

**THE EFFECT OF THE  
WORLD BANK'S LOANS  
ON HUMAN  
DEVELOPMENT**

# **NOTRE DAME UNIVERSITY**

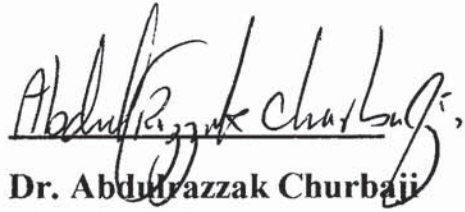
## **THE EFFECT OF THE WORLD BANK'S LOANS ON HUMAN DEVELOPMENT**

PREPARED BY  
**ROBERT TONI GHARIOS**

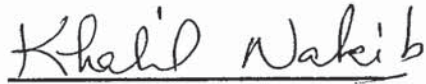
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# THE EFFECT OF THE WORLD BANK'S LOANS ON HUMAN DEVELOPMENT

## ABSTRACT

This research is conducted to explain the effect of IDA and IBRD loans on HDI given political risk and bank lending factors. In order to reach his objective, the researcher analyzed data for 22 developing countries that is available on Euromoney 94 and World bank 93 annual report. The developing countries are divided into four categories as follows:

The Latin American countries category is composed of Bolivia, Honduras, Paraguay, El Salvador, Costa Rica, Dominican Republic and Ecuador. It is characterized by having the highest HDI94 average score amounting to 0.64 compared to an average score of 0.508 for the African countries, 0.605 for the Asian countries and 0.41 for the only Australasian country.

The African countries category is composed of Botswana, Ghana, Kenya, Lesotho, Mauritius, Nigeria and Zimbabwe. It is characterized by not having ranked first in any of the sample characteristics.

The Asian countries category is composed of China, India, Pakistan, Philippines, Sri Lanka, Thailand and Turkey. It is characterized by having taken the highest advantage of IDA loans amounting to \$33,838.9 millions, followed by \$6,145.2 millions for the African countries category, \$1,382.8 millions for the Latin American countries category and \$113.2 millions for the Australasian country category. The Asian category has also taken the highest advantage of IBRD loans amounting to \$61,61704 millions. The African category has been given \$9,285.6 followed by \$5,242.5 given to the Latin American category. Five hundreds and thirty one millions of USD is the Australasian category's share of the IBRD loans.

The Australasian country category is composed of only Papa New Guinea which is characterized by having the strongest direct access to bank lending. The total amount of bank loans given to this country is \$5 millions, followed by \$1.12 millions given to the Asian category. \$730,000 is the African category's share as opposed to \$0.59 million for the Latin American countries.

Considering the effect of IDA on HDI via bank lending and political risk, the researcher has found that a negative relationship exists between these two variables keeping the effect of other variables constant. This might be reasoned on the basis of the corruption that is characterized by the developing countries.

The relationship between political risk and HDI is positive which is acceptable because the better a country is on the political risk score, the better the rank on HDI. So, bank lending which is positively related to the political risk score, leads to better HDI.

The R square is equal to .77947 which is highly significant indicating that a relationship exists between the dependent and independent variables.

The negative relationship existing between IDA and HDI is explained as follows: the larger the amount of IDA loans for a specific developing country within the sample, the lower is the HDI score going to be for that country.

Some of the reasons, as noted earlier, might be attributed to corruption, which can not be declared as a theory in this thesis before it is tested on a certain representative sample. So, from this perspective, the researcher recommends that future researchers test whether corruption is one of the independent variables leading to a negative relationship between IDA and HDI.

Other points of recommendation also include retesting the same subject after a certain period of time ( two or three years ) since the NDU Statistical unit could be directly connected to any source of information in the world through the introduction of the INTERNET system. Therefore, the researcher will have direct access to information from the necessary and required source.

Other researchers can also test the change in HDI depending on other variables than IDA or IBRD. They might test the effect of Foreign Direct Investment ( FDI ) on HDI, for example.

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# CHAPTER I

## INTRODUCTION

### A -General Background

According to the UNDP, Lebanon 1994 report, Lebanon is placed in the medium-human development group, 103rd out of the total of 160 countries. Lebanon is a middle income country, with \$2,500 GDP per capita in 1991. There is potential for long-term gradual improvement of current levels of access to, and of quality of, basic social services in popular urban areas and in rural areas. As human resources is the country's principal asset, close attention is required of policy makers for the improvement of human development. Restoration of the capacity of the economy to generate income and adequate investment in basic health and education are major policy objectives to be pursued in this respect.

The most immediate obstacle to economic revival is the inadequacy of the basic infrastructure. The country's public services and basic infrastructure lay in ruins at the end of 1991 and were largely dysfunctional. Past destruction, obsolescence and lack of basic maintenance during an extended period resulted in poor and erratic performance.

There continued to be a severe rationing of the electricity supply, a maximum of 6 hours of electricity per day. Telecommunications were erratic if available at all. Water supply was also severely rationed and up to two thirds of supplies was polluted. Garbage collection in major urban centers did improve but was only a partial solution as disposal continued along the sea shore for land reclamation or in open spaces. Problems of urban pollution and congestion worsened.

The adoption of a modern regulatory framework and an incentive environment for private sector development would considerably support the country's economical recovery and reconstruction. The very low income levels of fixed-income earners do not allow access to quality education and health services, largely operated by the private sector. A part from this serious problem that will require time to be resolved satisfactorily, the most immediate social problem pertains to housing, including relocation and reintegration of the displaced. Nearly half of the 500,000 displaced persons are housed under unstable conditions, that is in dwellings constructed on illegally occupied land or in illegally occupied buildings.<sup>1</sup>

From one perspective, this is the global situation of the Lebanese environment. From another perspective, what is the World Bank's point of view regarding these above mentioned problems?

"Poverty reduction," the president and chairman of the executive board of the World Bank said in April 1993, "must be the benchmark against which the bank's performance as a development institution is judged." The bank's poverty-reduction strategy remains unchanged: To promote a pattern of growth that enables the poor to participate through their labor and to support investment in the poor through access to health, education, and other social services.

As documented in a recent report to the executive directors, the bank is making tangible progress in implementing its poverty-reduction strategy. A crucial element of its poverty-reduction efforts is the formulation of country-specific "poverty assessments." The findings of poverty assessments are helpful in designing assistance strategies in support of government poverty reductions' efforts.<sup>2</sup>

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<sup>1</sup> - UNDP. Development Cooperation 1992 Report Lebanon . September 1993.

