republic of Yemen. Work is also ongoing on the Development Gateway for sites in Jordan, Morocco, and the West Bank and Gaza.

#### **BOX 5.8 ENVIRONMENT PARTNERSHIP AND LEARNING—A TALE OF THE COMMONS**

Under the Regional Initiative for Dryland Management, the Bank supports the partners—Egypt, Israel, Jordan, the Palestinian Authority, and Tunisia—in developing technical cooperation and sharing of know-how on sustainable management of natural resources in order to increase productivity and improve living standards in marginal areas. In the Gabes Governorate in Tunisia, the Initiative encourages young farmers to settle in the Dissa perimeter and start irrigated farming using the treated wastewater of the Gabes plant, thereby creating jobs and, at the same time, conserving the natural resource base. In Jordan (Wadi Mujib area), new water harvest structures have weathered a severe three-year drought, and plans are under way to scale up this technology to other areas. Earthen banks used for water harvesting have been reinforced by planting cactus—a technology introduced from Tunisia. The cactus, in turn, is harvested by farmers as feed for their livestock and as a source of income. In Egypt, in the northeast Wadi Um Ashtan catchment, an intensive seed collection program for adapted forage and feed species conducted with local Bedouins was combined with maintenance of simple water-harvesting techniques to literally transform the area from a bare, sterile zone receiving only an annual average of 150 millimeters of rainfall to a productive one.

The above-mentioned objectives are also being met through a demand-driven process under the region's Reimbursable Technical Assistance Program. These nonlending services, part of a long-standing technical assistance partnership with countries in the region not eligible for World Bank lending, have included work on diversification, human resource development, private sector development, and public sector reform, among others. Technical assistance has taken the form of technical and policy advice, capacity building, project design and implementation, and consensus building. While in most cases this work has been done on an ad hoc basis, there has been a shift toward a comprehensive and country-owned technical assistance framework. Saudi Arabia has a long-standing fixed program with the Bank, and Kuwait has just initiated its fixed

annual Technical Cooperation Program work as well. Here, the Bank is advising on the investment climate, employment generation, private sector participation, and infrastructure sector reform, among others.

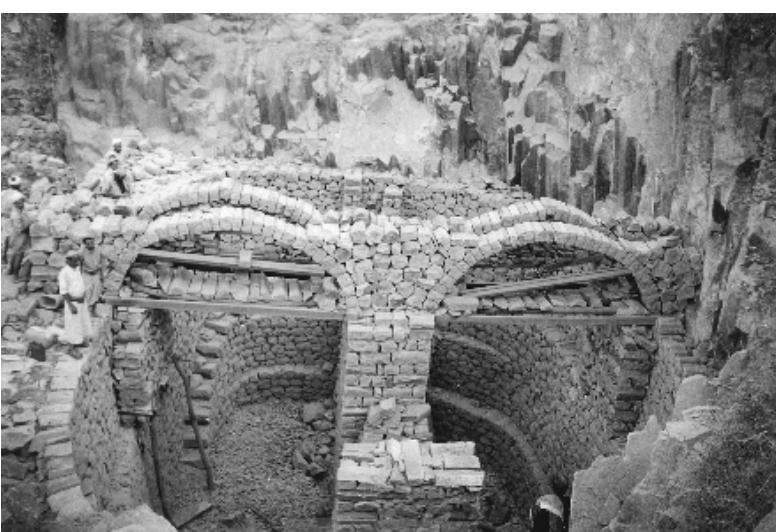
#### **BUILDING THE CLIMATE FOR INVESTMENT**

Strengthening the climate for investment, jobs, and sustainable growth remains a major focus. Most countries in the Middle East and North Africa have made substantial progress in implementing macroeconomic policies to support the investment climate. But significant challenges remain on issues such as reducing excessive regulation and bureaucratic red tape; improving the tax, customs, and investor regimes; ensuring the efficient functioning of financial and labor markets; and widening access to high-quality and affordable infrastructure, particularly for small and medium enterprises (SMEs).

In Morocco an Investment Climate Assessment highlighted measures to encourage the growth and entry of new firms. In Tunisia a joint Bank-government program, Fonds d'Accès aux Marchés d'Exportation (FAMEX), is providing assistance to private companies in areas such as export marketing. In 2001 alone the program attracted more than 100 new export firms. To support SME access to markets and information, the Bank recently launched an SME Exchange Program in Algeria (in addition to Morocco and Tunisia), linking chambers of commerce from both shores of the Mediterranean. Jordan currently is host to the most successful privatization program in the region, generating revenues so far of nearly 12 percent of gross domestic product (GDP), creating more than 6,000 jobs, and providing benefits to consumers in the form of declining telecommunications rates, shorter waits for telephone lines, and, in the transportation sector, higher numbers of available buses leading to higher levels of ridership. This is a partnership under which the World Bank Group manages a substantial trust fund for the U.S. Agency for International Development that supports the Jordan Privatization Program.

#### **EMPOWERING POOR PEOPLE**

During fiscal 2002 numerous World Bank-supported initiatives have contributed to the empowerment of poor and vulnerable people. Most prominent among these are the Social Fund Programs. In Algeria, in the worst of the *bidonvilles* (shantytowns in high-risk secu-



*Traditional water harvesting in the Republic of Yemen through community contracting.*

rity zones where no social services were provided), a program to develop 28 social services centers has brought the communities a large array of services, including psychological, psychiatric, and physical rehabilitation for victims of terrorism; outreach to school dropouts; parent health and education awareness programs; social rights information; immunizations; youth sports; and cultural programs.

In the Republic of Yemen and in Egypt, social funds are creating a culture of community participation by establishing effective partnerships and building capacity among local communities, government ministries, and nongovernmental organizations (NGOs). Empowerment is embodied in community structures such as parent councils, health communities, and water-user associations. Subprojects encompass education and health services, innovative water-harvesting projects, environmental activities, microfinance, employment creation, and cultural heritage activities having a direct impact on tourism, with direct income going to communities. In the Republic of Yemen 4.6 million people have benefited directly, and about 1 million indirectly, from these activities. In Egypt, increasing girls' enrollment in basic education is a major goal of Bank-supported education and social fund programs. Under the Egypt Education Enhancement Project (EEP), new schools were built in isolated, deprived communities, increasing enrollment and reducing overcrowding. The EEP also raised parental demand for girl's education through more than 200 community awareness cam-

paigns, combined with support for more than 22,000 disadvantaged children. NGOs, community leaders (including women), and religious leaders are playing a key role in convincing parents to send their children, and especially their daughters, to school. The recent Health Support Project to the Republic of Yemen illustrates the Bank's multipronged approach to health sector issues in the region. The project will strengthen health services delivery by providing a package of integrated maternal and child health services in eight districts serving close to 1.5 million Yemeni; it will enhance the public health program to combat endemic diseases such as malaria; and it will improve health system management for more effective allocation and efficient use of limited resources.

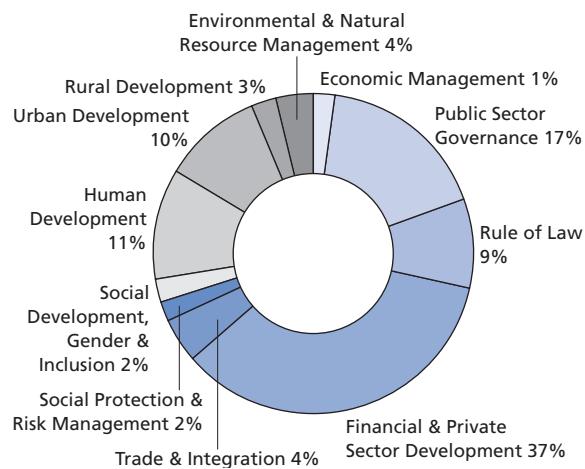
## GLOBAL PRIORITIES

### Communicable Diseases

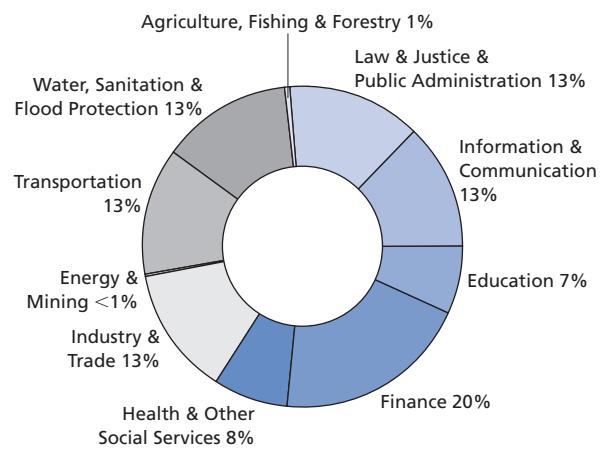
In Egypt a Bank project has supported the expansion of the National Schistosomiasis Control Program (NSCP) and provided technical assistance to strengthen capacity in scientific research and public health programming. Today the NSCP covers the entire rural population of Egypt, about 35 million. In Morocco the Bank, under the Basic Health Project, has supported the Tuberculosis (TB) Control and Expanded Immunization Programs leading to increased capacity and decentralization. For TB, both case detection and therapeutic rates have reached 90 percent, with the treatment failure rate at less than 1 percent. Coverage rates for DPT3 (the final dose of diphtheria, pertussis, and tetanus immunization) and measles vaccines in children less than 1 year old are 92 percent and 90 percent, respectively, with nonsignificant differentials between urban and rural areas. Under the same project the Bank supported the elaboration of Morocco's national human immunodeficiency virus/acquired immune deficiency syndrome (HIV/AIDS) action plan, which was validated by the government during a national workshop in the fall of 2001.

Countries in the Middle East and North Africa devote over 5 percent of their GDP to their health systems. Health outcomes, however, are often disappointing because health systems face serious organizational, quality, and efficiency problems. The Bank is assisting the countries through projects and advisory services focusing on broader systemic reforms in Egypt, the Islamic Republic of Iran, Jordan, Morocco, and Tunisia.

**Figure 5.11 Middle East and North Africa: IBRD and IDA Lending by Theme, Fiscal 2002**  
Share of total of \$0.6 billion



**Figure 5.12 Middle East and North Africa: IBRD and IDA Lending by Sector, Fiscal 2002**  
Share of total of \$0.6 billion



### Trade and Integration

Recognizing the slow pace of global integration in Middle East and North Africa countries, the Bank actively supports global integration through lending and nonlending services. Benefits of these programs are now observable in the field in Jordan, Morocco, and Tunisia as customs procedures have become simpler. Under an Economic Competitiveness Adjustment Loan, Tunisian exporters have obtained reimbursements for tax credits in 30 days instead of up to six months. Jordanian authorities opened the Aqaba Special Economic Zone in May 2001, providing a "first world business environment" for enterprises, mainly export-oriented enterprises, to which the Bank contributed resources under an Economic Restructuring and Development Loan. Assisted in part by Bank technical expertise, Jordan has accelerated its privatization programs since January 2000 with Jordan Telecom, Air-

port Duty Free Shops, and the Jordan Flight Catering Company, bringing in foreign investment and resulting in clear benefits to customers. In Morocco the Bank's Policy Reform Loan initiated a major customs reform under its public sector reform component. This has reduced the average wait for customs clearance from two days to less than one day.

### International Financial Architecture

In fiscal 2002, Bank efforts to enhance the international financial infrastructure included Financial Sector Assessment Papers, under way in Morocco and completed in Tunisia; the Country Financial Accountability Assessment in Egypt; and accounting and auditing Reports on the Observance of Standards and Codes (ROSC), under way in Egypt and Morocco. In addition, a ROSC on corporate governance was completed in Morocco.

**Table 5.6 World Bank Lending to Borrowers in Middle East and North Africa, by Theme and Sector,  
Fiscal 1993–2002**  
(millions of dollars)

	1993–97 (annual average)	1998–99 (annual average)	2000	2001	2002
<b>THEME</b>					
Economic Management	50.5	5.2	0.0	11.9	5.0
Public Sector Governance	79.5	89.8	130.6	102.6	93.3
Rule of Law	16.1	59.5	9.3	56.5	49.1
Financial and Private Sector Development	350.4	361.1	61.8	78.8	204.1
Trade and Integration	28.3	38.8	3.0	3.4	24.8
Social Protection and Risk Management	68.3	87.4	100.0	5.6	11.0
Social Development, Gender, and Inclusion	69.0	64.5	71.6	52.5	13.4
Human Development	94.0	179.0	187.9	35.7	61.9
Urban Development	140.8	125.9	143.5	46.7	55.8
Rural Development	214.3	175.3	89.2	86.4	14.5
Environmental and Natural Resource Management	204.1	94.2	123.3	27.5	21.7
<b>Theme Total</b>	<b>1,305.2</b>	<b>1,280.8</b>	<b>920.0</b>	<b>507.5</b>	<b>554.5</b>
<b>SECTOR</b>					
Agriculture, Fishing, and Forestry	234.8	147.9	120.6	46.5	2.9
Law and Justice and Public Administration	127.4	236.0	108.9	161.5	74.7
Information and Communication	11.0	33.8	1.3	59.2	69.9
Education	97.2	94.2	197.1	72.3	38.0
Finance	161.8	190.8	5.3	0.0	110.5
Health and Other Social Services	98.2	159.8	158.9	39.3	41.7
Industry and Trade	170.9	168.6	47.9	27.0	71.7
Energy and Mining	82.2	56.8	0.0	0.0	1.3
Transportation	146.5	81.7	59.6	82.8	70.9
Water, Sanitation, and Flood Protection	175.3	110.9	220.5	19.0	73.1
<b>Sector Total</b>	<b>1,305.2</b>	<b>1,280.8</b>	<b>920.0</b>	<b>507.5</b>	<b>554.5</b>
Of which IBRD	1,155.7	955.5	760.3	355.2	451.8
Of which IDA	149.5	325.3	159.8	152.3	102.7

Note: Lending is summarized in the 11 main theme categories and 10 main sector categories in the new thematic-sectoral coding system, which includes 68 themes and 57 sectors. See table 2.2, page 30. Numbers may not add to totals because of rounding.





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## Organizational Information

# Governors and Alternates

## June 30, 2002

Member	Governor	Alternate
Afghanistan	Hedayat Amin-Arsala	(vacant)
Albania	Kastriot Islami	Fatos Ibrahim
Algeria	Mohamed Terbeche	Omar Bougara
Angola	Ana Dias Lourenco	Job Graca
Antigua and Barbuda +	Lester B. Bird	Asot A. Michael
Argentina	Roberto Lavagna	Mario Blejer
Armenia	Vahram Nercissiantz	Karen Chshmarityan
Australia	Peter Costello	Chris Gallus
Austria	Karl-Heinz Grasser	Thomas Wieser
Azerbaijan	Elman Siradjogly Rustamov	Jahangir Fevzi Hajiyev
Bahamas, The +	William C. Allen	Ruth R. Millar
Bahrain +	Abdulla Hassan Saif	Zakaria Ahmed Hejres
Bangladesh	M. Saifur Rahman	Anisul Huq Chowdhury
Barbados	Reginald Farley	Grantley W. Smith
Belarus +	Andrei V. Kobyakov	Vladimir N. Shimov
Belgium	Didier Reynders	Guy Quaden
Belize	Ralph Fonseca	Sydney Campbell
Benin	Bruno Amoussou	Lazare Sehoueto
Bhutan	Yeshey Zimba	(vacant)
Bolivia	Jacques Trigo Loubiere	Bernardo Requena Blanco
Bosnia and Herzegovina	Azra Hadziahmetovic	Mladen Ivanic
Botswana	Baledzi Gaolathe	Serwalo S.G. Tumelo
Brazil	Pedro Sampaio Malan	Arminio Fraga Neto
Brunei Darussalam +	Haji Hassanal Bolkiah	Yakub Abu Bakar
Bulgaria +	Milen Veltchev	Martin Mihaylov Zaimov
Burkina Faso	Jean Baptiste Compaore	Etienne Yameogo
Burundi	Edouard Kadigiri	Dieudonne Nintunze
Cambodia	Keat Chhon	Ouk Rabun
Cameroon	Martin Okouda	Daniel Njankouo Lamere
Canada	John Manley	Leonard M. Good
Cape Verde	Carlos Augusto Duarte Burgo	(vacant)
Central African Republic	Alexis Ngomba	Clement Eregani
Chad	Mahamat Ali Hassan	Maina Touka Sahanaye
Chile	Nicolas Eyzaguirre	Mario Marcel
China	Xiang Huaicheng	Jin Liqun
Colombia	Juan Manuel Santos Calderon	Juan Carlos Echeverry
Comoros	Djaffar Mmadi	Moindjje Saadi
Congo, Democratic Republic of	Matungulu Mbuyamu Ilankir	Jean-Claude Masangu Mulongo
Congo, Republic of	Mathias Dzon	Clement Mierassa
Costa Rica	Jorge Walter Bolanos Rojas	Eduardo Lizano Fait
Côte d'Ivoire	Affi N'Guessan	Bouabre Bohoun
Croatia	Mato Crkvenac	Josip Kulisic
Cyprus	Takis Klerides	Andreas Tryfonides
Czech Republic	Jiri Rusnok	Oldrich Dedek
Denmark	Per Stig Moller	Carsten Staur
Djibouti	Yacin Elmi Bouh	Nouh Omar Miguil
Dominica	Swinburne Lestrade	Ambrose M. J. Sylvester
Dominican Republic	Francisco M. Guerrero Prats-R.	Luis Manuel Piantini
Ecuador	Carlos Julio Emanuel	Julio Ponce Arteta
Egypt, Arab Republic of	Medhat Hassanein	Faiza Abulnaga

