Chapter VI

World Bank (IBRD and IDA)

The World Bank consisted of the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) (see below). Collectively, the following five institutions were known as the World Bank Group: IBRD, IDA, the International Finance Corporation, the Multilateral Investment Guarantee Agency (MIGA) and the International Centre for Settlement of Investment Disputes (ICSID).

In fiscal 2000 (1 July 1999-30 June 2000), the World Bank continued to promote sustainable economic development by providing loans, guarantees and related technical assistance for projects and programmes in developing nations. Within the context of the Bank’s central objective of poverty reduction, key focal points of its assistance were economic management and private and financial sector development. Special attention was also given to human development, including the strengthening of health services, education and social protection, and environmental management.

IBRD began working with countries interested in piloting the Comprehensive Development Framework (CDP) [YUN 1999, p. 1398], which recognized the multidimensional nature of the challenges in poverty reduction and the need for extensive partnerships. The Bank’s framework and strategies for poverty reduction were outlined in The World Development Report 2000/2001.

At the end of fiscal 2000, IBRD membership remained at 181.

Lending operations

Gross disbursement by IBRD totalled $13.3 billion, a decrease of nearly 25 per cent from fiscal 1999. The Bank’s loan commitment also decreased to $10.9 billion for 97 new operations in 41 countries, a more than 50 per cent reduction from the previous fiscal year. Having reached peak levels in the wake of the 1997/98 financial crises, demand for IBRD funds subsided in 2000 as global financial markets recovered and emerging market economies regained access to private capital flows. Lending to IBRD “crisis borrowers”—Argentina, Brazil, Indonesia, the Republic of Korea, the Russian Federation and Thailand—which accounted for $13 billion in fiscal 1999, was down to $1.8 billion in fiscal 2000.

Compared to the preceding two fiscal years, the regional composition of commitments in fiscal 2000 shifted away from East Asia and slightly more towards Eastern Europe, Central Asia and Latin America. The five largest borrowers were Turkey ($1.8 billion), China ($1.7 billion), Brazil ($1.3 billion), Mexico ($1.2 billion) and Colombia ($941 million). Lending focused on strengthening the financial sector ($1.6 billion), improving public sector management ($1.5 billion) and meeting infrastructure needs ($1.8 billion).

International Development Association

Established in 1960 as the Bank’s concessional lending arm, IDA provided interest-free loans and other services to low-income countries to reduce poverty and improve the quality of life. In 2000, 81 countries were eligible for IDA assistance. IDA credits to those countries totalled $4.4 billion.

At the end of 2000, IDA membership had increased to 161 countries.

Fiscal 2000 was the first of the three years of the twelfth replenishment of IDA (IDA-12), which provided resources for new financing commitments during fiscal 2000-2002. The IDA-12 replenishment of $20.5 billion included $11.6 billion of new donor funds, $8 billion of its own resources and IBRD’s contribution of $0.9 billion. As at 30 June, available IDA-12 resources totalled 7.4 billion special drawing rights.

In fiscal 2000, total IDA lending commitments reached $4.4 billion for 126 operations in 52 countries, compared to $6.8 billion in the previous fiscal year. The size of new IDA operations averaged under $35 million in fiscal 2000, compared to $55 million for 1990-1999. The decline in IDA lending commitments in fiscal 2000 reflected the confluence of country-specific factors, especially policy and institutional performance and conflict situations in Africa and Asia, as well as an increasing focus on selectivity and aid effectiveness. The largest commitments were to India ($867 million), the United Republic of Tanzania ($330 million) and Viet Nam ($286 million). New IDA commitments to the Africa region stood at $2 billion, about the same as for fiscal 1999, but they constituted a higher share of total IDA lending and approached the 50 per cent tar-
get set by donors. Overall, sub-Saharan Africa accounted for almost half of IDA commitments.

The majority of IDA lending went to support human development ($1.6 billion), followed by economic reform, recovery and private-sector development, largely in Africa ($0.7 billion), infrastructure needs ($0.6 billion) and assistance for agriculture and the environment ($0.5 billion).