<sup>2</sup> . John Cosgrove, et al. "Overview of World Bank Activities in Fiscal 1993." The World Bank-Annual Report 1993. Wasington, D.C. , 1993, pp 7-14.

With regard to those mentioned facts, this study is going to identify or reflect what relations exist between the World Bank's loans to reduce poverty and the underlying results through referring to developing countries similar to Lebanon in their economic standing who have taken advantage of those loans.

### **B -Need for the Study**

According to the Development Corporation Report "DCR," the plan for ten years is to pave the way for the private sector to perform well in healthy environment. Rebuilding Lebanon requires a lot of financial support and since the World Bank loans are free of interest (IDA) or at a low rate of interest (IBRD); therefore, it becomes imperative to study the effect of World Bank loans on people's way of living (HDI) with respect to education, health and GNP.

In her article "Capital-hungry Lebanon," Sally Patten emphasized that the distribution of foreign capital throughout the region is more important than the debate about financial centers. She continued: "Lebanon is hoping it will get more than its fair share. The estimated cost of reconstruction over a ten-year period is US\$ 8.4 bn, according to a recent baring report."<sup>3</sup>

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<sup>3</sup> Sally Patten, "Capital-hungry Lebanon." IMF/World Bank Report. September 1994, p78.

### **C -Statement of the Problem**

“What are the relative implications of IBRD, IDA on HDI via political risk and bank lending factors?”

### **D -Purpose of the Study**

The purpose of the study is to analyze the effect of the World Bank loans on human development in the developing countries. Those countries belong to two categories: the poor-income category and the middle income category with a per capita GNP ranging from \$100 and \$2,400 in 1994.

Accordingly, the objective of the thesis is to test whether theory, in the form of poverty-reduction strategy of the World Bank, is consistent with reality, in the form of the implications of the World Bank loans on HDI.

To reach this objective, the researcher is going to use the currently available data in the NDU statistical unit in addition to using advanced computer softwares, such as SPSS, Windows, Word and Excel.



## **E -Research Questions**

This research will provide answers to the following questions:

- 1- What are the major characteristics of the developing countries of the selected sample?
- 2- What is the relative importance of IDA and IBRD on HDI?

## **F -Research Hypotheses**

The research hypotheses could be stated as follows :

- 1- IBRD is positively related to HDI holding the effects of other variables (political risk, bank lending and IDA) constant.
- 2- IDA is positively related to HDI holding the effects of other variables (political risk, bank lending and IBRD) constant.

## G -Operational Definitions of Terms

For the sake of the study, the researcher will only adopt the definitions of the relevant variables according to the sources they are taken from as follows:

1 ) **GNP** : Gross National Product or simply GNP. It is defined as the total market value of all final goods and services produced in the economy in one year. Another means of defining GNP is to look at it as the sum of all the expenditures involved in taking the total output of the market. This is called the output or expenditures approach. In the same direction, GNP could be looked as being the income derived or created from the production of it. This is called the earnings, or allocations, or income, approach to the determination of GNP.<sup>4</sup>

**Table 1 - The Income and Output Approaches to GNP**

Output, or expenditures, approach		Income, or allocations, approach
Consumption expenditures by households plus Investment expenditures by businesses plus Government purchases of goods and services plus Expenditures by foreigners	$\left. \vphantom{\begin{array}{l} \text{Consumption expenditures by households plus} \\ \text{Investment expenditures by businesses plus} \\ \text{Government purchases of goods and services plus} \\ \text{Expenditures by foreigners} \end{array}} \right\} = \text{GNP} = \left\{ \vphantom{\begin{array}{l} \text{Nonincome charges or allocations plus} \\ \text{Wages plus} \\ \text{Rents plus} \\ \text{Interest plus} \\ \text{Profits} \end{array}} \right.$	Nonincome charges or allocations plus Wages plus Rents plus Interest plus Profits

<sup>4</sup> Campbell McConnell, "National Income Accounting." Economics. University of Nebraska: McGraw Hill Book Company, 1987. pp 145-147.

2) **HDI** : Human Development Index. To quantify and clarify the process of human development, the 1990 HDR introduced this index which combines the indicators of real purchasing power, education and health. This measure of development is considered to be more comprehensive than GNP alone.<sup>5</sup>

3) **IBRD** : The International Bank of Reconstruction and Development, founded in 1944, is the World Bank Group's main lending organization. It lends to developing countries with relatively high per capita incomes. The money the IBRD lends is used to pay for development projects, such as building highways, schools, and hospitals, and for programs to help governments change the way they manage their economies. IBRD is a United Nations specialized agency.

- Interest rate charged on IBRD loan: 7.27 percent as of January 1,1994.  
The rate is changed every six months.
- Maturity on loans: 15 to 20 years, with a grace period of about five years.
- Source of funds: the IBRD raises most of its money on the world's financial market. It sells bonds and other debt securities to pension funds, insurance companies, corporations, other banks, and individuals around the world.
- Ownership: IBRD is owned by its 177 member countries. Each of these countries has voting power in the institution. Voting power is based on a country's shareholding, which in return is based on a country's economic strength.
- Lending: During the past five years, the IBRD approved an annual average of 15.6 billion in loans for development projects.<sup>6</sup>

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<sup>5</sup>UNDP 94. The Human Development Report. (NDU Statistical Unit)

<sup>6</sup>" The World Bank at a Glance." The World Bank-A Global Partnership for Development. 1994

4) **IDA** : The International Development Association was established in 1960 to provide assistance on concessional terms to the poorest developing countries - which cannot afford to borrow from the IBRD. IDA loans, known as “credits”, are provided mainly to countries with annual per capita incomes of about \$800 or less. Similar to IBRD, IDA is also a United Nations specialized agency.

- IDA credits are interest free, but carry a small service charge.
- Terms on credits: 35 or 40 years, with a 10-year grace period.
- Sources of funds: IDA resources are derived from contributions from governments, IBRD profits, and repayments on earlier IDA credits.
- Ownership: IDA has 155 countries. A country must be a member of IBRD before it can join the IDA.
- Lending: During the past five years, IDA approved an annual average of \$6.4 billion in credits to help pay for development projects.<sup>7</sup>

5) **Political risk** : It is taken from Euromoney’s country risk rankings, published bi-annually in March and September. The figures are the results of a poll of political risk analysts, risk insurance brokers and bank credit officers. A score of 50 indicates zero political risk.<sup>8</sup> Credit risk is an aggregate of debt indicators, access to bank lending, access to short-term finance, access to capital markets, discount on forfeiting, credit ratings and debt in default or rescheduled. A score of 50 indicates zero credit risk.