Member	Governor	Alternate
El Salvador	Juan Jose Daboub	Rafael Barraza
Equatorial Guinea	Fortunato Ofa Mbo	Melchor Esono Edjo
Eritrea	Berhane Abrehe	Kibrom Dafla
Estonia +	Harri Ounapuu	Renaldo Mandmets
Ethiopia	Sufian Ahmed	Mekonnen Manyazewal
Fiji	Jone Yavala Kubuabola	Solomone S. Kotobalavu
Finland	Sauli Niinisto	Satu Hassi
France	Francis Mer	Jean-Pierre Jouyet
Gabon	Casimir Oye-Mba	Claude Ayo Iguendha
Gambia, The	Famara L. Jatta	Dodou B. Jagne
Georgia	Mirian Gogashvili	Giorgi Gachechiladze
Germany	Heidemarie Wieczorek-Zeul	Caio K. Koch-Weser
Ghana	Yaw Osafo-Maafo	Grace Coleman
Greece	Nikolaos Christodoulakis	Vasilis Rapanos
Grenada	Anthony Boatswain	Swinburne Lestrade
Guatemala	Eduardo Humberto Weymann Fuentes	Lizardo Arturo Sosa Lopez
Guinea	Cheick Ahmadou Camara	Cellou Dalein Diallo
Guinea-Bissau	Rui Duarte Barros	Verissimo Paulino Nancassa
Guyana	Bharrat Jagdeo	Sainsnarine Kowlessar
Haiti	Faubert Gustave	Venel Joseph
Honduras	Arturo Alvarado	Maria Elena Mondragon de Villar
Hungary	Csaba Laszlo	Peter Adamecz
Iceland	Halldor Asgrimsson	Geir Hilmar Haarde
India	Yashwant Sinha	Chander Mohan Vasudev
Indonesia	Boediono	Achjar Iljas
Iran, Islamic Republic of	Thahmaseb Mazaheri-Khorzani	Mohammad Khazaee-Torshizi
Iraq	Issam Rashid Hwaish	Hashim Ali Obaid
Ireland	Charlie McCreevy	Tom Considine
Israel	David Klein	Ohad Marani
Italy	Antonio Fazio	Lorenzo Bini Smaghi
Jamaica +	Omar Lloyd Davies	Wesley George Hughes
Japan	Masajuro Shiokawa	Masaru Hayami
Jordan	Bassem I. Awadallah	Hala Bsaiso Lattouf
Kazakhstan	Alexander Sergeyevich Pavlov	Mazhit T. Yessenbayev
Kenya	Christopher Mogere Obure	Mwaghazi W. Mwachofa
Kiribati	Beniamina Tinga	Tebwe Ietaake
Korea, Republic of	Yun-Churl Jeon	Seung Park
Kuwait	Yousef Hamad Al-Ebraheem	Bader Meshari Al-Humaidhi
Kyrgyz Republic	Temirbek Akmataliev	Kubat Abduldaevich Kanimetov
Lao People's Democratic Republic	Soukanh Mahalath	Phouphet Khamphounvong
Latvia	Roberts Zile	Aigars Kalvitis
Lebanon	Fuad A.B. Siniora	Basil R. Fuleihan
Lesotho	Mohlabi Kenneth Tsakoa	T. J. Ramotsoari
Liberia	Amelia A. Ward	M. Nathaniel Barnes
Libya	Alojeli Abdel Salam Breeni	Ali Ramadan Shnebesh
Lithuania +	Dalia Grybauskaite	Arvydas Kregzde
Luxembourg	Luc Frieden	Jean Guill
Macedonia, former Yugoslav Republic of	Nikola Gruevski	Vanco Kargov
Madagascar	Pierrot J. Rajaonarivelo	Simon Constant Horace

(continued next page)

**Governors and Alternates (continued)**

Member	Governor	Alternate
Malawi	Friday Jumbe	Zaki Chalira
Malaysia	Mahathir Mohamad	Samsudin Hitam
Maldives	Fathulla Jameel	Adam Maniku
Mali	Ousmane Issoufi Maiga	Toure Alimata Traore
Malta +	John Dalli	Joseph Scicluna
Marshall Islands	Michael Koneilos	Smith Michael
Mauritania	Mohamed Ould Nany	Abdallah Ould Hormtallah
Mauritius	Khushhal Chand Khushiram	Philippe Ong Seng
Mexico	Francisco Gil Diaz	Agustin Carstens
Micronesia, Federated States of	John Ehsa	Sebastian L. Anefal
Moldova	Zinaida Grecianii	Dumitru Ursu
Mongolia	Chultem Ulaan	Ochirbat Chuluunbat
Morocco	Fathallah Oualalou	Ahmed Lahlimi
Mozambique	Adriano Afonso Maleiane	Manuel Chang
Myanmar	Khin Maung Thein	Soe Lin
Namibia +	Saara Kuugongelwa	Usutuaje Maamberua
Nepal	Ram Sharan Mahat	Bimal P. Koirala
Netherlands	Gerrit Zalm	Eveline Herfkens
New Zealand	Michael Cullen	Alan Bolland
Nicaragua	Eduardo Montealegre Rivas	Mario Alonso Icabalceta
Niger	Ali Badjo Gamatie	Maliki Barhouni
Nigeria	Adamu Ciroma	Thelma Amata Iremiren
Norway	Hilde Frafjord Johnson	Olav Kjorven
Oman	Ahmed Macki	Mohammed bin Nasser Al-Khasibi
Pakistan	Shaukat Aziz	Nawid Ahsan
Palau	Casmir Remengesau	Lawrence Alan Goddard
Panama	Norberto Delgado Duran	Domingo Latorraca
Papua New Guinea	Mekere Morauta	Koiari Tarata
Paraguay	James Spalding	Jose Ernesto Buttner
Peru	Pedro Pablo Kuczynski	Richard Webb
Philippines	Jose Isidro N. Camacho	Rafael B. Buenaventura
Poland	Leszek Balcerowicz	Andrzej S. Bratkowski
Portugal	Manuela Ferreira Leite	Miguel Frasquilho
Qatar +	Yousef Hussain Kamal	Abdullah Bin Khalid Al-Attiyah
Romania +	Mihai Nicolae Tanasescu	Emil Iota Ghizari
Russian Federation	Viktor Khristenko	German O. Gref
Rwanda	Donald Kaberuka	Jean Marie Karekezi
St. Kitts and Nevis	Denzil Douglas	Wendell Everton Lawrence
St. Lucia	Kenny D. Anthony	Bernard La Corbiniere
St. Vincent and the Grenadines	Ralph E. Gonsalves	Laura Anthony-Browne
Samoa	Misa Telefoni Retzlaff	Hinauri Petana
San Marino +	Fiorenzo Stolfi	Clelio Galassi
São Tomé and Príncipe	Adelino Santiago Castelo David	Angela M. da Graca Viegas Santiago
Saudi Arabia	Ibrahim A. Al-Assaf	Hamad Al-Sayari
Senegal	Abdoulaye Diop	Cheikh Hadjibou Soumare
Seychelles +	Jeremie Bonnelame	Alain Butler-Payette
Sierra Leone	Peter J. Kuyembeh	Samura Kamara
Singapore +	Lee Hsien Loong	Lim Siong Guan
Slovak Republic	Ivan Miklos	Marian Jusko
Slovenia	Anton Rop	Irena Sodin

Member	Governor	Alternate
Solomon Islands	Laurie Chan	Shadrach Fanega
Somalia	(vacant)	(vacant)
South Africa	Trevor Andrew Manuel	Mandisi Bongani Mpahlwa
Spain	Rodrigo de Rato Figaredo	Juan Costa Climent
Sri Lanka	Kairshasp Nariman Choksy	Charitha Ratwatte
Sudan	Abdul Rahim Hamdi	Sabir Mohamed Hassan
Suriname +	Humphrey S. Hildenberg	Stanley B. Ramsaran
Swaziland	Guduza Dlamini	Musa D. Fakudze
Sweden	Bosse Ringholm	Jan O. Karlsson
Switzerland	Pascal Couchepin	Joseph Deiss
Syrian Arab Republic	Muhammad Al-Atrash	Mohamad Bittar
Tajikistan	Safarali Najmuddinov	Maruf N. Sayfiev
Tanzania	Abdallah Omar Kigoda	Peter J. Ngumbullu
Thailand	Somkid Jatusripitak	Somchainuk Engtrakul
Togo	Simfeitchou Pre	Kossi Assimaïdou
Tonga	Siosiua T. T. 'Utoikamanu	'Aisake V. Eke
Trinidad and Tobago	Patrick Manning	Conrad Enill
Tunisia	Fethi Merdassi	Abdelhamid Triki
Turkey	Faik Oztrak	Aydin Karaoz
Turkmenistan +	Ymamurdy Gandyrov	(vacant)
Uganda	Gerald M. Ssendaula	C. M. Kassami
Ukraine +	Vasyl Rohovyti	Alexander Shlapak
United Arab Emirates	Hamdan bin Rashid Al-Maktoum	Mohammed Khalfan Bin Khirbash
United Kingdom	Clare Short	Gordon Brown
United States	Paul H. O'Neill	Alan P. Larson
Uruguay +	Alberto Bension	Ariel Davrieux
Uzbekistan	Rustam S. Azimov	(vacant)
Vanuatu	Sela Molisa	Jeffery Wilfred
Venezuela, Repùblica Bolivariana de +	Felipe Perez	Tobias Nobrega Suarez
Vietnam	Le Duc Thuy	Duong Thu Huong
Yemen, Republic of	Ahmed Mohamed Sofan	Anwar Rizq Al-Harazi
Yugoslavia, Federal Republic of	Miroslav Labus	Jovan Rankovic
Zambia	Boniface Nonde	Likolo Ndalambe
Zimbabwe	Simba Herbert Stanley Makoni	Leonard Ladislas Tsumba

+ Not a member of IDA.

## Organizational Information

# Executive Directors and Alternates and Their Voting Power

## June 30, 2002

Executive Director	Alternate	Casting votes of	IBRD		IDA	
			Total votes	Percent of total	Total votes	Percent of total
<b>Appointed</b>						
Carole Brookins	Robert B. Holland, III	United States	265,219	16.45	1,913,640	14.52
Yuzo Harada	Masanori Yoshida	Japan	127,250	7.89	1,461,212	11.09
Eckhard Deutscher	Eckhardt Biskup	Germany	72,649	4.51	940,076	7.13
Tom Scholar	Rosemary B. Stevenson	United Kingdom	69,647	4.32	658,718	5.00
Pierre Duquesne	Emmanuel Moulin	France	69,647	4.32	579,342	4.40
<b>Elected</b>						
Philippe M. Peeters (Belgium)	Emin Dedeoglu (Turkey)	Austria, Belarus, <sup>a</sup> Belgium, Czech Republic, Hungary, Kazakhstan, Luxembourg, Slovak Republic, Slovenia, Turkey	77,669	4.82	592,203	4.49
Moises Pineda (Mexico)	Jose H. Machillanda (Rep. Bol. de Venezuela)	Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Spain, Venezuela (República Bolivariana de) <sup>a</sup>	72,786	4.51	291,969	2.22
Pieter Stek (Netherlands)	Tamara Solyanyk (Ukraine)	Armenia, Bosnia and Herzegovina, Bulgaria, <sup>a</sup> Croatia, Cyprus, Georgia, Israel, Macedonia (former Yugoslav Republic of), Moldova, Netherlands, Romania, <sup>a</sup> Ukraine <sup>a</sup>	72,208	4.48	478,024	3.63
Terrie O'Leary (Canada)	Sharon Weber (Jamaica)	Antigua and Barbuda, <sup>a</sup> The Bahamas, <sup>a</sup> Barbados, Belize, Canada, Dominica, Grenada, Guyana, Ireland, Jamaica, <sup>a</sup> St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines	62,217	3.86	560,547	4.25
Jaime Ruiz (Colombia)	Luis Antonio Balduino (Brazil)	Brazil, Colombia, Dominican Republic, Ecuador, Haiti, Panama, Philippines, Suriname, <sup>a</sup> Trinidad and Tobago	58,124	3.61	392,696	2.98
Franco Passacantando (Italy)	Helena Cordeiro (Portugal)	Albania, Greece, Italy, Malta, <sup>a</sup> Portugal, San Marino <sup>a</sup>	55,938	3.47	517,721	3.93
Neil F. Hyden (Australia)	Dong-Soo Chin (Rep. of Korea)	Australia, Cambodia, Kiribati, Korea (Republic of), Marshall Islands, Micronesia (Federated States of), Mongolia, New Zealand, Palau, Papua New Guinea, Samoa, Solomon Islands, Vanuatu	55,800	3.46	396,886	3.01
Balmiki Prasad Singh <sup>b</sup> (India)	Akbar Ali Khan (Bangladesh)	Bangladesh, Bhutan, India, Sri Lanka	54,945	3.41	546,804	4.15
Ahmed Sadoudi (Algeria)	Inaamul Haque <sup>c</sup> (Pakistan)	Algeria, Ghana, Iran (Islamic Republic of), Iraq, Morocco, Pakistan, Tunisia	54,052	3.35	253,710	1.93
Finn Jönck (Denmark)	Inkeri Hirvensalo (Finland)	Denmark, Estonia, <sup>a</sup> Finland, Iceland, Latvia, Lithuania, <sup>a</sup> Norway, Sweden	54,039	3.35	652,246	4.95
Girmai Abraham (Eritrea)	Richard H. Kaijuka (Uganda)	Angola, Botswana, Burundi, Eritrea, The Gambia, Kenya, Lesotho, Liberia, Malawi, Mozambique, Namibia, <sup>a</sup> Nigeria, Seychelles, <sup>a</sup> Sierra Leone, South Africa, Sudan, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe	53,962	3.35	476,109	3.61

Executive Director	Alternate	Casting votes of	IBRD		IDA	
			Total votes	Percent of total	Total votes	Percent of total
Pietro Veglio (Switzerland)	Jerzy Hylewski (Poland)	Azerbaijan, Kyrgyz Republic, Poland, Switzerland, Tajikistan, Turkmenistan, <sup>a</sup> Uzbekistan	46,096	2.86	467,821	3.55
Zhu Guangyao (China)	Chen Huan <sup>d</sup> (China)	China	45,049	2.79	247,345	1.88
Yahya Abdulla M. Alyahya (Saudi Arabia)	Abdulrahman M. Almofadhi (Saudi Arabia)	Saudi Arabia	45,045	2.79	471,464	3.58
(Vacant) <sup>e</sup> (Russian Federation)	Eugene Miagkov (Russian Federation)	Russian Federation	45,045	2.79	35,991	0.27
Mahdy Ismail Aljazzaf (Kuwait)	Mohamed Kamel Amr (Arab Republic of Egypt)	Bahrain, <sup>a</sup> Egypt (Arab Republic of), Jordan, Kuwait, Lebanon, Libya, Maldives, Oman, Qatar, <sup>a</sup> Syrian Arab Republic, United Arab Emirates, Yemen (Republic of)	43,984	2.73	283,980	2.16
Abdul Aziz Mohd. Yaacob (Malaysia)	Nguyen Doan Hung (Vietnam)	Brunei Darussalam, <sup>a</sup> Fiji, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Nepal, Singapore, <sup>a</sup> Thailand, Tonga, Vietnam	41,096	2.55	345,372	2.62
Mario Soto-Platero (Uruguay)	Roberto Garcia-Lopez (Argentina)	Argentina, Bolivia, Chile, Paraguay, Peru, Uruguay <sup>a</sup>	37,499	2.33	237,131	1.80
Bassary Toure (Mali)	Paulo F. Gomes (Guinea-Bissau)	Benin, Burkina Faso, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Congo (Democratic Republic of), Congo (Republic of), Côte d'Ivoire, Djibouti, Equatorial Guinea, Gabon, Guinea, Guinea-Bissau, Madagascar, Mali, Mauritania, Mauritius, Niger, Rwanda, São Tomé and Príncipe, Senegal, Togo	32,252	2.00	374,898	2.85

In addition to the Executive Directors and alternates shown in the foregoing list, the following also served after June 30, 2001:

Executive director	End of period of service	Alternate	End of period of service
Khalid M. Al-Saad (Kuwait)	October 31, 2001	Anna M. Brandt (Sweden)	July 31, 2001
Andrei Bugrov (Russian Federation)	March 31, 2002	Lewis D. Holden (New Zealand)	July 6, 2001
Matthias Meyer (Switzerland)	March 31, 2002	Mahbub Kabir (Bangladesh)	September 21, 2001
Jean-Claude Milleron (France)	August 1, 2001		
Stephen Pickford (United Kingdom)	December 16, 2001		
Jan Piercy (United States)	August 19, 2001		
Helmut Schaffer (Germany)	June 15, 2002		

Note: Afghanistan (550 votes in IBRD and 13,557 votes in IDA), Ethiopia (1,228 votes in IBRD and 23,053 votes in IDA), and Somalia (802 votes in IBRD and 10,506 votes in IDA) did not participate in the 2000 Regular Election of Executive Directors. The Federal Republic of Yugoslavia (1,847 votes in IBRD and 25,109 votes in IDA) became a member after that election.

a. Member of IBRD only.

b. To be succeeded by C. M. Vasudev (India) effective August 1, 2002.

c. To be succeeded by Tanvir Ali Agha (Pakistan) effective July 1, 2002.

d. To be succeeded by Wu Jinkang (China) effective July 15, 2002.

e. To be succeeded by Alexey G. Kvasov (Russian Federation) effective July 1, 2002.

## Organizational Information

### Officers

June 30, 2002

President

James D. Wolfensohn

Managing Director

Shengman Zhang

Managing Director

Jeffrey A. Goldstein

Managing Director

Mamphela Ramphele

Managing Director

Peter Woicke

Senior Vice President and Chief Financial Officer

Gary Perlin

Senior Vice President, Development Economics, and Chief Economist

Nicholas Stern

Vice President and Network Head, Operations Policy and Country Services

James W. Adams

Vice President, Financial Sector

Cesare Calari

Vice President and Controller

Fayezul H. Choudhury

Vice President, Latin America and the Caribbean

David de Ferranti

Vice President and Corporate Secretary

Cheikh Ibrahima Fall

Vice President and Network Head, Environmentally

and Socially Sustainable Development

Ian Johnson

Vice President, External Affairs and U.N. Affairs

Mats Karlsson

Vice President, East Asia and Pacific

Jemal-ud-din Kassum

Vice President, Resource Mobilization and Cofinancing

Motoo Kusakabe

Vice President, World Bank Institute

Frannie Leautier

Vice President, Europe and Central Asia

Johannes Linn

Vice President, Africa

Callisto Madavo

Vice President and Chief Information Officer

Mohamed Muhsin

Vice President and Network Head, Poverty Reduction

Gobind Nankani

and Economic Management

Mieko Nishimizu

Vice President, South Asia

Jean-François Rischard

Vice President, External Affairs, Europe

Jo Ritzen

Vice President and Network Head, Human Development

Jean-Louis Sarbib

Vice President, Middle East and North Africa

Nemat Shafik

Vice President, Private Sector Development and Infrastructure

Katherine Sierra

and Network Head, Private Sector and Infrastructure

Anil Sood

Vice President, Human Resources

Ko-Yung Tung

Vice President, Strategy and Resource Management

Graeme Wheeler

Vice President and General Counsel

Robert Picciotto

Vice President and Treasurer

Director-General, Operations Evaluation

## Organizational Information

# Office Locations

## June 30, 2002

### **Headquarters**

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Washington, D.C. 20433, U.S.A.  
Tel: (202) 473-1000  
Fax: (202) 477-6391  
E-mail: [feedback@worldbank.org](mailto:feedback@worldbank.org)  
Web: [www.worldbank.org](http://www.worldbank.org)

### **New York Office**

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809 United Nations Plaza, Suite 900  
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New Address effective 8/15/02  
1 Dag Hammarskjold Plaza  
885 2nd Avenue, 26th Floor  
New York, N.Y. 10017, U.S.A.  
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### **Frankfurt**

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### **Geneva**

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### **Tokyo**

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### **Algeria**

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### **Angola**

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### **\*Argentina**

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### **Armenia**

Mr. Owaise Saadat (through 7/31/02)  
Mr. Roger Robinson (effective 8/1/02)  
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E-mail: [Rrobinson@worldbank.org](mailto:Rrobinson@worldbank.org)

\*Country Directors are located in the country office. See the Map of Country Offices and Borrower Eligibility in Chapter 5.  
Note: Web sites for Bank regions appear on pages 174 and 175.