Although IDA was legally and financially distinct from IBRD, it shared the same staff, and the projects it supported had to meet the same criteria as those supported by IBRD.

International Centre for Settlement of Investment Disputes

ICSID, established in 1966, continued to encourage foreign investment by providing international facilities for conciliation and arbitration of investment disputes. In 2000, 12 new cases were registered with the Centre. ICSID also undertook research and publishing activities in arbitration and foreign investment law.

In 2000, ICSID’s membership totalled 131.

Multilateral Investment Guarantee Agency

MIGA, established in 1988, continued to encourage the flow of foreign direct investment to its developing member countries by providing investment guarantees against non-commercial risks. The Agency also provided technical assistance to help developing countries disseminate information on investment opportunities. MIGA had its own operating and legal staff, but drew on the Bank for administrative and other services. In 2000, MIGA had 152 members.

In fiscal 2000, MIGA issued $1.6 billion in guarantee coverage for a cumulative total of $7.1 billion.

World Bank Institute

In 2000, the World Bank Institute reached some 30,000 participants in nearly 150 countries through some 500 training activities. It scaled up its programmes through distance learning, global knowledge networks, extended partnerships, and by harnessing the newest learning technologies. A new initiative, the Global Development Learning Network (GDLN), provided clients with new learning opportunities through videoconferencing, the Internet and peer exchanges; 13 GDLN centres were operational and over 50 countries had expressed interest in the initiative. Demand for assistance in developing knowledge strategies was also expanding, as countries, such as China and Viet Nam, sought to use global and domestic knowledge more effectively in support of economic and social development.

Co-financing

In fiscal 2000, co-financing amounted to $9.3 billion, a decrease of $2.1 billion compared to the previous year. Official bilateral and multilateral partners continued to be the largest source of co-financing, accounting for 59 per cent of the total share. Major co-financing partners included the Inter-American Development Bank ($2.6 billion); private sponsors ($2.2 billion); the Andean Development Corporation ($900 million); the Montreal Protocol Investment Fund ($230 million); the Global Environment Facility ($197 million); and European Union institutions ($165 million). By region, the majority of co-financing went to Africa (47 per cent), followed by Latin America and the Caribbean (41 per cent), East Asia and the Pacific (5 per cent), Europe and Central Asia (3 per cent), the Middle East and North Africa (2 per cent) and South Asia (2 per cent).

Financing activities

During fiscal 2000, IBRD raised $15.8 billion in medium- and long-term debt, compared to $22.4 billion the previous year. The majority of new funding continued to be initially swapped into floating rate United States dollars, with conversion to other currencies or fixed-rate funding being carried out subsequently in accordance with funding requirements.

As at 30 June 2000, outstanding borrowings totalled $114 billion, after swaps. The currency composition continued to be concentrated in United States dollars, with its share as at 30 June 2000 rising to 80 per cent of the borrowing portfolio, compared to 79 per cent as at 30 June 1999. Borrowing was carried out in 13 currencies, resulting in 148 transactions.

Capitalization

As at 30 June 2000, the total subscribed capital of IBRD was $188.6 billion, or 98 per cent of its authorized capital of $190.8 billion. Outstanding loans and callable guarantees totalled $120.1 billion, or 57 per cent of IBRD’s statutory lending limit.

Income, expenditures and reserves

IBRD’s gross revenues totalled $10 billion in fiscal 2000, compared with $9.8 billion in fiscal 1999. Net income amounted to $1.99 billion, up from $1.52 billion in fiscal 1999. Expenses decreased to $8.1 billion, compared to $8.2 billion a year earlier. Administrative costs fell to $915 mil-
lion, from $965 million in 1999. At the end of fiscal 2000, the Bank's liquidity totalled $24.2 billion, a decrease of $5.8 billion compared to 1999. Its equity-to-loan ratio rose to 21.23 per cent as a result of higher net income and the increase in reserves.

Secretariat

As at 30 June 2000, IBRD's regular, fixed-term and long-term consultants, and long-term temporary staff in Washington, D.C., and local offices numbered approximately 8,000.

NOTE: For further details regarding the Bank's activities, see The World Bank Annual Report 2000.