6) **Bank lending** : It is each country’s access to bank lending. Bank lending is directly related to the political risk factor. The higher the political risk score, the more likely is the country’s access to bank lending.

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<sup>7</sup> “The World Bank at a Glance”. The World Bank- A Global Partnership for Development. 1994

<sup>8</sup> Euromoney. September 1994. (NDU statistical unit), p 407.

7) **DCR** : The Development Corporation Report (DCR) aims at providing the government, donors and all other users with a comprehensive and integrated picture of multiple aid flows to a country for a given year. The DCR provides summary tables on all flows of official development assistance, including emergency and relief assistance, and of and from external non-governmental organizations and lists all externally financed projects.

# CHAPTER II

## REVIEW OF LITERATURE

### A -General Overview

Fifty years have passed since the World Bank and the International Monetary Fund were created at the Bretton Woods conference of July 1944. The 50th anniversary comes at a time of seminal change, then not just in the world order, but also as regards the internal workings of the World Bank and its approach to its new challenges. The concept of poverty eradication is becoming less paternalistic, less polarized, less politicized. “ The themes of fostering broad based growth, human resource development, environmental sustainability and private sector development - which are essential to reduce poverty - are being given high priority.”<sup>9</sup>

The fundamental objective of the World Bank remains sustainable poverty reduction. As the president of the Bank and the chairman of its executive board has said, “poverty reduction is the benchmark against which the institution’s performance must be judged.”<sup>10</sup>

Underpinning this objective is a two-part strategy for reducing poverty that was proposed in *World Development Report 1990*. The first element is to promote broad-based economic growth that makes efficient use of the poor’s most abundant asset, labor. The second element involves ensuring widespread access to basic social services to improve the well being of the poor and to enable them to participate fully in the growth of the economy. The strategy also

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<sup>9</sup> Keith Mullin, “The Song Remains the Same.” IMF/World Bank Report. September 1994, p2.

<sup>10</sup> John Cosgrove, et al. “Overview of the World Bank Activities in Fiscal 1993.” The World Bank Annual Report 1993. Washington DC. 1993. p 37.

emphasizes the need to provide safety nets to protect the most vulnerable groups.

In 1991, policies were adopted by the Bank that aimed at fully integrating the strategy into Bank operations. A year later, an operational directive on poverty reduction and a “best-practices” handbook were prepared and distributed to Bank staff to help guide them in implementing the poverty-reduction strategy.

A report prepared by the Bank in fiscal 1993 concludes that:<sup>11</sup>

“although developing countries have made substantial progress in reducing poverty over the past three decades, there was a loss of momentum during the 1980s; and that

the Bank has made progress in ensuring that its assistance strategies support and complement efforts by countries to reduce poverty.”

A crucial element of the Bank’s poverty-reduction efforts is the formulation of country-specific “poverty assessments.” A poverty assessment provides the basis for a collaborative approach to poverty reduction by country officials and the Bank. It also helps to establish the agenda of issues for the policy dialogue between the government and the Bank and between the government and agencies of the international donor community. The scope of a poverty assessment necessarily varies from country to country, depending on the country situation, the government’s commitment to poverty reduction, and the nature of the available data.

The findings of poverty assessments have been helpful in designing assistance strategies that support government efforts to promote efficient growth, expand access to social services, and strengthen safety nets. The poverty assessment for India, for example, concluded that further poverty reduction would require the far-reaching structural reforms be implemented to promote growth and efficient labor demand, that access by the poor to social-sector programs be

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<sup>11</sup> Patrick E. Coady, “Implementing the Bank’s Poverty-Reduction Strategy.” The World Bank - Annual Report 1993. Washington DC. 1993, p37.

improved, and that the effectiveness of targeted programs and safety nets be heightened. As a result, Bank resources are increasingly being used to help stabilize and restructure the economy, and the share of projects that supports the development of India's social sector now amounts to about 20 percent of Bank commitments to that country, up from less than 1 percent ten years ago.

### **B -Bank's Response to Changing Borrower Demands**

In recent years, a growing number of countries have restructured their economies and administrations. Others are now in the process of implementing structural reforms. In addition, support to countries changing from command to market economies, as well as those in political transition, has entailed important shifts in the Bank's work. At the same time, the demand for Bank services has become more complex for many borrowers. The Bank's response to these changing circumstances can be illustrated in several ways.

- The comprehensiveness of Bank services has increased compared with a few years ago. Better linkages are being sought between macro-economic and sector reform and poverty reduction, and new development challenges (the environment, for example) are being integrated into mainstream Bank operational work. Poverty assessments are new tools extensively used across the bank to quantify the extent and nature of poverty and identify constraints to poverty reduction. Similarly, more comprehensive analyses of private-sector development requirements is being undertaken throughout the Bank. Regional approaches to development problems are beginning to be promoted, following the pivotal role of donor resources in launching such activities. The Mediterranean Environmental Technical Assistance Program, Asia's Metropolitan Environmental Improvement Program, and Africa's Agricultural Services Initiative are prime examples of this new approach.



- Bank lending has moved increasingly from clearly defined hardware activities (construction and irrigation, for example) into less tangible issues, such as institutional development, that lead to enhanced local capacity to face development problems. These issues typically require significant staff inputs at both the design and supervision stages, demand relatively small loan amounts (primarily to finance technical assistance), and thereby tend to be costly in terms of resources per dollar lent. Their potential impact on long-term sustainable development, however, can be significant.
- As the macro reforms have matured in many borrowers (Chile, Indonesia, Mexico, and Morocco, for example), there has been a sizeable shift from adjustment lending with a commensurate need to build investment pipelines. Much of this effort has been placed on developing human resource projects as a direct attempt to alleviate poverty.

### **C -Investment in Human Resources**

Investment in human resources is at the heart of the Bank's development-assistance strategy for the 1990s. It addresses the objectives of poverty reduction through intensified support of effective primary-level services and lays the foundation for efficient economic growth through investments in human capital and transfers of scientific and technological knowledge and practice. It is also essential to enhance the contribution of women to development and building national capacity to design and implement sound environmental policies.