**\*Australia**

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**Azerbaijan**

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Baku, 370004, Azerbaijan  
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**\*Bangladesh**

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Note: Web sites for Bank regions appear on pages 174 and 175.

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\*Country Directors are located in the country office. See the Map of Country Offices and Borrower Eligibility in Chapter 5.  
Note: Web sites for Bank regions appear on pages 174 and 175.

## Tables

**Table 6.1 Country Eligibility for Borrowing from the World Bank**  
 (as of July 1, 2002)

Income group and country	2001 GNI per capita <sup>a</sup>	Income group and country	2001 GNI per capita <sup>a</sup>
<b>Countries eligible for IBRD funds only</b>			
<b>Per capita income over \$5,185</b>		Dominican Republic	2,230
Slovenia	9,780	Marshall Islands	2,190
Korea, Republic of	9,400	Micronesia, Federated States of	2,150
Antigua and Barbuda	9,070	Fiji	2,130
Argentina	6,960	Tunisia	2,070
St. Kitts and Nevis	6,880	El Salvador	2,050
Palau	6,730	Peru	2,000
Uruguay	5,670	Thailand	1,970
Mexico	5,540	Namibia	1,960
Trinidad and Tobago	5,540	Colombia	1,910
Czech Republic	5,270	Iran, Islamic Republic of	1,750
Seychelles	—	Jordan	1,750
<b>Per capita income \$2,976–\$5,185</b>		Russian Federation	1,750
Hungary	4,800	Romania	1,710
Venezuela, Repùblica Bolivariana de	4,760	Macedonia, former Yugoslav Republic of	1,690
Croatia	4,550	Suriname	1,690
Chile	4,350	Guatemala	1,670
Poland	4,240	Algeria	1,630
Lebanon	4,010	Bulgaria	1,560
Costa Rica	3,930	Egypt, Arab Republic of	1,530
Mauritius	3,830	<b>Per capita income \$746–\$1,435</b>	
Estonia	3,810	Kazakhstan	1,360
Slovak Republic	3,720	Paraguay	1,300
Malaysia	3,640	Swaziland	1,300
Botswana	3,630	Ecuador	1,240
Panama	3,290	Belarus	1,200
Latvia	3,260	Morocco	1,180
Gabon	3,160	Philippines	1,050
Lithuania	3,080	Syrian Arab Republic <sup>b</sup>	1,000
Brazil	3,070	Turkmenistan	950
<b>Per capita income \$1,436–\$2,975</b>		China	890
Belize	2,910	Iraq <sup>c</sup>	—
South Africa	2,900	<b>Per capita income less than \$746</b>	
Jamaica	2,700	Ukraine	710
Turkey	2,530	Equatorial Guinea	700

**Countries eligible for a blend of IBRD and IDA funds<sup>d</sup>**

<b>Per capita income \$2,976–\$5,185</b>		<b>Per capita income less than \$746</b>	
St. Lucia <sup>e</sup>	3,970	Indonesia	680
Grenada <sup>e</sup>	3,720	Azerbaijan	650
Dominica <sup>e</sup>	3,060	Papua New Guinea	580
<b>Per capita income \$1,436–\$2,975</b>		Uzbekistan	560
St. Vincent and the Grenadines <sup>e</sup>	2,690	Zimbabwe <sup>c</sup>	480
<b>Per capita income \$746–\$1,435</b>		India	460
Bosnia and Herzegovina	1,270	Pakistan	420
Bolivia	940	Nigeria	290
Yugoslavia, Federal Republic of <sup>c</sup>	—		

(continued next page)

**Table 6.1 Country Eligibility for Borrowing from the World Bank (continued)**

Income group and country	2001 GNI per capita <sup>a</sup>	Income group and country	2001 GNI per capita <sup>a</sup>
<b>Countries eligible for IDA funds only<sup>d</sup></b>			
<b>Per capita income \$1,436–\$2,975</b>		Mauritania	350
Maldives <sup>e</sup>	2,040	Kenya	340
Tonga <sup>e</sup>	1,530	Gambia, The	330
Samoa <sup>e</sup>	1,520	Sudan <sup>c</sup>	330
		Zambia	320
<b>Per capita income \$746–\$1,435</b>		Lao People's Democratic Republic	310
Cape Verde <sup>e</sup>	1,310	Ghana	290
Albania	1,230	Kyrgyz Republic	280
Vanuatu <sup>e</sup>	1,050	São Tomé and Príncipe	280
Djibouti	890	Tanzania	280
Honduras	890	Uganda	280
Guyana	840	Central African Republic <sup>c</sup>	270
Kiribati	830	Cambodia	270
Sri Lanka	830	Togo <sup>c</sup>	270
		Madagascar	260
<b>Per capita income less than \$746</b>		Nepal	240
Congo, Republic of	700	Rwanda	220
Bhutan	640	Burkina Faso	210
Côte d'Ivoire	630	Mali	210
Solomon Islands <sup>c</sup>	580	Mozambique	210
Cameroon	570	Chad	200
Georgia	570	Eritrea	190
Armenia	560	Malawi	170
Lesotho	550	Niger	170
Angola	500	Guinea-Bissau	160
Haiti <sup>c</sup>	480	Tajikistan	160
Senegal	480	Sierra Leone	140
Yemen, Republic of	460	Burundi	100
Vietnam	410	Ethiopia	100
Guinea	400	Afghanistan <sup>c</sup>	—
Mongolia	400	Congo, Democratic Republic of <sup>c</sup>	—
Moldova	390	Liberia <sup>c</sup>	—
Comoros	380	Myanmar <sup>c</sup>	—
Bangladesh	370	Nicaragua	—
Benin	360	Somalia <sup>c</sup>	—

— Precise figures are not available.

a. World Bank Atlas methodology; per capita GNI (gross national income, formerly GNP) figures are in 2001 U.S. dollars.

b. Loans/credits in nonaccrual status as of June 30, 2002.

c. Loans/credits in nonaccrual status as of July 1, 2002.

d. Countries are eligible for IDA on the basis of (a) relative poverty and (b) lack of creditworthiness. The operational cutoff for IDA eligibility for fiscal 2003 is a 2001 GNI per capita of \$875, using Atlas methodology. To receive IDA resources, countries also meet tests of performance. In exceptional circumstances, IDA extends eligibility temporarily to countries that are above the operational cutoff and are undertaking major adjustment efforts but are not creditworthy for IBRD lending. An exception has been made for small island economies (see footnote e).

e. An exception to the GNI per capita operational cutoff for IDA eligibility (\$875 for fiscal 2003) has been made for some small island economies, which otherwise would have little or no access to Bank Group assistance because they lack creditworthiness. For such countries, IDA funding is considered case by case for the financing of projects and adjustment programs designed to strengthen creditworthiness.

## Tables

**Table 6.2 World Bank Commitments, Disbursements, and Net Transfers in Africa, Fiscal 1997–2002**  
(millions of dollars)

Item	Ethiopia		Uganda		Nigeria		Total region	
	2002	1997–2002 <sup>a</sup>	2002	1997–2002 <sup>a</sup>	2002	1997–2002 <sup>a</sup>	2002	1997–2002 <sup>a</sup>
IBRD and IDA commitments	210	1,646	296	1,275	427	682	3,794	16,021
Undisbursed balance	1,170	1,170	666	666	261	261	8,363	8,363
Gross disbursements	437	1,097	256	1,064	26	832	2,651	14,232
Repayments	22	114	21	253	196	1,749	792	6,525
Net disbursements	415	982	235	811	(169)	(917)	1,859	7,707
Interest and charges	16	76	16	88	80	831	417	3,054
Net transfer	399	907	219	724	(249)	(1,748)	1,442	4,653

Note: The table shows the three countries with the largest lending commitments in the region over the past two fiscal years (2001 and 2002). Numbers have been rounded.

a. During fiscal 2002 the Bank delivered approximately \$227.63 million in debt service relief under the HIPC Initiative to 22 countries in the Africa region, including \$41.25 million to Tanzania and \$19.35 million to Zambia.

**Table 6.3 World Bank Commitments, Disbursements, and Net Transfers in East Asia and Pacific, Fiscal 1997–2002**  
(millions of dollars)

Item	China		Vietnam		Indonesia		Total region	
	2002	1997–2002	2002	1997–2002	2002	1997–2002	2002	1997–2002
IBRD and IDA commitments	563	10,551	593	2,561	303	5,288	1,774	31,141
Undisbursed balance	8,427	8,427	1,760	1,760	2,110	2,110	14,339	14,339
Gross disbursements	2,015	11,911	332	1,338	507	5,895	3,591	32,029
Repayments	1,532	4,108	2	8	956	5,574	3,435	15,607
Net disbursements	483	7,803	330	1,330	(449)	322	156	16,422
Interest and charges	725	4,102	9	37	911	5,031	2,457	14,446
Net transfer	(242)	3,702	321	1,294	(1,360)	(4,709)	(2,301)	1,976

Note: The table shows the three countries with the largest lending commitments in the region over the past two fiscal years (2001 and 2002). Numbers have been rounded.

Tables

**Table 6.4 World Bank Commitments, Disbursements, and Net Transfers in South Asia, Fiscal 1997–2002**  
(millions of dollars)

Item	India		Pakistan		Bangladesh		Total region	
	2002	1997–2002	2002	1997–2002	2002	1997–2002	2002	1997–2002
IBRD and IDA commitments	2,190	11,271	800	2,507	321	2,761	3,508	17,205
Undisbursed balance	8,026	8,026	585	585	1,367	1,367	10,395	10,395
Gross disbursements	2,089	9,806	869	3,756	321	2,088	3,392	16,392
Repayments	1,467	7,451	310	1,653	104	470	1,934	9,793
Net disbursements	622	2,355	559	2,103	217	1,618	1,459	6,599
Interest and charges	504	3,857	170	1,252	49	283	745	5,527
Net transfer	118	(1,502)	389	851	168	1,334	714	1,072

Note: The table shows the three countries with the largest lending commitments in the region over the past two fiscal years (2001 and 2002). Numbers have been rounded.

**Table 6.5 World Bank Commitments, Disbursements, and Net Transfers in Europe and Central Asia, Fiscal 1997–2002**  
(millions of dollars)

Item	Turkey		Yugoslavia, Fed. Rep. of		Russian Federation		Total region	
	2002	1997–2002	2002	1997–2002	2002	1997–2002	2002	1997–2002
IBRD and IDA commitments	3,550	7,498	172	2,039	351	6,113	5,524	28,606
Undisbursed balance	2,541	2,541	0	0	1,751	1,751	8,497	8,497
Gross disbursements	1,679	4,293	70	70	376	6,351	3,824	22,429
Repayments	427	3,578	0	0	448	1,080	1,640	9,673
Net disbursements	1,253	715	70	70	(71)	5,271	2,184	12,757
Interest and charges	290	1,580	18	18	298	1,853	1,179	7,174
Net transfer	963	(865)	52	52	(370)	3,418	1,005	5,582

Note: The table shows the three countries with the largest lending commitments in the region over the past two fiscal years (2001 and 2002). Numbers have been rounded.

Tables

**Table 6.6 World Bank Commitments, Disbursements, and Net Transfers in Latin America and the Caribbean, Fiscal 1997–2002**

(millions of dollars)

Item	Brazil		Mexico		Argentina		Total region	
	2002	1997–2002	2002	1997–2002	2002	1997–2002	2002	1997–2002
IBRD and IDA commitments	1,566	8,615	660	7,013	735	7,266	4,366	31,289
Undisbursed balance	2,646	2,646	1,597	1,597	2,438	2,438	9,698	9,698
Gross disbursements	497	8,643	813	6,857	1,190	7,654	3,777	31,968
Repayments	807	5,668	1,304	7,868	1,363	3,485	4,588	24,177
Net disbursements	(310)	2,975	(490)	(1,011)	(173)	4,168	(811)	7,791
Interest and charges	489	2,642	794	5,025	613	3,118	2,555	15,025
Net transfer	(799)	333	(1,284)	(6,036)	(786)	1,051	(3,366)	(7,234)

Note: The table shows the three countries with the largest lending commitments in the region over the past two fiscal years (2001 and 2002). Numbers have been rounded.

**Table 6.7 World Bank Commitments, Disbursements, and Net Transfers in Middle East and North Africa, Fiscal 1997–2002**

(millions of dollars)

Item	Tunisia		Yemen, Republic of		Lebanon		Total region	
	2002	1997–2002	2002	1997–2002	2002	1997–2002	2002	1997–2002
IBRD and IDA commitments	253	1,188	78	741	109	519	554	5,465
Undisbursed balance	303	303	394	394	241	241	2,760	2,760
Gross disbursements	227	1,093	69	638	48	270	632	5,656
Repayments	150	991	18	78	26	86	891	6,095
Net disbursements	77	102	51	560	22	184	(259)	(439)
Interest and charges	80	540	9	48	14	74	561	3,758
Net transfer	(3)	(438)	42	512	8	111	(821)	(4,196)

Note: The table shows the three countries with the largest lending commitments in the region over the past two fiscal years (2001 and 2002). Numbers have been rounded.

## Tables

### Table 6.8 Summaries of Operations Approved during Fiscal 2002, Africa

Country/project name	Primary theme <sup>a</sup>	Date of approval	Maturities	Principal amount (millions)	
				SDR <sup>b</sup>	US\$
<b>BENIN</b>					
IDA Cotton Sector Reform Investment Credit will improve economic returns in the sector and allow farmers greater participation in the design and implementation of sector policies by giving local communities greater responsibility in the decentralization process. Total cost: \$24.2 million.	RD	1/22/02	2012/2041	14.1	18.0
❖ IDA Multisectoral HIV/AIDS Investment Credit aims to curb the spread of the HIV/AIDS epidemic and to mitigate its impact. Assistance will be provided in HIV/AIDS prevention and treatment, and social support systems will be established for HIV-stricken families, caregivers, and HIV/AIDS orphans. Total cost: \$25.4 million.	HD	1/4/02	2012/2041	17.8	23.0
<b>BURKINA FASO</b>					
❖ IDA Urban Environment Supplemental Credit will help build 18 kilometers of roads, 58 decentralized waste-transfer stations, and 4 kilometers of channeling of the Wemtinga gully and landfill facilities to improve the quality of life for the urban poor. Total cost: \$23.1 million.	UD	3/28/02	2012/2041	17.7	22.0
❖ IDA Basic Education Sector Investment Credit will enable 380,000 children to receive primary education and an additional 60,000–80,000 women to enroll in literacy classes, improving education for girls through literary programs delivered by NGOs. Total cost: \$96.2 million.	HD	1/22/02	2012/2041	25.6	32.6
❖ IDA Poverty Reduction Support Credit aims to maintain macroeconomic stability and accelerated growth. The population as a whole will benefit from improved availability and efficient use of public resources for basic public services by improved accountability and transparency in budget management. Total cost: \$45 million.	PSG	8/23/01	2011/2041	36.0	45.0
❖ IDA HIV/AIDS Disaster Response Investment Credit aims to improve preventive activities and strengthen capacity by providing care and treatment to benefit the vulnerable groups, slowing the spread of HIV/AIDS and alleviating the burden on individuals and households. Total cost: \$23.5 million.	HD	7/6/01	2011/2041	17.3	22.0
<b>BURUNDI</b>					
❖ IDA Multisectoral HIV/AIDS Control and Orphans Investment Credit will benefit orphans, women, and the rural poor by improving access to prevention services and treatment of opportunistic infections. The project also provides sustained nutritional supplements for people living with HIV/AIDS. Total cost: \$36.7 million.	HD	6/27/02	2012/2042	29.1	36.0
<b>CAMEROON</b>					
IDA SACIII—Fifth Dimension Credit—IDA Reflow	FPSD	6/24/02	2008/2038	4.2	5.5
<b>CAPE VERDE</b>					
❖ IDA HIV/AIDS Investment Credit will reduce the spread of HIV/AIDS and extend the productive life of people living with AIDS through improved diagnosis, treatment, and care for orphans and HIV-stricken families. Total cost: \$9.6 million.	HD	3/28/02	2012/2042	7.3	9.0

Country/project name	Primary theme <sup>a</sup>	Date of approval	Maturities	Principal amount (millions)	
				SDR <sup>b</sup>	US\$
<b>IDA Structural Adjustment Credit</b> will benefit the population as a whole by providing budget support to protect social expenditures and support the government's stabilization program for private sector development. Total cost: \$31.6 million.	PSG	12/13/01	2012/2042	11.6	15.0
<b>CENTRAL AFRICAN REPUBLIC</b> ◆ IDA Multisectoral HIV/AIDS Investment Credit will benefit over 260,000 people who are HIV-infected or living with AIDS and curtail the spread of the epidemic among vulnerable groups through access to voluntary testing, behavioral changes, counseling and treatment, and the provision of care and assistance. Total cost: \$18 million.	HD	12/14/01	2011/2041	13.3	17.0
<b>CHAD</b> ◆ IDA Fourth Structural Adjustment Credit will benefit the population as a whole and aims to reduce poverty through enhanced transparency in the use of public resources, procurement, and the budget cycle, and sustainable growth through reform of the cotton sector. Total cost: \$48.9 million.	PSG	12/18/01	2012/2042	31.4	40.0
◆ IDA Second Population and AIDS Investment Credit will reduce the spread of HIV/AIDS and extend the productive life of people living with AIDS by improving diagnosis, treatment, and care for orphans and HIV-stricken families. Total cost: \$33.1 million.	HD	7/12/01	2011/2041	19.6	24.6
<b>COMOROS</b> ◆ IDA Emergency Economic Recovery Credit will provide funding for urgent public expenditures needed to alleviate distress among the poor and support the country's national reconciliation process. Total cost: \$6 million.	EM	8/2/01	2011/2041	4.8	6.0
<b>DEMOCRATIC REPUBLIC OF CONGO</b> ◆ IDA Economic Recovery Credit will support the government's efforts to foster private sector development and increase the supply of public services. These reforms center on improving public sector financial management and restructuring public sector enterprises. Total cost: \$450 million.	PSG	6/13/02	2012/2042	360.4	450.0
◆ IDA Emergency Early Recovery Grant aims to strengthen public institutions to create and strengthen the capacity of the Congolese people to implement donor-assisted projects and provide assistance for the formulation of a strategic framework for recovery. Total cost: \$50 million.	PSG	7/31/01	n.a.	40.0	50.0
<b>REPUBLIC OF CONGO</b> ◆ IDA Emergency Reconstruction, Rehabilitation, and Living Conditions Improvement Credit focuses on priority areas, including roads, railways, and social infrastructure, to support the revival of the economy of the Congo. It will address immediate economic and social needs of the poor through the creation of income-generating activities. Total cost: \$40 million.	UD	5/2/02	2012/2042	32.2	40.0
◆ IDA Transparency and Governance Capacity Building Credit will increase efficiency, strengthening the capacity of government agencies through new management techniques. Resources will increase public investments in the social and economic sectors. Total cost: \$10.8 million.	PSG	2/7/02	2012/2042	5.6	7.0

(continued next page)

**Table 6.8 Summaries of Operations Approved during Fiscal 2002, Africa (continued)**

Country/project name	Primary theme <sup>a</sup>	Date of approval	Maturities	Principal amount (millions)	
				SDR <sup>b</sup>	US\$
❖ IDA Emergency Demobilization and Reintegration Credit will benefit approximately 10,000 excombatants by providing access to income-generating activities and boosting local economies through investment in the social and economic sectors. Total cost: \$5 million.	SPRM	7/31/01	2011/2041	4.0	5.0
❖ IDA Post-Conflict Economic Rehabilitation Credit will help restore transparency and better governance in the management of public funds. Both domestic and foreign private investments will be increased to revive and stabilize the economy. Total cost: \$37.5 million.	PSG	7/31/01	2011/2041	30.0	37.7
<b>CÔTE D'IVOIRE</b> IDA Economic Recovery Investment Credit will benefit rural communities by increasing incomes and employment opportunities, strengthening the private sector, and ensuring access to primary education and health services while strengthening local community participation in the delivery of such services. Total cost: \$200 million.	RD	6/11/02	2012/2041	160.2	200.0
IDA Transport Sector Investment Credit—IDA Reflow	FPSD	1/10/02	2008/2038	9.2	12.0
<b>ERITREA</b> ❖ IDA Emergency Demobilization and Reintegration Credit will help consolidate peace and contribute to the economic recovery of the country by supporting the country's demobilization and reinsertion program for up to 200,000 soldiers. It aims to improve the efficiency and effectiveness of services delivery to demobilized soldiers. Total cost: \$60 million.	SPRM	5/16/02	2012/2042	48.1	60.0
❖ IDA Cultural Assets Rehabilitation Learning and Innovation Credit will help local communities revitalize their economic and cultural life through conservation and strengthening of management of public records. Total cost: \$5.4 million.	SDGI	7/6/01	2011/2041	4.0	5.0
<b>ETHIOPIA</b> IDA Structural Adjustment Credit aims at improving the business environment and attracting foreign investors by lowering transaction costs for private investors and exporters. The reforms it supports are aimed at strengthening the efficiency of the public sector and improving the delivery of key public services. Total cost: \$120 million.	PSG	6/18/02	2012/2042	96.2	120.0
❖ IDA Food Security Credit aims at improving the production and management of crops and livestock, through soil and water conservation, increasing off-farm employment and income opportunities for households, and providing improved nutrition for children and pregnant and lactating mothers. Total cost: \$110.2 million.	RD	5/30/02	2012/2042	68.1	85.0
❖ IDA Cultural Heritage Learning and Innovation Credit will preserve ancient craft traditions and reestablish craft making as a vital part of community and national economic life. Assistance will be provided to improve links between artisan producers and retailers, exporters, and shippers to increase local craft sales opportunities and to support the export trade. Total cost: \$5.7 million.	FPSD	4/17/02	2012/2041	4.1	5.0

Country/project name	Primary theme <sup>a</sup>	Date of approval	Maturities	Principal amount (millions)	
				SDR <sup>b</sup>	US\$
<b>THE GAMBIA</b>					
IDA Gateway Adaptable Program Credit aims to expand private investment export-oriented production and employment through the establishment of a self-sustaining investment promotion that will attract foreign direct jobs, thus transferring technology to the local population in the Banjul area. Total cost: \$18.1 million.	TI	2/28/02	2011/2041	12.4	16.0
❖ IDA Capacity Building for Economic Management Investment Credit will help the government maintain macroeconomic stability by implementing economic policy and better tax systems, and allocating public funds to priority areas. Total cost: \$16.5 million.	EM	7/26/01	2011/2041	12.0	15.0
<b>GHANA</b>					
IDA Third Economic Reform Support Credit—IDA Reflow	FPSD	12/11/01	2011/2041	0.4	0.5
❖ IDA Third Economic Reform Support Operation Credit will improve the share of producer prices for cocoa, the main income for 1 million rural families, and the government's ability to restore macroeconomic stability by reducing the debt burden and strengthening the management and control of public expenditures. Total cost: \$110 million.	FPSD	7/26/01	2011/2041	87.7	110.0
❖ IDA Road Sector Development Investment Credit will benefit both commercial and social road users by giving improved all-weather access to markets and services, while reducing road construction and maintenance operations. Total cost: \$1.2 billion.	FPSD	7/26/01	2011/2041	175.3	220.0
<b>GUINEA</b>					
IDA Third Water and Sanitation Supplemental Credit will improve sanitation and reduce water-borne diseases among children. By reducing pollution it will protect the marine ecosystem and restore beaches and the urban coastline. Total cost: \$27.5 million.	ENRM	8/23/01	2011/2041	20.0	25.0
❖ IDA Education for All Adaptable Program Credit will benefit children aged 3–6 by providing increased access to primary schooling in rural areas and by increasing resources for basic education and literacy training. Total cost: \$420.1 million.	HD	7/24/01	2012/2041	55.7	70.0
❖ IDA Proposed Fourth Structural Adjustment Credit will help reinforce the government's capacity to improve public service delivery by strengthening governance and contributing to restoring credibility to public finances. Total cost: \$50 million.	PSG	7/24/01	2012/2041	39.3	50.0
<b>GUINEA-BISSAU</b>					
IDA Private Sector Rehabilitation and Development Investment Credit will provide better services and public utilities to the poor. Increased foreign investment and higher export revenues will improve the government's balance of payments. Total cost: \$31.4 million.	FPSD	3/26/02	2012/2041	21.0	26.0
<b>KENYA</b>					
IDA Economic and Sector Reform Credit—IDA Reflow	FPSD	6/24/02	2010/2040	1.2	1.5
❖ IDA Public Sector Management Technical Assistance Credit will allow better targeting of public services and implementation of policies. New systems and human resources capacity will allow greater fiduciary responsibility and reduce corruption in public service. Total cost: \$20.5 million.	PSG	7/31/01	2011/2041	11.9	15.0

(continued next page)

**Table 6.8 Summaries of Operations Approved during Fiscal 2002, Africa (continued)**

Country/project name	Primary theme <sup>a</sup>	Date of approval	Maturities	Principal amount (millions)	
				SDR <sup>b</sup>	US\$
<b>MADAGASCAR</b>					
❖ IDA Multisectoral STI/HIV/AIDS Prevention Investment Credit aims to reduce the spread of STI/HIV/AIDS, extend the life of people living with AIDS through the improvement of diagnosis, treatment, and care for HIV-stricken families and orphans. Total cost: \$96.3 million.	HD	12/13/01	2012/2041	15.7	20.0
IDA Second Private Sector Development Credit aims to improve access, reliability, and affordability of key utilities such as transport, through private sector development. An increased private sector role will improve services for the poor by improving efficiency of the companies and creating opportunities for new private entry and investment. Total cost: \$29.6 million.	FPSD	8/28/01	2012/2041	19.0	23.8
<b>MALI</b>					
IDA Third Structural Adjustment Credit will benefit rural populations by reforming the cotton sector, reviving growth, and improving living standards. It will support the government's reforms and improve the balance of payments. Total cost: \$70 million.	PSG	12/11/01	2012/2041	55.0	70.0
❖ IDA Agricultural Services and Producer Organizations Adaptable Program Credit will increase incomes for rural women by strengthening producer organizations, and will improve household food security and well-being. Total cost: \$53.4 million.	RD	12/11/01	2012/2041	34.2	43.5
<b>MAURITANIA</b>					
❖ IDA Global Distance Learning and Innovation Credit will help Mauritania cross the digital divide and help the public and private sector to better integrate into the global economy by facilitating electronic transactions and improving communications. Total cost: \$5 million.	HD	11/21/01	2012/2041	2.7	3.3
❖ IDA Education Sector Development Adaptable Program Credit aims to provide better quality education and will benefit 1 million primary, secondary, and higher education students, providing better school facilities along with improved learning materials and teaching methods. Total cost: \$323.7 million.	HD	10/25/01	2012/2041	39.1	49.2
❖ IDA Urban Development Adaptable Program Credit will benefit at least 541,600 people in urban areas. It aims to improve living conditions through increased employment opportunities and urban and land-management reform. Total cost: \$99.1 million.	UD	10/25/01	2011/2041	55.8	70.0
<b>MAURITIUS</b>					
IBRD Public Expenditure Reform Loan will assist government to implement activities under its economic agenda. Activities will concentrate on improving competitiveness, social development and social cohesion, and protecting the environment. Total cost: \$40 million.	PSG	5/7/02	2007/2017	n.a.	40.0
IBRD Financial Sector Supervisory Authority Investment Credit will benefit consumers, operators, and the international community by assisting the government to form a financial sector commission and a stable internationally competitive financial sector. Total cost: \$2.3 million.	FPSD	12/4/01	—/2016	n.a.	1.8

Country/project name	Primary theme <sup>a</sup>	Date of approval	Maturities	Principal amount (millions)	
				SDR <sup>b</sup>	US\$
<b>MOZAMBIQUE</b>					
❖ IDA Higher Education Sector Investment and Maintenance Credit aims to expand graduate output and will benefit approximately 15,000 students who will be enrolled by the year 2006, through funding of higher education and access to preuniversity training and financial support. Total cost: \$71.1 million.	HD	3/7/02	2012/2042	47.1	60.0
❖ IDA Communication Sector Reform Technical Assistance Credit will benefit small- and medium-size enterprises by providing access to modern telecommunications, postal, and air transport services, and reduced-cost communication services. Total cost: \$15.4 million.	FPSD	11/27/01	2012/2041	11.6	14.9
❖ IDA Roads and Bridges Management and Maintenance Adjustable Program Credit, by linking rural areas with the national road network, will allow rural populations better access to markets, health and education facilities, and other basic services. Total cost: \$703.6 million.	RD	7/19/01	2011/2041	127.4	162.0
❖ IDA Municipal Development Investment Credit will benefit households, businesses, and the urban poor. It aims to strengthen the capacity of municipal governments in the areas of management and finance by providing infrastructure and services in five cities and employment for local workers. Total cost: \$42.1 million.	UD	7/19/01	2011/2041	26.7	33.6
<b>NIGER</b>					
❖ IDA Private Irrigation Promotion Investment Credit will benefit smallholder farmers by providing improved irrigation systems, thus increasing agricultural capacity, rural employment, farm income, and profitability. Total cost: \$48.4 million.	RD	3/19/02	2012/2041	31.3	38.7
❖ IDA Public Expenditure Adjustment Credit will foster macroeconomic and financial stability and improve management of public resources, benefiting poor communities through better channeling of resources. Total cost: \$70 million.	PSG	11/20/01	2011/2041	54.5	70.0
<b>NIGERIA</b>					
❖ IDA Community-Based Urban Development Credit will benefit inhabitants of poor urban areas. By strengthening the capacity of local government to use resources more efficiently, it will provide improved health and security, enhanced mobility, and reduced flooding for local communities. Total cost: \$137.5 million.	UD	6/06/02	2012/2037	88.1	110.0
❖ IDA Health Systems Development Investment Credit will benefit people in rural areas, especially women and children, by expanding access to improved basic health services. The project also supports institutional reforms in the health sector. Total cost: \$153.2 million.	HD	6/06/02	2012/2037	101.8	127.0
❖ IDA Transmission Development Investment Credit will benefit energy consumers and aims to ease the power supply constraint on economic growth by restructuring the power sector generating resources and improving power supply in the country. Total cost: \$113.5 million.	FPSD	3/19/02	2012/2036	78.6	100.0

(continued next page)

**Table 6.8 Summaries of Operations Approved during Fiscal 2002, Africa (continued)**

Country/project name	Primary theme <sup>a</sup>	Date of approval	Maturities	Principal amount (millions)	
				SDR <sup>b</sup>	US\$
❖ IDA HIV/AIDS Program Development Credit aims to reduce the spread of HIV/AIDS and extend the life of people living with AIDS by improving diagnosis, treatment, and care for HIV-stricken families and orphans. Total cost: \$96.3 million.	HD	7/6/01	2011/2036	71.0	90.3
<b>RWANDA</b> ❖ IDA Demobilization and Reintegration Credit will help consolidate peace in the Great Lakes region and foster reconciliation within Rwanda. It will help demobilize an estimated 45,000 excombatants and support their transition to civilian life by providing access to income-generating activities and assisting their social and economic reintegration. Total cost: \$25 million.	SDGI	4/25/02	2012/2042	20.0	25.0
<b>SENEGAL</b> ❖ IDA Nutrition Enhancement Adaptable Program Credit will allow approximately 170,000 children under three and 50,000 pregnant women to have access to better nutrition, sanitation, and food security through delivery of nutrition services by NGOs and other local organizations. Total cost: \$20.2 million.	HD	3/14/02	2012/2042	11.8	14.7
❖ IDA HIV/AIDS Prevention and Control Investment Credit aims to prevent the spread of HIV/AIDS transmission among high-risk groups by supporting civil society and community initiatives. The credit will provide improved access to prevention and treatment programs. Total cost: \$32.2 million.	HD	2/7/02	2012/2041	23.6	30.0
<b>SIERRA LEONE</b> ❖ IDA HIV/AIDS Response Investment Credit aims to reduce HIV/AIDS prevalence and mitigate the impact of persons infected or affected by HIV/AIDS by facilitating activities among public and private organizations and communities. The credit will provide improved care for people living with HIV/AIDS. Total cost: \$15.3 million.	HD	3/26/02	2012/2041	12.1	15.0
❖ IDA Second Economic Rehabilitation and Recovery Credit will help sustain peace and security in the country, benefiting the population as a whole by providing government resources to finance priority public expenditures, and reforms to attract private investment. Total cost: \$50 million.	FPSD	12/13/01	2012/2041	39.4	50.0
<b>TANZANIA</b> ❖ IDA Forest Conservation and Management Investment Credit will benefit rural households and jobseekers who depend on woodlands and forests. It will establish a framework for sustainable management and protection of forests with private sector involvement in plantation management and development. Total cost: \$40 million.	ENRM	6/26/02	2012/2041	24.6	31.1
❖ IDA Rural Water Supply and Sanitation Credit will benefit approximately 650,000 people living in 250 rural communities by providing access to improved water supply and sanitation services. Total cost: \$27.7 million.	RD	3/26/02	2012/2042	20.8	26.0
<b>IDA Programmatic Structural Adjustment Credit—IDA Reflow</b>	PSG	2/12/02	2012/2040	0.5	0.6

Country/project name	Primary theme <sup>a</sup>	Date of approval	Maturities	Principal amount (millions)	
				SDR <sup>b</sup>	US\$
❖ IDA Lake Victoria Environmental Management Supplemental Credit will maintain raw water supply for the lake, providing suitable quality for domestic use and animal watering while reducing the extent and severity of water hyacinth infestation. Total cost: \$5.1 million.	ENRM	12/13/01	2012/2041	4.0	5.0
❖ IDA Songo Songo Gas Development and Power Generation Investment Credit will benefit 25 villages along the pipeline route through provision of access to electricity and clean water for inhabitants of Songo Songo island. Total cost: \$295.2 million.	FPSD	10/9/01	2011/2041	145.7	183.0
❖ IDA Primary Education Development Adjustment Credit will benefit children, providing improved access to schools and higher quality of education for teachers through better working conditions and professional development opportunities. Total cost: \$150 million.	HD	10/9/01	2011/2041	119.1	150.0
❖ IDA Lower Kihansi Environmental Management Technical Assistance Credit will support conservation and management of the Kihansi Gorge ecosystem and develop a coordinated and consistent legal and institutional framework for environmental and water resources management. Total cost: \$6.3 million.	ENRM	7/3/01	2011/2041	5.0	6.3
<b>UGANDA</b>					
❖ IDA Energy for Rural Transformation Adaptable Program Credit will benefit rural households by providing increased access to a reliable electricity supply, increasing productivity and income. Total cost: \$123.3 million.	RD	12/13/01	2012/2041	38.3	49.1
❖ IDA A Makerere University Training Pilot Learning and Innovation Credit will improve the teaching-learning environment by contributing to stronger local government capacity and improved public service delivery in Uganda. Total cost: \$11 million.	HD	3/26/02	2012/2041	4.0	5.0
❖ IDA Fourth Power Investment Credit will provide consumers in Uganda access to improved electricity supply. The privatization of the power sector will assist the government's poverty eradication program. Total cost: \$89.3 million.	FPSD	7/3/01	2011/2041	48.0	62.0
❖ IDA Second Phase of the Road Development Adaptable Program Credit will decrease travel time and transport costs for road users in rural areas. Paving and strengthening of roads will provide savings in vehicle operating and infrastructure maintenance costs. Total cost: \$97 million.	RD	7/3/01	2011/2041	50.9	64.5
<b>ZAMBIA</b>					
IDA Fiscal Sustainability 5th Dimension—IDA Reflow	PSG	5/16/02	2010/2041	5.3	6.7
<b>Total</b>				<b>2,981.5</b>	<b>3,793.5</b>

n.a. Not applicable.

— Not available.