The rapidly increasing involvement of the Bank in lending for social and human development provides a good indication of the growing awareness of social programs as good investments. Bank lending for human-development programs increased from an average of \$1.1 billion a year in fiscal 1987-89 to \$3 billion in

1990-92, and to \$3.8 billion in fiscal 1993. Investment lending for human-resource development accounted for 16 percent of total Bank lending in fiscal 1993, up from 5 percent in the early 1980s.<sup>12</sup>

Three priority areas underlie the Bank's operations in support of private-sector development: systematic reform to improve the business environment and promote entrepreneurial activity; public-enterprise restructuring and privatization; and financial-sector development.

During 1991 and 1992, some 110 investment operations and fifty-nine adjustment operations with components addressing privatization or the restructuring of public enterprises had been approved. Particularly noteworthy is the assistance that was provided to Russia's mass privatization program, involving some 24,000 enterprises, through a \$90 million Bank loan.

### **D -Lending to the Poorest Countries**

Lending by the Bank to all borrowers during fiscal 1993 amounted to \$23,695.9 million: \$16,944.5 million by IBRD and \$6,751.4 million by IDA.

Assistance to the poorest countries, those with a per capita gross national product of \$635 or less (in term of 1991 United States dollars), totaled \$9,956.6 million: \$4,035.3 million from the IBRD and \$5,921.3 million from IDA.<sup>13</sup>

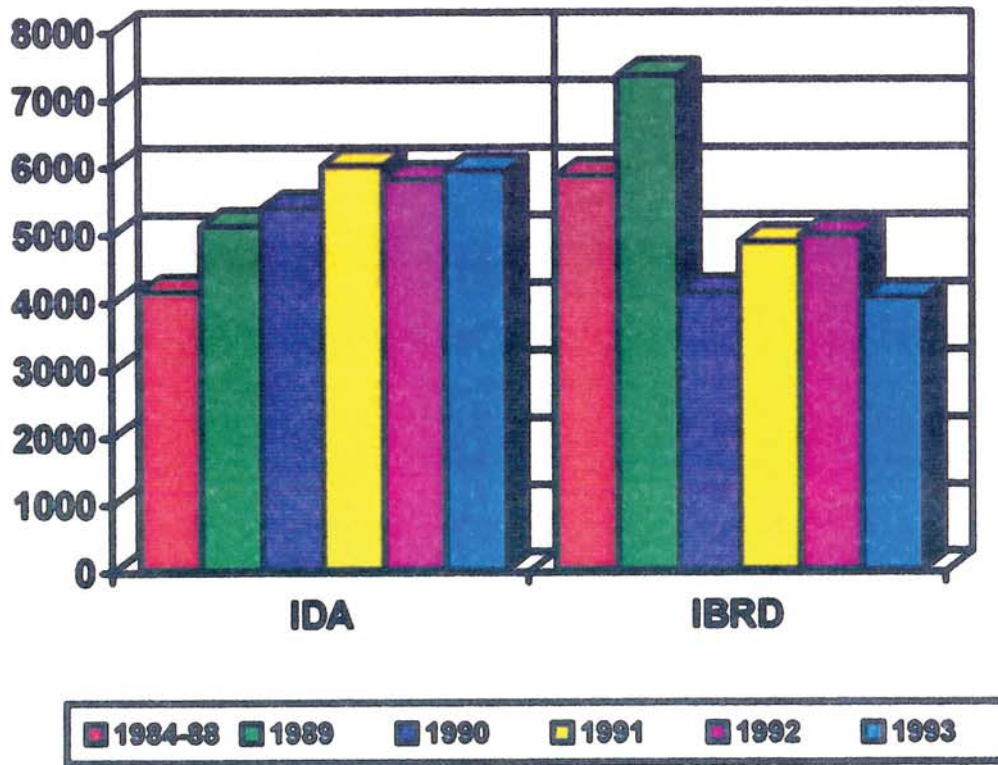
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<sup>12</sup> John Cosgrove, "Overview of the World Bank Activities in Fiscal 1993." The World Bank - Annual Report 1993. Washington DC. 1993, PP13-14.

<sup>13</sup> Fritz Fischer, et al. "Lending to the Poorest Countries". The World Bank Annual Report 1993. Washington D.C. 1993, p. 15.

In order to better enhance its Poverty-reduction strategy, the World Bank has been increasing its IDA loans, since they are free of any interest charge, from fiscal 1984 up to fiscal 1993 as opposed to a decline in IBRD lending during the same period.

**FIG.1 Lending to the Poorest Countries**



**SOURCE: The World Bank - Annual Report 1993.**

## **E -The World Bank's Environmental Strategy**

The United Nations Conference on Environment and Development (UNCED), which took place in June 1992, provided added impetus to the efforts of the Bank and its borrowing member countries to protect the environment and promote sustainable development.

In the Bank, a new vice presidency for the Environmentally Sustainable Development (ESD) was established to develop a more effective Bank response to the challenge of achieving environmentally sustainable and equitable development. This vice presidency, which includes an Environmental Department, an Agriculture and Natural Resources Department, and a Transport, Water, and Urban Development Department, is responsible for supporting the Bank's operational departments in delivering quality assistance to member countries; identifying, codifying, and disseminating best practices and lessons of experience; and providing overall coordination with official and private agencies contributing to (or interested in) the Bank's operational and policy work.

During fiscal 1993, the Bank elaborated environmental strategies for several regions and countries, expanded research on a broad range of environmental topics, and continued improving the integration of environmental concerns in its country-policy dialogue, economic and sector work, and lending operations.

Regional strategies were developed for Asia, Central and Eastern Europe, and the Sahelian countries of sub-Saharan Africa.

The Bank's environmental strategy report for Asia found that environmental problems are pervasive in all Asian countries and that countries in both South Asia and East Asia face increasing urban-industrial pollution, atmospheric emissions, soil erosion, land degradation, and loss of biodiversity. The social costs of environmental degradation have also risen in the form of growing health costs and

mortality, loss of productivity, reduced output in national resource-based sectors, and deterioration in overall environmental quality.