❖ Denotes various levels of civil society involvement in Bank-supported projects, from design to monitoring and evaluation of results.

Note: Numbers have been rounded.

a. EM = economic management; ENRM = environment and natural resource management; FPSD = financial and private sector development; HD = human development; PSG = public sector governance; RD = rural development; RL = rule of law; SDGI = social development, gender, and inclusion; SPRM = social protection and risk management; TI = trade and integration; UD = urban development. See box 2.1.

b. IDA funds are committed in SDRs (special drawing rights). In fiscal 2002 the exchange rate for SDRs was 1 SDR = \$1.265.

## Tables

**Table 6.9 Summaries of Operations Approved during Fiscal 2002, East Asia and Pacific**

Country/project name	Primary theme <sup>a</sup>	Date of approval	Maturities	Principal amount (millions)	
				SDR <sup>b</sup>	US\$
<b>CAMBODIA</b>					
<b>IDA Economic and Public Sector Capacity Building Technical Assistance Credit</b> will aim to provide public services to benefit the population. Capacity building for select government officials will enable them to carry out essential development tasks, including the establishment of a global development learning network center. Total cost: \$5.8 million.	PSG	6/25/02	2012/2042	4.4	5.5
<b>❖ IDA Land Management and Administration Investment Credit</b> will issue secure land titles to approximately 5 million people in 10 provinces and Phnom Penh Municipality. Total cost: \$33.9 million.	ENRM	2/26/02	2012/2042	19.3	24.3
<b>❖ IDA Demobilization and Reintegration Investment Credit</b> will assist the government's demobilization of 30,000 soldiers, helping their successful reintegration into civilian life by providing socioeconomic assets, health care assistance, and training opportunities. Total cost: \$42 million.	PSG	8/23/01	2012/2041	14.7	18.4
<b>CHINA</b>					
<b>❖ IBRD Hubei Hydropower Development in Poor Areas Investment Loan</b> will benefit four poor counties through development of four small and medium hydropower plants for sale to the provincial grid, facilitating economic growth and improving the electricity sector. Total cost: \$222.4 million.	FPSD	6/25/02	2008/2022	n.a.	105.0
<b>❖ IBRD Inner Mongolia Highway Investment Loan</b> aims to accelerate economic growth and improve living standards for the low-income population by improving cost-effectiveness and safety of transport infrastructure and supporting the social and economic development of the region. Total cost: \$268.7 million.	FPSD	6/6/02	2008/2022	n.a.	100.0
<b>❖ IBRD Sustainable Forestry Development Investment Loan</b> aims to benefit about 2.75 million persons, mostly women and minority groups, by promoting a viable, participatory, and locally managed system for conservation management and the sustainable use and development of forests. Natural forests and biodiversity will be protected. Total cost: \$230.6 million.	ENRM	4/16/02	2009/2018	n.a.	93.9
<b>❖ IBRD Tuberculosis Control Investment Loan</b> will benefit 688 million people in 16 provinces by reducing tuberculosis mortality through a national tuberculosis control program providing free diagnosis to all and free treatment to the infectious patients. Total cost: \$242.3 million.	HD	3/21/02	2010/2022	n.a.	104.0
<b>❖ IBRD National Railway Investment Loan</b> will widen an existing railway line between Baoji and Lanzhou in northwest China and support the reform of China Railways, benefiting some of the poorest communities in China. Total cost: \$1.3 billion.	FPSD	1/29/02	2007/2022	n.a.	160.0

Country/project name	Primary theme <sup>a</sup>	Date of approval	Maturities	Principal amount (millions)	
				SDR <sup>b</sup>	US\$
<b>INDONESIA</b>					
❖ <b>IBRD Global Development Network Learning and Innovation Loan</b> will test the effectiveness and sustainability of global development learning. Distance learning and communications technologies will expand access to development information and university programs in four centers. Total cost: \$3.6 million.	HD	6/28/02	2008/2022	n.a.	2.7
❖ <b>IBRD/IDA Second Urban Poverty Investment Loan/Credit<sup>c</sup></b> aims to improve financial, social, and infrastructure services to the urban poor through increased cooperation between government and community organizations and giving the poor a voice in public decisionmaking. Total cost: \$126.9 million.	UD	6/11/02 6/11/02	2008/2022 2012/2037	n.a. 55.7	29.5 70.5
❖ <b>IBRD Eastern Indonesia Region Transport Investment Loan</b> will allow 22 million people to benefit from economic growth and improved social welfare through preservation of roads, improved traffic safety, and decentralization planning. Total cost: \$264 million.	FPSD	12/11/01	2007/2021	n.a.	200.0
<b>LAO PEOPLE'S DEMOCRATIC REPUBLIC</b>					
IDA Financial Management Adjustment Credit will benefit the financial sector through improved public expenditure management, and state-owned enterprise reform and development. The credit complements and supports the Financial Management Capacity Building Investment Credit. Total cost: \$17 million.	FPSD	6/25/02	2012/2042	13.5	17.0
IDA Financial Management Capacity Building Investment Credit will assist the government's implementation of reform in the financial sector by providing improved public expenditure management, and state-owned enterprise reform and development. The credit complements and supports the Financial Management Adjustment Credit. Total cost: \$9.5 million.	FPSD	6/25/02	2012/2042	6.8	8.5
❖ IDA Poverty Reduction Fund Investment Credit will benefit communities in approximately 22 targeted poor districts through the development of community public infrastructure, improved access to services, and empowerment in decisionmaking processes. Total cost: \$21.7 million.	SPRM	6/25/02	2012/2042	15.3	19.3
<b>MONGOLIA</b>					
IDA Financial Capacity Development Investment Credit will benefit the banking sector and aims to enhance financial intermediation through credit risk management of private banks, modernization of payment systems, and a controlled process of savings bank resolution. Total cost: \$5.5 million.	FPSD	6/11/02	2012/2041	4.0	5.0
❖ IDA Sustainable Livelihoods Adaptable Program Credit aims to benefit poor and vulnerable households nationwide by supporting the shift in the national antipoverty strategy and investing in pastoral risk management, microfinance outreach, local initiatives, and program management. Total cost: \$22.1 million.	RD	6/11/02	2012/2042	15.0	18.7

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**Table 6.9 Summaries of Operations Approved during Fiscal 2002, East Asia and Pacific (continued)**

Country/project name	Primary theme <sup>a</sup>	Date of approval	Maturities	Principal amount (millions)	
				SDR <sup>b</sup>	US\$
❖ IDA Legal and Judicial Reform Investment Credit aims to promote a transparent and effective legal and judicial system through the design and testing of new tools giving better access to information, the creation of specialized courts, and improved legal education. Total cost \$5.6 million.	RL	12/21/01	2012/2041	4.0	5.0
<b>PAPUA NEW GUINEA</b> IBRD Road Maintenance and Rehabilitation <b>Investment Loan</b> will benefit approximately 1.3 million people by providing improved transport services through maintenance of roads, rehabilitation of roads, and replacement and rehabilitation of bridges. Total cost: \$59.2 million.	FPSD	6/6/02	2008/2022	n.a.	40.0
❖ IBRD Forestry and Conservation Investment Loan will benefit forest landowners, local people, and government by enabling conservation of Papua New Guinea's forest resources through biodiversity protection and carbon sequestration. Total cost: \$39.3 million.	ENRM	12/18/01	2010/2021	n.a.	17.4
<b>PHILIPPINES</b> ❖ IBRD Second Social Expenditure Management <b>Investment Loan</b> aims to promote transparent governance in the three social sector departments—education, health, and social welfare—with the oversight and support of the department of budget and management providing inputs to such services. Total cost: \$115.4 million.	PSG	6/4/02	2010/2019	n.a.	100.0
❖ IBRD Local Government Unit Urban Water and Sanitation Adaptable Program <b>Loan</b> is the second phase of an adaptable program loan to assist government and privately managed water utilities to operate commercial water and sanitation services to 250 towns and cities. Total cost: \$30 million.	FPSD	10/18/02	2010/2021	n.a.	30.0
<b>TONGA</b> ❖ IDA Cyclone Emergency Recovery and Management <b>Investment Credit</b> aims to strengthen emergency risk management and improve the standard of living of those affected by providing shelter to the poor and homeless and increasing resilience to natural hazards. Total cost: \$5.6 million.	SPRM	5/30/02	2012/2042	4.7	5.9
<b>VIETNAM</b> IDA System Efficiency Improvement, Equitization, and Renewables <b>Investment Credit</b> aims to contribute to poverty alleviation in rural areas by improving power system services and access to energy for the poor. Greenhouse gas emissions will decrease with the use of renewable resources. Total cost: \$352.4 million.	FPSD	6/25/02	2012/2042	177.9	225.0
❖ IDA Second Rural Finance Financial Intermediary <b>Investment Credit</b> will benefit and provide credit to approximately 90,000 small businesses and farm households. Better financial services in rural areas will result in job creation and increased incomes among the poor. Total cost: \$298.2 million.	RD	5/30/02	2012/2042	160.2	200.0

Country/project name	Primary theme <sup>a</sup>	Date of approval	Maturities	Principal amount (millions)	
				SDR <sup>b</sup>	US\$
❖ IDA Regional Blood Transfusion Centers Investment Credit will benefit approximately 30 million people in 21 provinces by providing safe blood transfusion services in four regional blood transfusion centers. Total cost: \$47.5 million.	HD	4/16/02	2012/2042	30.8	38.2
❖ IDA Primary Teacher Development Investment Credit will benefit 0.75 million primary pupils in 10 provinces in Vietnam by providing better educational facilities and improved training and professional development for 23,000 teaching professionals. Total cost: \$35.7 million.	HD	12/20/01	2012/2041	15.6	19.8
❖ IDA Northern Mountains Poverty Reduction Investment Credit will benefit 1 million rural poor providing education, public health, agricultural productivity, drinking water, and improved transport and marketing services. Total cost: \$132.5 million.	RD	10/25/01	2012/2041	87.9	110.0
<b>Total</b>				<b>629.8</b>	<b>1,773.6</b>

n.a. Not applicable.

❖ Denotes various levels of civil society involvement in Bank-supported projects, from design to monitoring and evaluation of results.  
Note: Numbers have been rounded.

a. EM = economic management; ENRM = environment and natural resource management; PSD = financial and private sector development; HD = human development; PSG = public sector governance; RD = rural development; RL = rule of law; SDGI = social development, gender, and inclusion; SPRM = social protection and risk management; TI = trade and integration; UD = urban development. See box 2.1.

b. IDA funds are committed in SDRs (special drawing rights). In fiscal 2002 the exchange rate for SDRs was 1 SDR = \$1.265.  
c. "Blend" loan/credit.

## Tables

**Table 6.10 Summaries of Operations Approved during Fiscal 2002, South Asia**

Country/project name	Primary theme <sup>a</sup>	Date of approval	Maturities	Principal amount (millions)	
				SDR <sup>b</sup>	US\$
<b>AFGHANISTAN</b>					
❖ IDA Emergency Community Empowerment and Public Works Grant underpins the government's National Solidarity Program bringing assistance to communities focusing on employment creation in rural areas for excombatants and Afghans returning home, having fled drought and conflict. Small rehabilitation works aim to boost economic activities. Total cost: \$42 million.	SDGI	6/6/02	n.a.	33.7	42.0
❖ IDA Emergency Education Rehabilitation and Development Grant focuses on learning and skills development for excombatants, war widows, and women, supporting rehabilitation of universities and colleges, education policy and planning, and the establishment of a distance learning center. Total cost: \$15 million.	HD	6/6/02	n.a.	12.1	15.0
IDA Emergency Infrastructure Reconstruction Grant will support rehabilitation of urgently needed water supply and sanitation in secondary cities, sanitation in Kabul, and basic electricity for all cities, including Kabul. Urban public works will also generate short-term employment opportunities benefiting the urban population. Total cost: \$33 million.	SDGI	6/6/02	n.a.	26.5	33.0
IDA Emergency Public Administration Grant will assist the government with key public administration functions, such as procurement, financial management, and auditing, so that public resources can be effectively used to rebuild and develop the war-ravaged country. Total cost: \$10 million.	PSG	4/4/02	n.a.	8.1	10.0
<b>BANGLADESH</b>					
❖ IDA Rural Electrification and Renewable Energy Development Investment Credit will expand access to environmentally sound energy in remote communities, benefiting nearly 700,000 households and small businesses. Total cost: \$298.3 million.	RD	6/25/02	2012/2042	153.0	191.0
IDA Financial Services for the Poorest Learning and Innovation Credit aims to find models to reduce poverty through innovative delivery mechanisms, to extend microfinancial services to those who live on safety nets and charities, and to help them to escape the poverty trap. Total cost: \$6 million.	FPSD	6/19/02	2012/2042	3.9	5.0
IDA Public Procurement Reform Credit aims to reduce corruption and increase efficiency in procurement of public goods, works, and services. Reform in procurement rules, procedures, and management should ensure that public resources are utilized properly for the benefit of the country. Total cost: \$4.9 million.	PSG	5/2/02	2012/2042	3.6	4.5
❖ IDA Second Female Secondary School Assistance Investment Credit will increase enrollments and improve education in secondary schools. Up to 1.45 million girls will benefit from tuition assistance and outreach to rural areas. Total cost: \$144.6 million.	HD	3/12/02	2012/2042	96.4	120.9

Country/project name	Primary theme <sup>a</sup>	Date of approval	Maturities	Principal amount (millions)	
				SDR <sup>b</sup>	US\$
<b>INDIA</b>					
❖ <b>IBRD/IDA Mumbai Urban Transport Investment</b> Loan/Credit <sup>c</sup> plans to ease traffic congestion in Mumbai and to enhance suburban rail capacity and service quality by improving road traffic conditions and by resettling almost 20,000 poor families away from hazardous squatter areas close to railway lines. Total cost: \$945 million.	UD	6/18/02 6/18/02	2008/2022 2012/2037	n.a. 62.5	463.0 79.0
<b>IDA Gujarat Emergency Earthquake Reconstruction</b> Credit, the second phase of the ongoing Gujarat Emergency Earthquake Reconstruction Program, is aimed at completing ongoing reconstruction and enhancing future disaster preparedness. Total cost: \$503.7 million.	SPRM	5/2/02	2012/2037	356.0	442.8
❖ <b>IDA Karnataka Community-Based Tank Management</b> Investment Credit aims to reduce poverty by supporting a local approach to manage water resources in poor rural communities by returning the capacity and responsibility for water tank development to villagers. Total cost: \$125 million.	RD	4/25/02	2012/2036	80.0	98.9
❖ <b>IBRD Kerala State Transport Investment Loan</b> will enhance road capacity and provide targeted safety programs designed to boost both safety and efficiency of Kerala's roads, benefiting local populations. Total cost: \$336 million.	UD	3/14/02	2007/2021	n.a.	255.0
❖ <b>IDA Mizoram State Roads Investment Credit</b> will improve road capacity, quality, and safety by rehabilitating and maintaining state roads, benefiting an estimated 70 percent of the population. Total cost: \$70 million.	FPSD	3/14/02	2012/2036	47.5	60.0
<b>IBRD/IDA Andhra Pradesh Economic Reform</b> Investment Loan/Credit <sup>c</sup> will support a far-reaching program of economic and structural reforms already underway in this state. Total cost: \$250 million.	PSG	3/14/02 3/14/02	2007/2022 2012/2036	n.a. 101.0	125.0 125.0
<b>IBRD/IDA Second Karnataka Economic Restructuring</b> Investment Loan/Credit <sup>c</sup> is the second in a series designed to assist the ongoing reform agenda that will benefit communities. There are four main components: fiscal and public expenditure reforms, administrative reforms, private sector development, and poverty monitoring. Total cost: \$100 million.	PSG	3/14/02 3/14/02	2007/2022 2012/2036	n.a. 40.5	50.0 50.0
❖ <b>IDA Rajasthan Water Sector Restructuring</b> Investment Credit will benefit 250,000 farm families, providing more sustainable development and use of limited water resources, particularly through improved management of the irrigation sector. Total cost: \$180.2 million.	RD	2/19/02	2012/2036	110.0	140.0
❖ <b>IDA Uttar Pradesh Water Sector Restructuring</b> Investment Credit will benefit 22,000 rural families through fundamental reforms in the water resources management and irrigation sector. Total cost: \$173.7 million.	RD	2/19/02	2012/2036	117.0	149.2
<b>IDA Second Karnataka Rural Water Supply and Sanitation</b> Investment Credit will benefit 4 million people in rural areas through access to cleaner water, improved sanitation, and better hygiene practices. Total cost: \$193.4 million.	ENRM	12/18/01	2012/2036	119.0	151.6

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**Table 6.10 Summaries of Operations Approved during Fiscal 2002, South Asia (continued)**

Country/project name	Primary theme <sup>a</sup>	Date of approval	Maturities	Principal amount (millions)	
				SDR <sup>b</sup>	US\$
<b>NEPAL</b>					
❖ IDA Telecommunications Sector Reform Investment Credit will strengthen the policy and regulatory capacities of the government and increase access to telecommunication services, which will benefit approximately 25 percent of all rural communities. Total cost: \$24.6 million.	FPSD	12/11/01	2012/2041	17.5	22.6
<b>PAKISTAN</b>					
IDA Second Structural Adjustment Credit will support the implementation of Pakistan's reform program and debt reduction strategy and provide balance of payments support through a number of governance improvements and increased expenditures on social services delivery, such as education and health care. Total cost: \$500 million.	EM	6/11/02	2012/2037	395.2	500.0
IDA Banking Sector Restructuring and Privatization Investment Credit will benefit the banking sector and will assist the three nationalized commercial banks to restructure themselves in preparation for privatization in order to develop a competitive banking system. Total cost: \$540 million.	FPSD	10/23/01	2012/2036	239.5	300.0
<b>SRI LANKA</b>					
❖ IDA Renewable Energy for Rural Economic Development Investment Credit will improve the quality of rural life. Private power generation, using renewable energy resources, will provide direct electricity access to 100,000 households and 1,000 rural small and medium enterprises and public institutions. Total cost: \$133.7 million.	RD	6/20/02	2012/2042	59.3	75.0
<b>Total</b>				<b>2,082.3</b>	<b>3,508.5</b>

n.a. Not applicable.

❖ Denotes various levels of civil society involvement in Bank-supported projects, from design to monitoring and evaluation of results.

Note: Numbers have been rounded.

a. EM = economic management; ENRM = environment and natural resource management; FPSD = financial and private sector development; HD = human development; PSG = public sector governance; RD = rural development; RL = rule of law; SDGI = social development, gender, and inclusion; SPRM = social protection and risk management; TI = trade and integration; UD = urban development. See box 2.1.

b. IDA funds are committed in SDRs (special drawing rights). In fiscal 2002 the exchange rate for SDRs was 1 SDR = \$1.265.

c. "Blend" loan/credit.

## Tables

**Table 6.11 Summaries of Operations Approved during Fiscal 2002, Europe and Central Asia**

Country/project name	Primary theme <sup>a</sup>	Date of approval	Maturities	Principal amount (millions)	
				SDR <sup>b</sup>	US\$
<b>ALBANIA</b>					
◆ IDA Road Maintenance Investment Credit will benefit the poor and aims to reduce transport costs, reduce accident rates, and provide better accessibility to rural areas and essential social services through improved efficiency in the management and maintenance of the rural road network. Total cost: \$20.9 million.	RD	6/27/02	2012/2042	13.5	17.0
IDA Financial Sector Adjustment Credit supports the government's financial sector reform program. It consists of three broad components: continued reform of the banking sector; enhancement of bankruptcy and debt resolution framework; and reform of the nonbank sector. Total cost: \$15 million.	FPSD	6/20/02	2012/2042	12.0	15.0
IDA Poverty Reduction Support Credit will support the government's growth and poverty reduction strategy. It supports a package of innovative cross-cutting public sector reforms, as well as priority measures to improve service delivery and social safety net effectiveness. Total cost: \$20 million.	SPRM	6/20/02	2012/2042	16.0	20.0
IDA Power Sector Rehabilitation and Restructuring Investment Credit aims to achieve significant improvement in the operational effectiveness of the power sector through electricity loss reduction, billing enforcement, and price rationalization measures, benefiting low-income families in both rural and urban areas. Total cost: \$35.1 million.	FPSD	6/20/02	2012/2042	24.0	29.9
◆ IDA Pilot Fishery Development Investment Credit will increase the economic and environmental sustainability of marine and lake fisheries through improved sector management, benefiting nearly 6,500 fishermen, their families, and suppliers by enforcing co-management of local fisheries. Total cost: \$6.7 million.	RD	2/28/02	2012/2041	4.4	5.6
<b>ARMENIA</b>					
◆ IDA Natural Resources Management and Poverty Reduction Investment Credit aims to promote adoption of sustainable resource management practices and alleviation of rural poverty in the Tavoush and Gegharkunik districts of Northern Armenia, benefiting about 273,000 people in 100 villages. Total cost: \$13.4 million.	ENRM	6/4/02	2012/2042	6.7	8.3
IDA Foreign Investment and Export Facilitation Learning and Innovation Credit aims at testing the responsiveness for prospective investment and exports through the establishment of a lead agency that would streamline transaction processing and implement a promotion strategy. Total cost: \$1.3 million.	TI	4/16/02	2012/2042	0.8	1.0
IDA Enterprise Incubator Learning and Innovation Credit aims to reduce poverty and improve economic growth by unlocking the institutional rigidities that hinder the development of Armenia's human capital, particularly as it relates to the business environment. Total cost: \$7.6 million.	FPSD	11/29/01	2012/2041	3.9	5.0

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**Table 6.11 Summaries of Operations Approved during Fiscal 2002, Europe and Central Asia (continued)**

Country/project name	Primary theme <sup>a</sup>	Date of approval	Maturities	Principal amount (millions)	
				SDR <sup>b</sup>	US\$
◆ IDA Irrigation Development Investment Credit will enhance profitability and sustainability of irrigated agriculture for 30,000 private farming households through incentives for stakeholders and institutional reforms. Total cost: \$30.8 million.	RD	8/30/01	2011/2041	19.8	24.9
<b>AZERBAIJAN</b>					
IDA Second Institution Building Technical Assistance Credit will benefit taxpayers and citizens by providing technical assistance focusing on transparency and accountability in public financial management, and strengthening the tracking of poverty-reducing public expenditures and their impacts. Total cost: \$13.4 million	PSG	6/18/02	2012/2037	7.5	9.5
IDA Second Structural Adjustment Credit aims to bolster the government's intensification of reform efforts over the past two years to stimulate balanced economic growth, job creation, and poverty reduction. Total cost: \$60 million.	PSG	3/12/02	2012/2037	48.4	60.0
<b>BOSNIA AND HERZEGOVINA</b>					
◆ IDA Solid Waste Management Investment Credit will benefit more than 800,000 people by improving access to environmentally sustainable and cost-effective solid waste management services. Total cost: \$21 million.	ENRM	6/20/02	2012/2037	14.3	18.0
IDA Business Environment Adjustment Credit will support the government's reforms to improve the investment climate, attract domestic and foreign investment, and remove barriers to business entry, operation, and exit, resulting in a more dynamic private sector, job creation, and improved living standards. Total cost: \$44 million.	FPSD	5/30/02	2012/2037	35.3	44.0
IDA Road Management and Safety Investment Credit will benefit all road users by improving traffic flow and reducing accidents through the rehabilitation of poor quality roads and support of private sector growth and employment. Total cost: \$41.5 million.	FPSD	3/28/02	2012/2036	24.2	30.0
IDA Private Sector Credit Financial Intermediary Loan will promote the development of the private sector by improving access to bank loans and other finances, benefiting private enterprises and banks. Total cost: \$16 million.	FPSD	2/28/02	2012/2036	8.0	10.0
<b>CROATIA</b>					
◆ IBRD Structural Adjustment Loan aims to improve the competitiveness of the economy through managed policy, fiscal discipline, strengthened market institutions, a flexible labor market and strengthened social protection. Total cost: \$202 million.	SPRM	12/4/01	2007/2016	n.a.	202.0
<b>GEORGIA</b>					
IDA Health Project Supplemental Credit will benefit women and children, and aims to improve access to and quality of health care for the population through quality care and regulation of public and private workers. Total cost: \$2.8 million.	HD	8/28/01	2011/2041	2.2	2.7

Country/project name	Primary theme <sup>a</sup>	Date of approval	Maturities	Principal amount (millions)	
				SDR <sup>b</sup>	US\$
<b>KYRGYZ REPUBLIC</b>					
❖ IDA Rural Water Supply and Sanitation Investment Credit will improve hygiene and sanitation for approximately 350,000 people in the Issyk-Kul, Naryn, and Talas Oblasts by increasing access to potable water. Total cost: \$24.6 million.	RD	12/4/01	2012/2041	12.0	15.0
<b>LATVIA</b>					
❖ IBRD Housing Project Learning and Innovation Loan aims to introduce households, housing associations, and financial institutions to financing mechanisms, to determine whether those qualified will use the new mechanisms to finance high return investments not currently funded by private lenders. Total cost: \$2.8 million.	FPSD	4/25/02	2007/2019	n.a.	2.0
<b>LITHUANIA</b>					
IBRD Education Improvement Investment Loan aims to improve the quality of teaching and learning in grades 5 through 10, by making efficient use of the financial, human, and physical resources allocated to education, benefiting around 600,000 students in grades 1 through 12. Total cost: \$45.4 million.	HD	6/20/02	2007/2019	n.a.	25.4
❖ IBRD Vilnius District Heating Investment Loan will benefit local communities through government efforts to improve the quality of heating supply, focusing on lower costs, reliability, and building level temperature control. Total cost: \$64.5 million.	UD	8/23/01	—/2018	n.a.	17.1
<b>MACEDONIA, FORMER YUGOSLAV REPUBLIC OF</b>					
❖ IDA Community Development Investment Credit supports the government's postconflict development efforts and aims to pilot small community-based initiatives. Local and regional communities will benefit from reduced social tensions and improved local social capital. Total cost: \$9.6 million.	SDGI	5/30/02	2012/2022	4.1	5.0
IDA Public Sector Management Adjustment Credit aims to boost sustained economic growth and improved service delivery by strengthening key institutions, and accountability, transparency, and efficiency in the use of public resources. Total cost: \$15 million.	PSG	4/9/02	2012/2036	12.1	15.0
IDA Emergency Economic Recovery Investment Credit will help restore economic activity disrupted by the civil conflict by providing better access to critical imports by the private sector. Total cost: \$15 million.	EM	12/13/01	2012/2021	11.6	15.0
<b>MOLDOVA</b>					
IDA Rural Investment and Services Adaptable Program Credit aims to increase rural incomes and living standards by promoting rural entrepreneurship, economic diversity, and trade in the rural areas. It will improve access for private farmers and rural businesses to legal ownership, knowledge, and finance. Total cost: \$19.7 million.	RD	6/20/02	2012/2042	8.3	10.5

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**Table 6.11 Summaries of Operations Approved during Fiscal 2002, Europe and Central Asia (continued)**

Country/project name	Primary theme <sup>a</sup>	Date of approval	Maturities	Principal amount (millions)	
				SDR <sup>b</sup>	US\$
<b>IDA Third Structural Adjustment Investment Credit</b> will help the government set the basis for sustained economic growth by focusing on better monitoring and evaluation of poverty reduction measures as well as improved performance in education and health care to benefit the country's population as a whole. Total cost: \$30 million.	PSG	6/20/02	2012/2042	24.1	30.0
❖ IDA Structural Adjustment Credit—IDA Reflow	FPSD	11/20/01	2009/2034	4.0	5.0
<b>POLAND</b>					
❖ IBRD Second Hard Coal Sector Adjustment Loan will benefit miners by transforming the coal industry into a competitive and profitable sector by assisting workers leaving the industry to find employment, removing industry payment of taxes, preparing the industry for privatization, and improving environmental performance. Total cost: \$100 million.	FPSD	8/2/01	2011/2011	n.a.	100.0
<b>ROMANIA</b>					
❖ IBRD Rural Development Adaptable Program Loan aims to strengthen local governance by improving community groups' handling of public investments and increasing the availability of sustainable infrastructure in poor rural areas. Total cost: \$53.4 million.	RD	3/19/02	2006/2019	n.a.	40.0
❖ IBRD Second Social Development Fund Adaptable Program Loan aims to increase the social capital and civic engagement of the rural poor in 250 communities through implementation of social development projects. Total cost: \$28.7 million.	SDGI	12/20/01	2006/2018	n.a.	20.0
<b>RUSSIAN FEDERATION</b>					
IBRD Treasury Modernization Adaptable Program Loan aims to assist the government in establishing a fully functioning treasury, enabling better cash management and ensuring budget expenditures are in accordance with the approved budget to benefit the public as a whole. Total cost: \$663 million.	PSG	6/6/02	2008/2019	n.a.	231.0
IBRD Fiscal Federalism and Regional Fiscal Reform Adjustment Loan will support fiscal reform benefiting the poor through effective targeting of social expenditures and assistance. Total cost: \$120 million.	PSG	1/29/02	2007/2018	n.a.	120.0
<b>SLOVAK REPUBLIC</b>					
IBRD Social Benefits Reform Administration Investment Loan aims to establish a cost effective and efficient social protection system by improving management, impacting approximately 3.5 million workers and social assistance recipients. Total cost: \$40.3 million.	SPRM	2/21/02	2006/2016	n.a.	23.5
IBRD Enterprise and Financial Sector Adjustment Loan will support bank and enterprise reforms such as restructuring of the banking system and substantial improvements in the legal frameworks for bankruptcy and corporate governance. Total cost: \$177.3 million.	FPSD	8/2/01	2007/2015	n.a.	177.3

Country/project name	Primary theme <sup>a</sup>	Date of approval	Maturities	Principal amount (millions)	
				SDR <sup>b</sup>	US\$
<b>TAJIKISTAN</b>					
IDA Pamir Private Power Credit will benefit consumers by ensuring a reliable supply of electricity in the Gorno Badakshan Autonomous Oblast region of Tajikistan, in a financially, environmentally, and socially sustainable manner through private sector involvement. Total cost: \$26.4 million.	FPSD	6/27/02	2012/2042	7.9	10.0
❖ IDA Dushanbe Water Supply Investment and Maintenance Credit will improve the safety, reliability, efficiency, and financial viability of the water supply services to the people of Dushanbe through rehabilitation of existing facilities and institutional and financial strengthening using improved financial and commercial management practices. Total cost: \$19.4 million.	UD	6/18/02	2012/2042	13.5	17.0
❖ IDA Second Poverty Alleviation Investment Credit seeks to improve the living standards of the vulnerable and the extreme poor. Between 400,000 and 700,000 people will benefit from microprojects, microfinance services, and community empowerment. Total cost: \$18.3 million.	SPRM	5/21/02	2012/2042	11.1	13.8
<b>TURKEY</b>					
❖ IBRD Second Programmatic Financial and Public Sector Adjustment Loan aims to help Turkey implement the next phase of its reform program and ensure that social programs are adequately funded while supporting the government's macroeconomic policy framework to create conditions for financial stability and sustained growth. Total cost: \$1.4 billion.	FPSD	4/16/02 4/16/02	2007/2017 2005/2007	n.a. n.a.	550.0 800.0
❖ IBRD Social Risk Mitigation Sector Adjustment Loan will help strengthen Turkey's social safety net through investment to build social services and adjustment to provide immediate support to the poorest populations affected by the recent economic crisis. Total cost: \$635.5 million.	HD	9/13/01	2007/2016	n.a.	500.0
❖ IBRD Programmatic Financial and Public Sector Adjustment Loan will support reforms aimed at restoring confidence in the banking system, preparing the sector for European Union accession, and supporting urgent fiscal measures to protect social spending. Total cost: \$1.1 billion.	FPSD	7/12/01 7/12/01	2006/2018 2004/2006	n.a. n.a.	700.0 400.0
❖ IBRD Agricultural Reform Implementation Investment Loan will implement agricultural reform which should benefit farmers through restructuring of sales cooperatives. It should also reduce government subsidies and marketing expenses, and finance payments to redundant workers. Total cost: \$662 million.	RD	7/12/01	2006/2018	n.a.	600.0
<b>UKRAINE</b>					
❖ IBRD Private Sector Development Adaptable Program Loan will encourage private sector development by supporting the government in improving the regulatory environment and providing training to business managers that supports enterprise restructuring. Total cost: \$38 million.	FPSD	3/28/02	2010/2021	n.a.	30.0

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**Table 6.11 Summaries of Operations Approved during Fiscal 2002, Europe and Central Asia (continued)**

Country/project name	Primary theme <sup>a</sup>	Date of approval	Maturities	Principal amount (millions)	
				SDR <sup>b</sup>	US\$
◆ IBRD Social Investment Fund Loan will develop social and communal services to improve the living conditions for poor communities and disadvantaged groups who have suffered from economic and social transition. Total cost: \$70.1 million.	SPRM	12/4/01	2007/2022	n.a.	50.2
IBRD First Programmatic Adjustment Loan will support the government's economic development and reform program for sustained economic growth, poverty reduction, and improved environmental protection. Total cost: \$250 million.	PSG	9/20/01	2007/2021	n.a.	250.0
<b>UZBEKISTAN</b>					
IBRD/IDA Bukhara and Samarkand Water Supply and Sanitation Investment Loan/Credit <sup>c</sup> aims to improve the quality and financial sustainability of potable water to about 650,000 people through rehabilitation of facilities and institutional strengthening. Total cost: \$62 million.	UD	3/19/02 3/19/02	2007/2022 2012/2037	n.a. 15.9	20.0 20.0
IBRD Rural Enterprise Support Investment Loan will assist approximately 400,000 people to restructure collective farms by supporting newly created private sector initiatives, resulting in improved farm productivity and profitability. Total cost: \$43.5 million.	RD	12/20/01	2007/2021	n.a.	36.1
<b>YUGOSLAVIA, FEDERAL REPUBLIC OF</b>					
IDA Trade and Transport Facilitation in South East Europe Investment Credit aims to meet two development objectives. People in the trade industry and consumers and producers will benefit from the reduction of nontariff costs to trade and transport as well as the reduction of smuggling and corruption at the border crossings. Total cost: \$11 million.	TI	6/4/02	2012/2022	5.5	6.8
IDA Private and Financial Sector Adjustment Credit aims to develop a sound financial system by supporting the government in its goal to accelerate and strengthen private sector growth and thereby improving the investment climate. Total cost: \$85 million.	FPSD	5/23/02	2012/2022	68.1	85.0
◆ IDA Education Improvement Investment Credit supports the government of Serbia's education reform agenda. Half of the IDA funding will be in direct resource transfers to children and teachers in about 650 primary schools, directly benefiting approximately 25,000 teachers and 300,000 students. Total cost: \$12.2 million.	HD	5/2/02	2012/2022	8.0	10.0
◆ IDA Structural Adjustment Credit aims to promote reforms to ensure fiscal sustainability and provide financing to bolster external reserves, to reduce poverty, and to promote sustainable growth. Total cost: \$70 million.	PSG	1/29/02	2012/2021	55.5	70.0
<b>Total</b>				<b>502.7</b>	<b>5,523.6</b>

n.a. Not applicable.

— Not available.

◆ Denotes various levels of civil society involvement in Bank-supported projects, from design to monitoring and evaluation of results.

Note: Numbers have been rounded.

a. EM = economic management; ENRM = environment and natural resource management; FPSD = financial and private sector development; HD = human development; PSG = public sector governance; RD = rural development; RL = rule of law; SDGI = social development, gender, and inclusion; SPCM = social protection and risk management; TI = trade and integration; UD = urban development. See box 2.1.

b. IDA funds are committed in SDRs (special drawing rights). In fiscal 2002 the exchange rate for SDRs was 1 SDR = \$1.265.

c. "Blend" loan/credit.