The Bank's analysis concluded, however, that there was room for optimism-given the increasing desire of Asian governments to incorporate environmental concerns among their development goals and the region's continued robust economic performance. The strategy paper proposed that a combination of instruments-reformed policies, expansion of new technologies, financial resources, and strengthened public-sector institutions-be used to minimize the adverse environmental effects of future demographic, urban, and industrial growth.<sup>14</sup>

### **F -Summaries of IDA &IBRD Projects in Fiscal 1993**

In this section, the researcher is going to present summaries of projects approved for IBRD and IDA assistance in fiscal 1993 covering the following areas:

- Agriculture and Rural development
- Development Finance Companies
- Education
- Energy
- Industry
- Population, Health and Nutrition
- Telecommunication
- Transportation
- Urban Development
- Water Supply and Sewerage
- Public-Sector Management
- Nonproject

Appendix A contains a list of acronyms and abbreviations used in this section

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<sup>14</sup> Bimal Jalan, et al. "The Environment." The World Bank Annual Report 1993. Washington D.C. , 1993, pp. 45-46.

## 1) Agriculture and rural development:

**Albania:** IDA--\$20 million. The government's agricultural sector-reform program will be supported over an eighteen-month period, and a line of credit will be provided to the government for onlending to rural entrepreneurs through the new Agricultural Bank. Technical assistance is included. Cofinancing is expected from the OECF (\$ 15 million), the EC's PHARE (\$ 10 million) and the Netherlands (\$2 million). Total cost \$47 million.

**Albania:** IDA--\$2.4 million. The government's rural poverty-alleviation program will be supported by financing its year-long pilot phase during which local infrastructure will be repaired and rehabilitated (thereby creating employment in rural areas) and small-scale credit provided to meet the immediate needs of farmers and rural microentrepreneurs. Cofinancing is expected from the EC (\$2 million) and the UNDP (\$400,000). Total cost \$4-8 million.

**Benin:** IDA--\$3.8 million. The second phase of the movement's long-term strategy to develop a viable rural financial-intermediation system and for promoting broad-based economic growth and improved living conditions in rural areas will be supported. Cofinancing is anticipated from the CFD (\$2-8 million), the SDC (\$1.9 million), FAC (\$900,000), IFAD (\$400,000), and the EC (\$200,000). Total cost: \$15.1 million.

**Burkina Faso:** IDA--\$7.5 million. Through a program of institution building and strengthening and the establishment of an integrated early- warning system, the ability to plan, implement, and monitor food-security interventions will be increased. At the household level, mechanisms to cope with food insecurity will be improved by diversifying income sources of the rural poor and by making more efficient use of available food, especially for children under the age of three and

for lactating mothers. Cofinancing is anticipated from Germany (\$ 1.5 million) and the WFP (\$1.1 million). Total cost: \$12.8 million.

**Burundi:** IDA--\$3.1 million. The production and marketing of agricultural products will be diversified and efficiency improvements stimulated through provision of assistance to the government in privatizing publicly held agroindustries and to private entrepreneurs in developing agribusinesses. Cofinancing is expected from the EC (\$1.2 million) and Belgium and the CCCE (\$100,000 each). Total cost: \$6.2 million.

**Chile:** IBRD--\$45 million. The operation and efficiency of existing and future small and medium-sized irrigation schemes will be improved and the welfare of small farmers in poor areas enhanced through a project designed to improve the allocation and sustainability of investments and strengthen the capabilities of user groups and small farmers. Total cost: \$118.7 million.

**China:** IDA--\$115 million. A sizable portion of the country's 200 million farmers is expected to benefit from increased agricultural production and incomes as a result of a project that seeks to strengthen those institutions that provide support services to farmers. Total cost: \$238.3 million.

**China:** IBRD--\$325 million; IDA--\$165 million. Financial support will be provided over a six-year period to introduce a bulk grain-handling logistical system in four grain-transport corridors, improve domestic design and implementation capacity in grain-distribution logistics through technical assistance and training, and develop two national grain markets and a grain-marketing information network. Total cost: \$991.4 million.

**China:** IBRD--\$100 million; IDA--\$100 million. Recurring severe flooding in the Taihu basin, the country's most industrialized and highly productive agricultural



area, will be prevented through engineering measures to control floods and improve land drainage. In addition, the quantity and quality of raw water used for the water supply of Shanghai and other urban centers will be improved, and inland water transportation will be expanded and improved. Total cost: \$497.3 million.

**China:** IDA--\$147 million. More than 4 million people in Sichuan province, many of them farmers living in very poor counties, will benefit from a project that attempts to address the key constraints limiting agricultural productivity: the shortage and irregular availability of water; water and soil losses caused by erosion; inadequate and weak linkages between production, processing, and marketing activities; and limited technical and agricultural-extension services. Total cost: \$287.6 million.

**Colombia:** IBRD--\$250 million. The government will be helped to introduce and sustain financial and trade-policy changes in the agriculture sector, particularly through the elimination of subsidized interest rates and directed lending. Institution-building assistance is included. Total cost: \$1,522 million.

**Egypt:** IDA--\$22 million. Incomes among the poorer segments of the rural Bedouin population, estimated to number about 61,000, are expected to rise from a project that seeks to break the cycle of natural-resource degradation and poverty in the country's northwest coastal zone by providing support for improved natural-resource management approaches and practices, coupled with agricultural development. Total cost: \$29.5 million..

**El Salvador:** IBRD--\$40 million. About 143,000 small and medium-scale farmers are to benefit from a project that seeks to upgrade the country's agricultural research and extension services. In addition, public and private-sector institutions will be strengthened through a program of institutional development, staff

procedural rationalization, and support-services privatization. Total cost: \$56.5 million.

**Gabon:** IBRD--\$22.5 million. The management and protection of the country's forest resources will be improved through institution-building assistance, a program of forestry and environment training and research, preparation of a forest inventory and the subsequent rehabilitation of depleted forests, and the creation and maintenance of biodiversity reserves. Cofinancing is anticipated from the EC (\$4.3 million), the WWF (\$1.7 million), and others (\$3.4 million). Total cost: \$38.2 million.

**The Gambia:** IDA--\$12.3 million. Most of the more than half million people living in rural areas are expected to benefit from a project that seeks to strengthen support services in agriculture extension, research, and training, as well as promote self-reliance and farmer empowerment. Cofinancing is expected from IFAD (\$3.6 million). Total cost: \$17.2 million.

**Ghana:** IDA--\$22.5 million. The nutrition, income, and standard of living of many families will be improved through a substantial increase in livestock production, to be generated through better animal disease-control services, the dissemination of improved technologies in forage and livestock production, improved breeding stock, and facilitating access to markets. Total cost: \$29.1 million.