## Tables

**Table 6.12 Summaries of Operations Approved during Fiscal 2002, Latin America and the Caribbean**

Country/project name	Primary theme <sup>a</sup>	Date of approval	Maturities	Principal amount (millions)	
				SDR <sup>b</sup>	US\$
<b>ARGENTINA</b>					
❖ <b>IBRD Family Strengthening and Social Capital Promotion Learning and Innovation Loan</b> aims to promote active family participation as members of their communities, in the labor market, and in Argentine society, by supporting community organizations' and NGOs' subprojects. Total cost: \$6.7 million.	SDGI	11/8/01	2007/2016	n.a.	5.0
❖ <b>IBRD Structural Adjustment Loan</b> aims to improve the quality of life for the poor and vulnerable by supporting reforms in health insurance regulation, tax administration, and fiscal management, while maintaining vital social services. Total cost: \$400 million.	PSG	8/28/01	2005/2016	n.a.	400.0
❖ <b>IBRD Santa Fe Provincial Reform Adjustment Loan</b> is designed to support poverty alleviation and promote reforms in public finance, health, education, and private sector development in Santa Fe province, benefiting low-income families and children. Total cost: \$330 million.	PSG	7/19/01	2007/2016	n.a.	330.0
<b>BOLIVIA</b>					
❖ <b>IDA Road Rehabilitation and Maintenance Investment Credit</b> will rehabilitate and maintain major and secondary roads. Smallholder farmers will benefit from increased trade between towns and access to markets, and reduced travel times and fewer accidents. Total cost: \$284 million.	FPSD	4/16/02	2012/2037	62.0	77.0
❖ <b>IDA National Land Administration Supplemental Credit</b> will benefit smallholder farmers by regularizing land titles and allowing the government to complete titling for about 3 million hectares in rural areas. Total cost: \$10.8 million.	ENRM	9/18/01	2011/2036	4.8	6.0
<b>BRAZIL</b>					
❖ <b>IBRD Rural Poverty Reduction Investment Loan</b> will benefit about 80,000 rural families and aims to reduce poverty through the provision of matching grants to support community projects in water supply, electrification, local road rehabilitation, health posts, and schools. Total cost: \$30 million.	RD	6/27/02	2007/2017	n.a.	22.5
<b>IBRD Energy Sector Reform Investment Loan</b> will benefit the population by improving the investment climate and promoting economic growth by supporting reforms such as power tariffs, regulatory changes, and expansion of access to power. Total cost: \$454.6 million.	FPSD	6/13/02	2012/2012	n.a.	454.6
<b>IBRD Second Programmatic Financial Sector Adjustment Loan</b> will benefit the poor by providing access to financial services and supporting Brazil's initiative to strengthen its financial system. Total cost: \$404 million.	FPSD	6/13/02	2012/2012	n.a.	404.0
❖ <b>IBRD Fundescola IIIA (Third School Improvement) Adaptable Program Loan</b> will benefit thousands of students by helping to improve the quality of Brazil's public school education, focusing assistance in the poorest regions, namely the Northeast, North, and Central West. Total cost: \$320 million.	HD	6/13/02	2007/2014	n.a.	160.0

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**Table 6.12 Summaries of Operations Approved during Fiscal 2002, Latin America and the Caribbean (continued)**

Country/project name	Primary theme <sup>a</sup>	Date of approval	Maturities	Principal amount (millions)	
				SDR <sup>b</sup>	US\$
❖ <b>IBRD Natural Resource Management and Rural Poverty Reduction Loan</b> will benefit about 105,000 farmers and 5,000 indigenous people by awarding matching grants to pilot new technologies, innovate farming systems, and promote environmentally friendly practices. Total cost: \$107.5 million.	ENRM	4/25/02	2007/2017	n.a.	62.8
❖ <b>IBRD Family Health Extension Adaptable Program Loan</b> expands publicly financed health services in 40 cities, strengthening the capacity of the health sector to evaluate family-based services, thereby improving health in low-income households. Total cost: \$136 million.	HD	3/14/02	2007/2017	n.a.	68.0
❖ <b>IBRD Sergipe Rural Poverty Reduction Investment Loan</b> aims to improve the quality of life of 52,000 rural families in the northeastern state of Sergipe through provision of improved access to water, electricity, and other basic services. Total cost: \$28 million.	RD	1/29/02	2007/2017	n.a.	20.8
❖ <b>IBRD São Paulo Metro Line Investment Loan</b> will help finance Line 4 of the São Paulo Metro, providing safe, reliable transport for low-income people in the São Paulo Metropolitan Region. Total cost: \$934 million.	UD	1/22/02	2007/2017	n.a.	209.0
❖ <b>IBRD Fortaleza Metropolitan Transport Investment Loan</b> will benefit the low-income population through the support of development of an urban transport system, rehabilitating existing commuter rail-lines and transfer stations to provide efficient transport services. Total Cost: \$193.8 million.	UD	12/4/01	2007/2011	n.a.	85.0
<b>IBRD Financial Sector Technical Assistance Loan</b> aims to strengthen the financial sector by supporting diagnostic studies, training, and systems installations to implement financial sector reforms that enhance the stability of Brazil's financial system. Total cost: \$18.1 million.	FPSD	9/4/01	2007/2016	n.a.	14.5
❖ <b>IBRD Goiás State Highway Management Adaptable Program Loan</b> aims to improve road infrastructure by expanding, repairing, and helping to maintain the main highway network benefiting the agricultural industries, which rely on efficient road transport. Total cost: \$130 million.	FPSD	8/23/01	2007/2016	n.a.	65.0
<b>CHILE</b>					
❖ <b>IBRD Lifelong Learning and Training Investment Loan</b> supports Chile's initiative to provide basic, secondary, and technical education, and training programs for adults, especially the young unemployed and the working poor, by reducing the social deficit in the provision of lifelong education and training opportunities. Total cost: \$150.8 million.	HD	3/19/02	2010/2011	n.a.	75.8
❖ <b>IBRD Public Expenditure Management Investment Loan</b> will benefit the population as a whole by supporting the government's initiative to improve the effectiveness and transparency of public administration through the establishment of integrated financial management and resource allocation systems. Total cost: \$33.5 million.	PSG	2/19/02	2007/2017	n.a.	23.2

Country/project name	Primary theme <sup>a</sup>	Date of approval	Maturities	Principal amount (millions)	
				SDR <sup>b</sup>	US\$
<b>COLOMBIA</b>					
❖ <b>IBRD Productive Partnerships Support Investment Loan</b> will benefit communities in the rural areas and aims to reactivate the rural economy through partnership schemes involving communities and the private sector. Total cost: \$52.3 million.	RD	1/22/02	2010/2015	n.a.	32.0
❖ <b>IBRD Structural Fiscal Adjustment Loan</b> supports fiscal reform by helping the government increase efficiency while also protecting social spending as reforms are implemented. Total cost: \$400 million.	PSG	12/18/01	2010/2015	n.a.	400.0
❖ <b>IBRD Judicial Conflict Resolution Improvement Learning and Innovation Loan</b> aims to develop conflict-resolution procedures in the civil court system, benefiting the poor who are most affected by prevailing violence. Total cost: \$6.7 million.	RL	11/8/01	2007/2018	n.a.	5.0
❖ <b>IBRD Water Sector Reform Assistance Investment Loan</b> will support Colombia's reform of municipal water utilities by incorporating the private sector into the management of water services and by providing financial support to ensure services to underserved areas benefiting 700,000 people. Total cost: \$70 million.	UD	10/25/01	2009/2016	n.a.	40.0
❖ <b>IBRD Second Magdalena Medio Regional Development Learning and Innovation Loan</b> will increase the role of community organizations in managing the development program and strengthening local and regional institutions. Total cost: \$6.4 million.	SDGI	9/27/01	2011/2013	n.a.	5.0
<b>COSTA RICA</b>					
❖ <b>IBRD Health Sector Strengthening and Modernization Investment Loan</b> supports an initiative to provide high-quality health services through a modernization and decentralization program that will benefit 4 million Costa Ricans. Total cost: \$23.5 million.	HD	7/12/01	2008/2016	n.a.	17.0
<b>DOMINICA</b>					
IBRD/IDA Emergency Recovery Investment Loans/Credits <sup>c</sup> to Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines are helping the islands revitalize the tourism industry, which was hurt by declining travel after the events of September 11, through marketing and promotional activities and ensuring access to imports critical to the tourism sector. Total cost: \$24.8 million.	FPSD	3/7/02 3/7/02	2007/2016 2007/2036	n.a. 1.9	1.0 2.2
<b>ECUADOR</b>					
❖ <b>IBRD Agricultural Census and Information System Technical Assistance Loan</b> aims to strengthen social equity by facilitating completion of Ecuador's agricultural census, and enabling government and rural communities to develop the agriculture sector. Total cost: \$7.0 million.	RD	4/25/02	2007/2022	n.a.	4.8
IBRD Public Sector Financial Management Technical Assistance Loan supports Ecuador's effort to improve public sector financial management by expanding the use of a financial management system at all levels of government. Total cost: \$18.8 million.	PSG	3/26/02	2007/2021	n.a.	13.9

(continued next page)

**Table 6.12 Summaries of Operations Approved during Fiscal 2002, Latin America and the Caribbean (continued)**

Country/project name	Primary theme <sup>a</sup>	Date of approval	Maturities	Principal amount (millions)	
				SDR <sup>b</sup>	US\$
<b>IBRD Modernization and Rural Services Investment Loan</b> supports modernization of the country's electricity and telecommunications services, extending coverage to low-income consumers, improving quality of life and creating jobs. Total cost: \$40.4 million.	FPSD	11/20/01	2010/2021	n.a.	23.0
❖ <b>IBRD Poverty Reduction and Local Rural Development Investment Loan</b> will finance local initiatives to fight poverty in rural communities, where it will help approximately 60,000 people increase their incomes and improve their quality of life. Total cost: \$42 million.	SPRM	7/5/01	2009/2021	n.a.	25.2
<b>EL SALVADOR</b>	HD	12/4/01	2007/2018	n.a.	142.6
❖ <b>IBRD Earthquake Emergency Reconstruction and Health Services Extension Loan</b> will finance reconstruction and rehabilitation of the most severely damaged of eight hospitals and 113 of 361 health facilities, following two earthquakes in early 2001. Total cost: \$165.7 million.					
<b>GRENADA</b>	FPSD	3/7/02	2007/2016	n.a.	1.1
IBRD/IDA Emergency Recovery Investment Loans/Credits <sup>c</sup> to Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines are helping the islands revitalize the tourism industry, which was hurt by declining travel after the events of September 11, through marketing and promotional activities and ensuring access to imports critical to the tourism sector. Total cost: \$24.8 million.		3/7/02	2012/2036	2.2	2.7
<b>GUATEMALA</b>	FPSD	6/25/02	— / —	n.a.	150.0
IBRD Financial Sector Adjustment Loan will strengthen Guatemala's investment climate and ability to withstand financial shocks by supporting the country's legal framework for banking, anti-money laundering, financial supervision, and central banking. Total cost: \$150 million.					
IBRD Financial Sector Technical Assistance Loan will provide technical assistance to support financial sector reform, close insolvent banks, and recapitalize weak institutions and strengthen financial regulation. Access to financial services for the overall population will alleviate poverty and support economic growth. Total cost: \$5 million.	FPSD	6/25/02	2008/2018	n.a.	5.0
IBRD Third Integrated Financial Management Technical Assistance Loan will support the government's modernization of public sector financial management, encouraging firms to strengthen prospects for economic growth and efforts to reduce poverty. Total cost: \$33.2 million.	PSG	3/14/02	2008/2018	n.a.	29.8
<b>HONDURAS</b>	HD	5/7/02	2012/2042	21.8	27.1
❖ IDA Health System Reform Investment Credit will benefit low-income Hondurans by reforming the health system and extending health care services to poor areas, reducing levels of maternal, infant, and child mortality, and decreasing the growth in HIV/AIDS. Total cost: \$9.7 million.					
❖ IDA Rural Land Management Investment Credit supports improvements in rural land management to increase tenure security, productivity, and income for more than 100,000 poor rural households. Total cost: \$15 million.	ENRM	8/2/01	2007/2037	6.7	8.3

Country/project name	Primary theme <sup>a</sup>	Date of approval	Maturities	Principal amount (millions)	
				SDR <sup>b</sup>	US\$
❖ IDA Sustainable Coastal Tourism Learning and Innovation Credit aims to create a basis for growth in local communities by supporting sustainable tourism on Honduras' north coast, and also addressing land security, HIV/AIDS, and marine conservation. Total cost: \$6 million.	ENRM	7/25/01	2012/2041	4.0	5.0
<b>JAMAICA</b> ❖ IBRD HIV Prevention and Control Adaptable Program Loan will benefit Jamaicans at risk of contracting AIDS by supporting the government's program to reduce transmission of the HIV virus, and providing treatment and care to people living with HIV/AIDS. Total cost: \$16.5 million.	HD	3/29/02	2007/2019	n.a.	15.0
IBRD Emergency Economic Rehabilitation Structural Adjustment Investment Loan supports efforts to maintain macroeconomic stability by facilitating recovery of key industries while protecting the most vulnerable people. Total cost: \$150 million.	PSG	12/20/01	2007/2018	n.a.	75.0
❖ IBRD Social Safety Net Investment Loan aims to improve the quality of life for the poorest groups by supporting the consolidation of several social assistance programs into a new program targeted at the neediest children, youth, elderly, and disabled. Total cost: \$77.5 million.	SPRM	9/4/01	2007/2019	n.a.	40.0
<b>MEXICO</b> ❖ IBRD Tax Administration Institutional Development Technical Assistance Loan will help strengthen the federal Tax Administration Service, enabling it to collect taxes and carry out audits more effectively, while reducing its operating costs in relation to tax revenues. Total cost: \$82 million.	PSG	6/18/02	2008/2017	n.a.	52.0
IBRD Tax Reform Adjustment Loan will benefit tax payers and support Mexico's tax reform designed to spread the tax burden more equally among people with similar income levels, and to help sustain macroeconomic stability and social programs by increasing federal tax revenue. Total cost: \$303 million.	PSG	6/18/02	2012/2012	n.a.	303.0
❖ IBRD Basic Education Development Phase II Adaptable Program Loan supports efforts to improve the quality and expand coverage of basic education across the country, targeting rural, indigenous, and marginal urban areas by ensuring opportunity for all children to complete basic education and by channeling resources to the most disadvantaged students. Total cost: \$531.1 million.	HD	3/21/02	2007/2017	n.a.	300.0
❖ IBRD Southeast Regional Private Sector Development Learning and Innovation Loan seeks to support microbusiness initiatives to strengthen the private sector and fight poverty in the states of Campeche, Yucatan, and Quintana Roo. Total cost: \$10.6 million.	FPSD	9/27/01	2011/2011	n.a.	5.0

(continued next page)

**Table 6.12 Summaries of Operations Approved during Fiscal 2002, Latin America and the Caribbean (continued)**

Country/project name	Primary theme <sup>a</sup>	Date of approval	Maturities	Principal amount (millions)	
				SDR <sup>b</sup>	US\$
<b>NICARAGUA</b>					
❖ IDA Land Administration Investment Credit will benefit smallholder farmers and indigenous people through improved security of land tenure by boosting investment in agriculture, increasing incomes, and promoting sustainable use of natural resources. Total cost: \$38.5 million.	ENRM	6/18/02	2012/2041	26.2	32.6
<b>PANAMA</b>					
❖ IBRD Public Policy Reform Technical Assistance Loan aims to reduce poverty by supporting reforms to strengthen Panama's international competitiveness, trade negotiation capacity, fiscal sustainability, and public sector efficiency. Total cost: \$13.5 million.	TI	7/31/01	2007/2016	n.a.	10.5
<b>PARAGUAY</b>					
❖ IBRD Pilot Community Development Investment Loan supports community development initiatives to reduce poverty in rural areas and urban neighborhoods, benefiting some 32,000 low-income households. Total cost: \$11.2 million.	SPRM	3/21/02	2007/2018	n.a.	9.0
<b>ST. KITTS AND NEVIS</b>					
IBRD Education Development Adaptable Program Loan will benefit hundreds of students by financing construction of a fully equipped secondary school, while also providing training and instructional guides for teachers. Total cost: \$7 million.	HD	6/13/02	2007/2017	n.a.	5.0
IBRD Emergency Recovery Project Loans to Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines will help the islands revitalize the tourism industry, which was hurt by declining travel after the events of September 11, through marketing and promotional activities and ensuring access to imports critical to the tourism sector. Total cost: \$24.8 million.	FPSD	3/7/02	2007/2016	n.a.	4.4
<b>ST. LUCIA</b>					
IBRD/IDA Education Development Investment Loan/Credit <sup>c</sup> will benefit about 1,400 adolescents by financing construction of two new secondary schools, upgrading existing facilities, developing new curricula, and training teachers. Total cost: \$19.2 million.	HD	6/13/02 6/13/02	2007/2017 2012/2037	n.a. 4.8	6.0 6.0
IBRD/IDA Emergency Recovery Investment Loans/Credits <sup>c</sup> to Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines are helping the islands revitalize the tourism industry, which was hurt by declining travel after the events of September 11, through marketing and promotional activities and ensuring access to imports critical to the tourism sector. Total cost: \$24.8 million.	FPSD	3/7/02 3/7/02	2005/2017 2012/2037	n.a. 3.6	1.9 4.4
❖ IBRD/IDA Water Sector Reform Technical Assistance Loan/Credit <sup>c</sup> aims to improve water and sewerage service by transferring St. Lucia's water utility to private sector management within a sound legal and regulatory framework, improving the quality of life for residents. Total cost: \$8.4 million.	ENRM	12/20/01 12/20/01	2007/2016 2012/2036	n.a. 1.1	1.3 1.3

Country/project name	Primary theme <sup>a</sup>	Date of approval	Maturities	Principal amount (millions)	
				SDR <sup>b</sup>	US\$
<b>ST. VINCENT AND THE GRENADINES</b>					
IBRD/IDA Emergency Recovery and Disaster Management Adaptable Program Loan/Credit <sup>c</sup>	SPRM	5/29/02 5/29/02	2007/2019 2012/2037	n.a. 2.4	3.0 2.9
protect residents from loss of life and assets due to natural disasters by strengthening the country's ability to take preventive action and effectively manage emergency situations such as hurricanes. Total cost: \$6.8 million.					
IBRD/IDA Emergency Recovery Investment Loans/Credits <sup>c</sup> to Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines are helping the islands revitalize the tourism industry, which was hurt by declining travel after the events of September 11, through marketing and promotional activities and ensuring access to imports critical to the tourism sector. Total cost: \$24.8 million.	FPSD	3/7/02 3/7/02	2007/2019 2012/2037	n.a. 1.9	1.0 2.2
<b>URUGUAY</b>					
IBRD Third Basic Education Quality Improvement Investment Loan will extend the full-time urban school model to about 51,000 additional students in poorer regions, improving their academic results and reducing repetition rates for children completing the first and second grades. Total cost: \$56 million.	HD	4/25/02	2007/2017	n.a.	42.0
❖ IBRD Foot and Mouth Disease Emergency Recovery Investment Loan aims to benefit approximately 50,000 livestock farmers by supporting Uruguay's efforts to re-establish beef export markets, by eradicating foot-and-mouth disease. Total cost: \$24 million.	RD	7/31/01	2006/2016	n.a.	18.5
<b>Total</b>				<b>143.4</b>	<b>4,365.9</b>

n.a. Not applicable.

— Not available.

❖ Denotes various levels of civil society involvement in Bank-supported projects, from design to monitoring and evaluation of results.