**Ghana:** IDA--\$18.1 million. By focusing on improved resource-management capability through the reorganization and strengthening of institutions involved in environmental-resource management, the capacity of both the government and people to manage environmental resources will be strengthened. In addition, environmental-management skills in sectoral and local government agencies will be developed. Cofinancing is expected from the GEF (\$7.2 million), DANIDA (\$4.3 million), and the ODA (\$900,000). Total cost: \$35.9 million.

**Guinea:** IDA--\$20.8 million. Through a program of institution building and management support, provision of specialized technical services, and construction of access roads, the supply response in the agricultural-export sector will be enhanced. Cofinancing (\$600,000) is anticipated from the FAC. Total cost: \$24.6 million.

**Hungary:** IBRD--\$100 million. Through a program of financial and technical assistance, the operational and pricing efficiency of product markets will be strengthened, thereby improving the business environment so that producers and trading companies can adjust efficiently to changing market conditions. Total cost: \$254.5 million.

**India:** IDA--\$54.7 million. About 80,000 small and marginal farm families are expected to benefit directly from project activities associated with the reclamation over a seven-year period of approximately 45,000 hectares of salt-affected (sodic) land in ten districts of Uttar Pradesh. Institutional strengthening is included. Total cost: \$80.2 million.

**India:** IDA--\$117 million. Close to 4 million people will benefit from a project designed to increase rural incomes and reduce poverty among tribal people in Bihar state through a program of agricultural development, provision of minor irrigation and drainage, upgrading of rural roads, and accelerated implementation of an existing handpump program. Total cost: \$132 million.

**India:** IDA--\$106 million. The Rajasthan state government's Agricultural-development Project--designed to accelerate growth, reduce poverty, conserve resources, rationalize public expenditures, and encourage private-sector investment--will be supported through policy reforms and the financing of investments in crop husbandry, horticulture, animal husbandry, water resources,

agricultural research and training, rural roads, and environmental strengthening. Total roads, and environmental strengthening. Total cost: \$130.3 million.

**India:** IDA--\$92 million. The rubber subsector will be expanded and strengthened through the replanting of old, low-yielding rubber, new rubber plantings, productivity enhancements through improved management of inputs, and the upgrading or establishment of processing facilities. In addition, tribal people in Tripura state--a nontraditional rubber-growing area will benefit through the expansion of rubber based production systems on degraded land. Total cost:\$143.38 million.

**India:** IDA--\$92 million. The rubber subsector will be expanded and strengthened through the replanting of old, low-yielding rubber, new rubber plantings, productivity enhancements through improved management of inputs, and the upgrading or establishment of processing facilities. In addition, tribal people in Tripura state--a nontraditional rubber-growing area-- will benefit through the expansion of rubber-based production systems on degraded land. Total cost: \$143.8 million.

**Indonesia:** IBRD--\$54 million. About 50,000 families are expected to benefit directly from a project that supports a six-year program of groundwater development designed to provide irrigation for some 25,000 hectares in eleven provinces. Total cost: \$84.9 million.

**Indonesia:** IBRD--\$32 million. Agricultural production, particularly paddy, will be stabilized, and environmentally sound crop-production systems promoted by strengthening and expanding the national integrated pest-management (IPM) program; training of about 800,000 farmers (of whom 30 percent will be women) in IPM; financing of field investigations and studies to develop appropriate, farmer- responsive technology; and strengthening of the regulatory and

environmental management of pesticides. Cofinancing (\$7 million) is expected from USAID. Total cost: \$53 million.

**Iran:** IBRD--\$157 million. The incomes of some 46,000 farm families are expected to increase through the improvement and upgrading of four existing irrigation and drainage systems and the upgrading of agricultural extension and research. In addition, the planning and implementation capacity of sector institutions is to be improved through provision of technical assistance and an training. Total cost: \$311.7 million.

**Kenya:** IDA--\$20 million. The impact of the recent drought on people living in the country's northern arid and semi-arid districts will be alleviated through measures to regenerate productive capacity in agriculture and livestock production and improve water-supply and basic health services. Total cost: \$29.6 million.

**Kenya:** IDA--\$19.4 million. Through provision of technical assistance, training, and equipment the cotton and oilseeds subsectors will be developed. Technical assistance will also be provided to help restructure the sugar subsector and make the cooperative subsector more efficient and responsive to member needs. Institution-building assistance is included. Total cost: \$21.5 million.

**Philippines:** IBRD--\$51.3 million. Incomes and employment opportunities for about 460,000 low-income farm families will increase through sustainable improvements in the operational efficiency of the country's national irrigation systems serving about 640,000 hectares. Total cost: \$69.6 million.

**Tunisia:** IBRD--\$69 million. Sustainable integrated development and management of the country's forest resources (with the involvement of the poor populations in

forests and the private sector) will be promoted. Cofinancing (\$700,000) is expected from the AfDB. Total cost: \$148.1 million.

**Turkey:** IBRD--\$77 million. In three low-income provinces of Eastern Turkey, fertility will be restored to badly degraded soils and erosion in upland areas reduced through support watershed-rehabilitation activities. In addition, farmer incomes should increase improvements in fuelwood, fodder, and agricultural production. Cofinancing (\$5.1 million) expected from the GEF. Total cost \$115.5 million.

**Venezuela:** IBRD--\$55 million. Through provision of assistance to the National Institute of Parks and other key public agencies involved in environmental protection, national capacity to manage the country's national and urban parks, natural monuments, and wildlife refuges and reserves will be expanded. Funds in support of applied environmental research and public environmental education will also be made available. Total cost: \$96 million.

**Zambia:** IDA--\$33 million. Sound lending practices in the agricultural sector will be introduced by providing targeted credit at commercial lending rates to the sector through the commercial-banking system, and measures to increase private-sector participation in rural maize marketing and milling, input supply, rural transportation, and rural road maintenance will , be supported. Technical assistance is included. Cofinancing (\$12.5 million) is expected from the AfDB. Total cost: \$68 million.

## **2) Development Finance Companies:**

**China:** IBRD--\$150 million. The Tianjin municipal government will be assisted in restructuring its industrial sector through provision of funds to be onlent to enterprises in the machine-tool, construction-equipment, automotive-parts, electronic-components, and electric-motors subsectors for restructuring and modernization. Total cost: \$222 million.