Note: Numbers have been rounded.

a. EM = economic management; ENRM = environment and natural resource management; FPSD = financial and private sector development; HD = human development; PSG = public sector governance; RD = rural development; RL = rule of law; SDGI = social development, gender, and inclusion; SPRM = social protection and risk management; TI = trade and integration; UD = urban development. See box 2.1.

b. IDA funds are committed in SDRs (special drawing rights). In fiscal 2002 the exchange rate for SDRs was 1 SDR = \$1.265.

c. "Blend" loan/credit.

## Tables

**Table 6.13 Summaries of Operations Approved during Fiscal 2002, Middle East and North Africa**

Country/project name	Primary theme <sup>a</sup>	Date of approval	Maturities	Principal amount (millions)	
				SDR <sup>b</sup>	US\$
<b>ALGERIA</b>					
IBRD Mortgage Finance Technical Assistance Investment Loan will strengthen the environment for a well-functioning mortgage market, through capacity building in the banking system itself and technical assistance on legal and regulatory matters. Total cost: \$8.2 million.	FPSD	6/27/02	—/2018	n.a.	5.5
IBRD Transport Technical Assistance Investment Loan aims to modernize and expand the transport system to benefit the population by facilitating private participation, rehabilitating railways, and strengthening government capacity. Total cost: \$11.3 million.	FPSD	8/23/01	—/2018	n.a.	8.7
IBRD Financial System Infrastructure Modernization Investment Loan will provide basic financial services to households and the private sector by facilitating interbank payments systems and developing norms and standards. Total cost: \$18.2 million.	FPSD	7/26/01	—/2017	n.a.	16.5
<b>DJIBOUTI</b>					
◊ IDA Health Sector Development Adaptable Program Credit aims to meet Millennium Development Goals for reductions in maternal and child mortality through improvement of maternal and child health services, improved paramedical personnel, and improved availability of medicines in health facilities. Total cost: \$30 million.	HD	6/4/02	2012/2042	12.0	15.0
IDA Fiscal Consolidation Adjustment Credit will benefit new retirees and aims to ensure the sustainability of pension funds by restoring their viability and strengthening provisions of other public services. Total cost: \$10 million.	PSG	12/20/01	2012/2041	7.9	10.0
<b>EGYPT, ARAB REPUBLIC OF</b>					
◊ IBRD Higher Education Enhancement Investment Loan aims to improve the quality of the higher education system through legislative reform, institutional restructuring, and establishment of independent quality assurance mechanisms and monitoring systems. Total cost: \$60 million.	HD	4/16/02	2007/2019	n.a.	50.0
<b>JORDAN</b>					
IBRD Horticultural Exports Promotion and Technology Transfer Learning and Innovation Loan aims to help farmers increase horticultural exports to selected markets, diversify horticultural exports to reduce volatility, and increase participation and access of small and medium-scale farmers through provision of market information and support services. Total cost: \$6.6 million.	RD	6/27/02	2008/2019	n.a.	5.0
<b>LEBANON</b>					
◊ IBRD Urban Transport Development Investment Loan will benefit the urban population and provide the foundation for an efficient transportation system for Beirut and its metropolitan areas, through building a basic institutional framework and through critical investments to maximize the efficiency of the existing urban transport infrastructure. Total cost: \$115.2 million.	UD	6/13/02	2009/2015	n.a.	65.0

Country/project name	Primary theme <sup>a</sup>	Date of approval	Maturities	Principal amount (millions)	
				SDR <sup>b</sup>	US\$
❖ IBRD Ba'albeck Water and Wastewater Investment Loan will benefit lower-income groups by improving access and coverage to satisfactory water supply and wastewater services; developing and strengthening the capacity of the water authorities; and promoting the rational use of water through the introduction of water meters. Total cost: \$49.2 million.	ENRM	6/4/02	2009/2015	n.a.	43.5
<b>MOROCCO</b> ❖ IBRD Social Development Agency Investment Loan will benefit poor communities and vulnerable groups by testing new approaches for delivering enhanced social services to poor rural areas and by organizing local communities to take charge of implementing development activities. Total cost: \$15 million.	SPRM	6/4/02	2008/2022	n.a.	5.0
<b>TUNISIA</b> IBRD Third Economic Competitiveness Adjustment Loan aims to create a stable macroeconomic and streamlined business environment with increased telecommunications competitiveness, and improved efficiency of the insurance and financial sectors. Total cost: \$252.5 million.	FPSD	12/20/01	2002/2018	n.a.	252.5
<b>YEMEN, REPUBLIC OF</b> ❖ IDA Higher Education Learning and Innovation Credit aims to develop and pilot governance, finance, and quality reform of higher education. Leadership and technical training will be given to select government officials to enable them to take the lead in developing a higher education strategy. Total cost: \$5.3 million.	HD	6/18/02	2012/2042	4.1	5.0
IDA Health Reform Support Adaptable Investment Credit will increase access for women and children to maternal and child health services and improve the efficiency and equity of the overall health system. Total cost: \$29.6 million.	HD	3/28/02	2012/2041	22.2	27.5
❖ IDA Second Taiz Municipal Development and Flood Protection Investment Credit will benefit inhabitants and reduce loss and injury from seasonal flash flooding by constructing flood zones, funding a resettlement plan, and building capacity for local councils. Total cost: \$50 million.	UD	11/1/01	2012/2041	35.6	45.2
<b>Total</b>				<b>81.8</b>	<b>554.4</b>

n.a. Not applicable.

— Not available.

❖ Denotes various levels of civil society involvement in Bank-supported projects, from design to monitoring and evaluation of results.

Note: Numbers have been rounded.

a. EM = economic management; ENRM = environment and natural resource management; FPSD = financial and private sector development; HD = human development; PSG = public sector governance; RD = rural development; RL = rule of law; SDGI = social development, gender, and inclusion; SPRM = social protection and risk management; TI = trade and integration; UD = urban development. See box 2.1.

b. IDA funds are committed in SDRs (special drawing rights). In fiscal 2002 the exchange rate for SDRs was 1 SDR = \$1.265.

Tables

**Table 6.14 World Bank Adjustment Operations, Fiscal 2002**

(millions of dollars)

Country	Operation	IBRD	IDA	Total
<b>Poverty Reduction Support Credits</b>				
Albania	Poverty Reduction Support Credit	20	20	
Burkina Faso	Poverty Reduction Support Credit	45	45	
<b>Programmatic Structural Adjustment Loans and Credits</b>				
Brazil	Second Programmatic Financial Sector Adjustment Loan	404		404
Turkey	Second Programmatic Financial and Public Sector Adjustment Loan	1,350		1,350
Ukraine	Programmatic Adjustment Loan	250		250
<b>Sector Adjustment Loans and Credits</b>				
Albania	Financial Sector Adjustment Credit	15	15	
Bosnia and Herzegovina	Business Environment Adjustment Credit	44	44	
Brazil	Energy Sector Reform Loan	455		455
Côte d'Ivoire	Transport Sector Adjustment and Investment Credit (IDA Reflow)	12	12	
Poland	Second Hard Coal Sector Adjustment Loan	100		100
Slovak Republic	Enterprise and Financial Sector Adjustment Loan	177		177
Tanzania	Primary Education Development Program Credit		150	150
Tunisia	Third Economic Competitiveness Adjustment Loan	253		253
Turkey	Agricultural Reform Implementation Project Loan	600		600
Turkey	Social Risk Mitigation Project Loan	500		500
Yugoslavia, Federal Republic of	Private and Financial Sector Adjustment Credit	85		85
<b>Structural Adjustment Loans and Credits</b>				
Argentina	Structural Adjustment Loan	400		400
Argentina	Santa Fe Provincial Reform Loan	330		330
Azerbaijan	Second Structural Adjustment Credit	60	60	
Cameroon	Third Structural Adjustment Credit (IDA Reflow)	6	6	
Cape Verde	Structural Adjustment Credit	15	15	
Chad	Fourth Structural Adjustment Credit	40	40	
Colombia	Structural Fiscal Adjustment Loan	400		400
Congo, Democratic Republic of	Economic Recovery Credit	450	450	
Côte d'Ivoire	Economic Recovery Credit	200	200	
Croatia	Structural Adjustment Loan	202	202	
Djibouti	Fiscal Consolidation Credit	10	10	
Ethiopia	Ethiopia Structural Adjustment Credit	120	120	
Ghana	Third Economic Reform Support Operation Credit	110	110	
Ghana	Third Economic Reform Support Credit (IDA Reflow)	0	0	
Guatemala	Financial Sector Adjustment Loan	150		150
Guinea	Fourth Structural Adjustment Credit	50	50	
India	Andhra Pradesh Economic Reform Program	125	125	250
India	Second Karnataka Economic Restructuring Loan	50	50	100

<b>Country</b>	<b>Operation</b>	<b>IBRD</b>	<b>IDA</b>	<b>Total</b>
<b>Structural Adjustment Loans and Credits (continued)</b>				
Jamaica	Emergency Economic Rehabilitation Loan	75		75
Kenya	Economic and Sector Reform Credit (IDA Reflow)		1	1
Lao People's Democratic Republic	Financial Management Adjustment Credit		17	17
Macedonia, former Yugoslav Republic of	Public Sector Management Adjustment Credit		15	15
Mali	Third Structural Adjustment Credit		70	70
Mauritius	Public Expenditure Reform Loan	40		40
Mexico	Tax Reform Adjustment Loan	303		303
Moldova	Third Structural Adjustment Credit		30	30
Moldova	Structural Adjustment Supplemental Credit		5	5
Niger	Public Expenditure Adjustment Credit		70	70
Pakistan	Second Structural Adjustment Credit	500		500
Russian Federation	Fiscal Federalism & Regional Fiscal Reform Loan	120		120
Sierra Leone	Second Economic Rehabilitation and Recovery Credit		50	50
Tanzania	Programmatic Structural Adjustment Credit (IDA Reflow)		1	1
Yugoslavia, Federal Republic of	Structural Adjustment Credit	70		70
Zambia	Fiscal Sustainability Credit (IDA Reflow)		7	7
<b>Special Structural Adjustment Loan</b>				
Turkey	Programmatic Financial and Public Sector Adjustment Loan	1,100		1,100
<b>Total</b>		<b>7,383</b>	<b>2,443</b>	<b>9,826</b>

*Note:* Numbers may not add to totals because of rounding.

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Note: *b* indicates boxes; *f* indicates figures; and *t* indicates tables.

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- The Microfinance Revolution: Lessons from Indonesia

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- Global Economic Prospects 2002: Making Trade Work for the World's Poor

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- African Development Indicators 2002
- Annual World Bank Conference on Development Economics 2001/2002
- A Strategy for Development
- Facets of Globalization: International and Local Dimensions of Development
- Globalization, Growth, and Poverty: Building an Inclusive World Economy
- Global Development Finance 2002: Financing the Poorest Countries
- The Little Data Book 2002
- The Little Green Data Book 2002
- World Bank Africa Database 2002 CD-ROM
- World Bank Atlas 2002
- World Development Indicators 2002
- World Development Report 2003: Sustainable Development in a Dynamic World
- World Development Report 2002: Building Institutions for Markets

## EDUCATION AND TRAINING

- China and the Knowledge Economy: Seizing the 21st Century
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- From Natural Resources to the Knowledge Economy: Trade and Job Quality

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- Understanding and Measuring Social Capital: A Multi-Disciplinary Tool for Practitioners
- Voices of the Poor: From Many Lands

## SOCIAL AND CULTURAL ISSUES

- Reducing Vulnerability: Social Protection in the Middle East and North America

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- 2001 Annual Review of Development Effectiveness: Making Choices
- Consulting Services Manual: A Comprehensive Guide to Selection of Consultants
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New Zealand	Brazil	Iraq	St. Lucia
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Portugal	Burundi	Jordan	Samoa
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South Africa	Cameroon	Kenya	Saudi Arabia
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Switzerland	Chad	Kyrgyz Republic	Slovak Republic
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United Kingdom	China	Latvia	Solomon Islands
United States	Colombia	Lebanon	Somalia
	Comoros	Lesotho	Sri Lanka
	Congo, Democratic Republic of	Liberia	Sudan
	Congo, Republic of	Libya	Swaziland
	Costa Rica	Macedonia, former Yugoslav Republic of	Syrian Arab Republic
	Côte d'Ivoire	Madagascar	Tajikistan
	Croatia	Malawi	Tanzania
	Cyprus	Malaysia	Thailand
	Czech Republic	Maldives	Togo
	Djibouti	Mali	Tonga
	Dominica	Marshall Islands	Trinidad and Tobago
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	Ecuador	Mauritius	Turkey
	Egypt, Arab Republic of	Mexico	Uganda
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# World Bank Web Sites

About the World Bank Group <a href="http://www.worldbank.org/about">www.worldbank.org/about</a>	Early Childhood Development <a href="http://www.worldbank.org/children">www.worldbank.org/children</a>	Heavily Indebted Poor Countries Initiative <a href="http://www.worldbank.org/hipc">www.worldbank.org/hipc</a>
Africa <a href="http://www.worldbank.org/afr">www.worldbank.org/afr</a>	East Asia and Pacific <a href="http://www.worldbank.org/eap">www.worldbank.org/eap</a>	Help/Frequently Asked Questions <a href="http://www.worldbank.org/help">www.worldbank.org/help</a>
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Anticorruption <a href="http://www.worldbank.org/anticorruption">www.worldbank.org/anticorruption</a>	Energy <a href="http://www.worldbank.org/energy">www.worldbank.org/energy</a>	International Bank for Reconstruction and Development <a href="http://www.worldbank.org/ibrd">www.worldbank.org/ibrd</a>
B-SPAN: Webcasting for Development <a href="http://www.worldbank.org/wbi/B-SPAN">www.worldbank.org/wbi/B-SPAN</a>	Environment <a href="http://www.worldbank.org/environment">www.worldbank.org/environment</a>	International Centre for Settlement of Investment Disputes <a href="http://www.worldbank.org/icsid">www.worldbank.org/icsid</a>
Calendar of Development Events <a href="http://www.worldbank.org/events">www.worldbank.org/events</a>	Europe and Central Asia <a href="http://www.worldbank.org/eca">www.worldbank.org/eca</a>	International Development Association <a href="http://www.worldbank.org/ida">www.worldbank.org/ida</a>
Community Partners Forum <a href="http://www.worldbank.org/communitypartners">www.worldbank.org/communitypartners</a>	Evaluation <a href="http://www.worldbank.org/oed">www.worldbank.org/oed</a>	International Finance Corporation <a href="http://www.ifc.org">www.ifc.org</a>
Comprehensive Development Framework <a href="http://www.worldbank.org/cdf">www.worldbank.org/cdf</a>	Finance <a href="http://www.worldbank.org/finance">www.worldbank.org/finance</a>	International Financial Architecture <a href="http://www.worldbank.org/ifa">www.worldbank.org/ifa</a>
Contacting the World Bank <a href="http://www.worldbank.org/contacts">www.worldbank.org/contacts</a>	Financial Products & Services <a href="http://www.worldbank.org/fps">www.worldbank.org/fps</a>	InfoDev (Information for Development) <a href="http://www.worldbank.org/infodev">www.worldbank.org/infodev</a>
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## Abbreviations and Acronyms

ADB	Asian Development Bank	IFAD	International Fund for Agricultural Development
AfDB	African Development Bank	IFC	International Finance Corporation
ARDE	<i>Annual Review of Development Effectiveness</i>	IMF	International Monetary Fund
AVU	African Virtual University	InfoDev	Information for Development Program
Bank	World Bank (IBRD and IDA)	INT	Department of Institutional Integrity
CAE	country assistance evaluation	I-PRSP	interim Poverty Reduction Strategy Paper
CAS	country assistance strategy	LIBOR	London InterBank Offered Rate
CDF	Comprehensive Development Framework	MAP	Multicountry HIV/AIDS Program
CFC	chlorofluorocarbon	MDB	multilateral development bank
CGAP	Consultative Group to Assist the Poorest	MDGs	Millennium Development Goals
CGIAR	Consultative Group on International Agricultural Research	MIGA	Multilateral Investment Guarantee Agency
CIS	Commonwealth of Independent States	NEPAD	New Partnership for Africa's Development
CPIA	Country Policy and Institutional Assessment	NERICAs	New Rices for Africa
DAC	Development Assistance Committee	NGO	nongovernmental organization
DEC DG	Development Economics and Data Group	NSCP	National Schistosomiasis Control Program
DfID	Department for International Development	OBA	output-based aid
DOTS	directly observed treatment, short course	ODA	official development assistance
EBRD	European Bank for Reconstruction and Development	OECD	Organisation for Economic Co-operation and Development
EC	European Commission	OED	Operations Evaluation Department
EEP	Education Enhancement Project	PCF	Prototype Carbon Fund
EFA	Education for All	PEFA	Public Expenditure and Financial Accountability
ESW	economic and sector work	PRSC	Poverty Reduction Support Credit
EU	European Union	PRSP	Poverty Reduction Strategy Paper
FAMEX	Fonds d'Accès aux Marchés d'Exportation	PSI	Private Sector Development and Infrastructure Network
FSAP	Financial Sector Assessment Program	QAG	Quality Assurance Group
GBLD	Global Banking Law Database	ROSC	Report on the Observance of Standards and Codes
GDLN	Global Development Learning Network	SDRs	special drawing rights
GDP	gross domestic product	SMEs	small and medium enterprises
GEF	Global Environment Facility	SRM	strategy and resource management
GHG	greenhouse gas	SSP	Sector Strategy Paper
GNI	gross national income	SWAP	sectorwide approaches
HIPC	heavily indebted poor countries	TB	tuberculosis
HIV/AIDS	human immunodeficiency virus/acquired immune deficiency syndrome	TRIPS	Trade-Related Aspects of Intellectual Property Rights
HNP	health, nutrition, and population	U.N.	United Nations
IADB	Inter-American Development Bank	UNAIDS	Joint U.N. Programme on HIV/AIDS
IAVI	International AIDS Vaccine Initiative	UNDP	U.N. Development Programme
IBRD	International Bank for Reconstruction and Development	UNEP	U.N. Environment Programme
ICR	Implementation Completion Report	WBI	World Bank Institute
ICSID	International Centre for Settlement of Investment Disputes	WDR	<i>World Development Report</i>
ICT	information and communication technology	WHI	Western Hemisphere Payments and Securities Clearance and Settlement Initiative
IDA	International Development Association	WHO	World Health Organization
IF	Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries	WSSD	World Summit on Sustainable Development
		WTO	World Trade Organization

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