**Colombia:** IBRD--\$50 million. The country's export-development process will be accelerated during the early years of trade liberalization through, in particular, the streamlining of trade-administration mechanisms and ensuring consistency with GATT requirements and by helping existing and potential exporters to better assess export markets, adapt products, build export-market share, and secure export financing. Total cost: \$86.6 million.

**Ecuador:** IBRD--\$75 million. The efficiency of the country's productive and financial sectors will be increased through a project that seeks to develop the private sector by accelerating private investment through the provision of term financing, improving financial-sector performance, and encouraging allocative efficiency through support of trade-liberalization reforms.

**Indonesia:** IBRD--\$307 million. A program of governmental regulatory and institutional reforms in the financial sector, designed to lower the risk of financial instability, enhance the efficiency of resource allocation, and transform the five state commercial banks into sound and effective financial intermediaries (and prepare them for future privatization) will be supported through institution-building assistance and provision of a line of credit to be onlent to the private sector for investment projects. Total cost: \$3,576 million.

### **3) Education:**

**Algeria:** IBRD--\$40 million. This project, the first step in a long process that aims at improving quality and efficiency in basic and secondary education, seeks to introduce a pilot system for assessing learning outcomes and quality in basic and secondary education, strengthen the quality of pedagogic-research programs, and promote a more effective use of pedagogic materials in schools. Total cost: \$64 million.

**Bangladesh:** IDA--\$68 million. A significant increase in secondary school enrollment of girls will be stimulated through provision of an integrated, catalytic package of activities, thereby enlarging the stock of educated women capable of participating fully in the economic and social development of the country. Total cost: \$80 million.

**Bolivia:** IDA--\$50.7 million. Some 200,000 children between six months and six years of age will benefit from a project that seeks to (a) improve children's readiness to succeed in school and beyond by facilitating their physical, emotional, social, and cognitive development; (b) enhance the status of women by increasing their employment opportunities and expanding their knowledge of education, health, and nutrition; and (c) increase community and private-sector participation in the social-development process. Cofinancing is anticipated from the WFP (\$11.9 million), the EC (\$1.8 million), UNICEF (\$1.3 million), and USAID (\$600,000), while a financing gap of \$44.1 million is expected to be financed by food aid from bilateral agencies. Total cost: \$140.2 million.

**Bolivia:** IDA--\$40 million. A second Social Investment Fund Project will continue to provide assistance to the government in improving coverage and quality of health, water-supply, sanitation, and education services, targeting primarily the rural poor, including indigenous peoples and disadvantaged women and children.



Cofinancing (\$5 million) is expected from the OPEC Fund for International Development. Total cost: \$70 million.

**Brazil:** IBRD--\$212 million. Improvements in schooling quality for about 3 million children in the first four grades of primary school in four northeast states will be supported, thereby contributing to reduced dropout and repetition rates and increased student learning. Total cost: \$378.6 million.

**Mauritius:** IBRD--\$20 million. The government will be assisted in implementing its education-development program, whose main objective is to improve access to, and the quality of, secondary education, with the specific target of secondary enrollment by 15,000 students over the period 1993-98. Total cost: \$78.7 million.

**Mexico:** IBRD--\$174 million. The government's efforts to promote private sector-led growth and ease the costs of labor mobility will be supported through a project that seeks to increase productivity and competitiveness in small and medium-sized enterprises, provide and training opportunities to displaced and unemployed workers, and improve the availability, timeliness, and dissemination of labor-market information. Total cost: \$355.9 million.

**Mexico:** IBRD--\$80 million. The quality and efficiency of the country's nonformal "education" program (which, through community educators, teaches child-development skills to parents of children (up to three years old)) will be improved, thus enhancing the quality of life of some 1.2 million children and their parents. Cofinancing (\$1 million) is anticipated from the UNDP/UNICEF/UNESCO. Total cost: \$115 million.

**China:** IDA--\$100 million. Civil works, equipment, materials, specialist services, and training will be provided in support of lower middle school (LMS) teacher

training, thus helping to bring pre-service LMS teacher training up to prescribed standards nationwide. Total cost: \$256.4 million.

**Kenya:** IDA--\$52.1 million. Funds from reflows will be provided to supplement the education sector-adjustment credit, approved in fiscal 1992 in the amount of \$100 million.

**Korea, Republic Of:** IBRD--\$60 million. Selected agricultural and veterinary colleges will be assisted in their efforts to strengthen the teaching of environment-related courses which, in turn, would lead to better-prepared professionals becoming available to work in environmental fields in the public and private sectors. In addition, the capacity for environmental research in the colleges will be upgraded. Total cost: \$97.3 million.

**Cote D'ivoire:** IDA--\$6.7 million. Technical assistance and training, as well as a complement of new equipment, will be provided so as to build capacity into the country's human-resources ministries to implement the government's human-resources development program. Total cost: \$7.9 million.

**India:** IDA-\$165 million. The institutional capacity needed to plan, manage, and evaluate basic-education development in Uttar Pradesh will be developed. In addition, through improvements in the quality of schools and access to them, as well as upgrading of teacher skills, female dropout rates may be halved, learning achievement increased by half, and access to basic education provided for 600,000 currently unserved students in ten project districts. Total cost: \$193.9 million.

#### **4) Energy:**

**Russia:** IBRD--\$610 million. Essential inputs will be provided to support existing oil- production operations in western Siberia, thereby providing--at peak production-12 million tons of incremental oil annually, representing a 3 percent increase in national output. Cofinancing is expected from the EBRD (\$250 million) and the Netherlands (\$6 million). Total cost: \$1,035 million.

**Indonesia:** IBRD--\$104 million. Through the implementation of the second phase of the Cirata hydroelectric scheme on the Citarum river, the peaking electricity-generating capacity of the State Electricity Corporation will be expanded in an economically and environmentally sound manner. Consulting services, training, and studies are included. Cofinancing (\$149.2 million) is expected in the form of export credits. Total cost: \$398.8 million.

**Rwanda:** IDA--\$26 million. The reliability and cost-effectiveness of the national electricity system, as well as the efficiency in the use of the country's energy resources, will be increased through a project that seeks to strengthen the institutional, regulatory, and policy environment and rehabilitate and improve key elements of the power infrastructure. Cofinancing is anticipated from the EIB (\$7.9 million) and the CCCE (\$2.7 million). Total cost: \$39 million.

**Jamaica:** IBRD--\$60 million. Urgently required power-generation capacity will be provided, the enabling environment needed to attract private investments in the power sector will be established, and the government's deregulation and privatization program in the energy sector will be supported. Cofinancing (\$56 million) is expected from the IDB. Total cost: \$60 million.

**Honduras:** IDA--\$33.1 million. IDA reflows will be provided to supplement the energy-sector adjustment credit, approved in fiscal 1992 in the amount of \$50.6 million.

**Honduras:** IDA-\$12 million. ENEE, the national power company, will be assisted in carrying out an emergency program of sealing the foundation of the Morazan dam to control pressure buildups and subsequent erosive flows and to improve ENEE's monitoring of dam performance and emergency preparedness. Cofinancing (\$1.6 million) will be provided by the IDB. Total cost: \$17.4 million.

**Argentina:** IBRD--\$300 million. The early operation of the massive Yacyreta hydroelectric project will be ensured through completion of its basic permanent structures, installation of its first in the six units, and its connection to the national grid, and future private-capital participation in the scheme will be encouraged. In addition, needed environmental-protection and resettlement measures will be implemented. Cofinancing is anticipated from the IDB (\$31.5 million) and suppliers' credits (\$560.2 million). Total cost: \$2,591.1 million.

**Bulgaria:** IBRD--\$93 million. A first energy project seeks to increase the efficiency of NEK, the national electricity company, reduce its generating costs, enhance the stability of electric grid, add peaking capacity, and improve dam safety. Total cost: \$126 million

**Ghana:** IDA--\$80 million. A portion of the time slice (1993-97) of the country's electricity-investment program, covering connections to the national power grid of all the district capitals not supplied from the grid, will be financed. Institutional-strengthening assistance is included. Cofinancing is anticipated from the (\$25.1 million), DANIDA (\$19.5 million), the CCCE (\$5 million), and others (\$5.2) million. Total cost: \$185.3 million.

**Lao People's Democratic Republic:** IDA--\$36 million. Electricity supply will be extended to more consumers in the central and southern regions, the quality of supply will be enhanced for existing consumers there, and prospects for additional exports of electric power developed. Institution-building assistance is included. Total cost: \$49.3 million

**Western Samoa:** IDA--\$1 million. Supplemental funds will be provided to help finance the Afulilo Hydroelectric Project, approved in fiscal 1987 in the amount of \$3 million.

#### **5) Industry:**

**Angola:** IDA--\$21 million. Technical assistance and training will be provided to strengthen the Banco Nacional de Angola and to develop banking infrastructure, mainly through the establishment of a national check-clearing system, construction of a training center for financial-sector staff, and the training of a core of financial professionals. Total cost: \$23.6 million.

**Mali:** IDA--\$12 million. By improving the regulatory infrastructure for private-sector operations, as well as the functioning of key private-sector support institutions, the private sector's ability to respond to policy reforms under way will be improved and its prospects for leading the growth of the country's economy enhanced. Total cost: \$13.9 million.

**Peru:** IBRD--\$250 million. The government's privatization program and related sectoral policy, legal, and regulatory reforms--designed to promote competition and private and improve economic efficiency and fiscal performance--will be supported.

**Egypt:** IBRD--\$130 million. The will be assisted in implementing strategies the development of the tourism sector, thereby increasing foreign-exchange earnings and employment and arresting environmental degradation of the Nile river and of tourist areas on the Red sea. In addition, a coastal zone-management plan for the Red sea coast will be developed. Total cost: \$805 million.

**Uganda:** IDA--\$100 million. Policy and institutional reforms in Uganda's financial system will be supported, thus helping to establish the conditions for a deeper, more efficient, diversified financial sector with a stronger banking system at its core.

#### **6) Nonproject:**

**Ghana:** IDA--\$6.5 million. Funds from IDA reflows will be provided to supplement the private-investment and sustained development- promotion program, approved in fiscal 1991 in the amount of \$120 million.

**Guinea:** IDA--\$100,000. Funds from IDA reflows will be provided to supplement the second structural-adjustment credit, approved in fiscal 1988 in the amount of \$65 million.

**Bangladesh:** IDA--\$100 million. A second industrial sector-adjustment credit supports efforts to extend import liberalization, promote exports, and develop the private sector.

**Bangladesh:** IDA--\$3.5 million. Funds from IDA reflows will be provided to supplement the second industrial sector-adjustment credit, approved in fiscal 1993 in the amount of \$100 million.

**Guyana:** IDA--\$3.5 million. Funds from IDA reflows will be provided to supplement the second structural-adjustment credit, approved in fiscal 1990 in the amount of \$74.6 million.

**India:** IBRD--\$300 million. Measures recently taken by the government to liberalize further the external sector and investment regime will be supported.

**Costa Rica:** IBRD--\$100 million. The government's structural-adjustment program, which aims at achieving economic stabilization and sustainable economic growth, will be by a third structural-adjustment loan. Cofinancing (\$80 million) is anticipated from the IDB.

**Estonia:** IBRD--\$30 million. Foreign exchange will be provided to finance critically needed imports while supporting the government in the implementation of its ongoing stabilization and structural-reform program.

**Latvia:** IBRD \$45 million. Foreign exchange will be provided to finance critically needed imports and technical assistance in support of the government's program of stabilization and economic reform. Cofinancing (\$250,000) is being provided by Sweden

**Lithuania:** IBRD--\$60 million. The government's economic-reform program is being supported through the provision of foreign exchange to finance critically needed imports. Cofinancing (about \$4 million) is being provided by the EC's PHARE and Sweden.

**Malawi:** IDA--\$5.9 million. Funds from IDA reflows will be provided to supplement the entrepreneurship-development and drought- recovery credit, approved in fiscal 1992 in the amount of \$120 million.

**Peru:** IBRD--\$150 million. Supplemental funds will be provided to support the government's macroeconomic stabilization program and broad-based structural reforms taken in macroeconomic policy, the fiscal sector, the social sector privatization, agriculture, and labor policy.

**Poland:** IBRD--\$450 million. The government's Enterprise and Bank Restructuring and Privatization Program, which addresses the central constraints to the resumption of sustained growth--the unclear structure of state enterprise-- will be supported. Up to \$100 million of the loan will be used to support a commercial debt and debt-service reduction package with the country's commercial creditors.

**Uganda:** IDA--\$1.4 million. Funds from IDA reflows will be used to supplement the structural-adjustment credit, approved in fiscal 1992 in the amount of \$125 million.

#### **7) Population, Health and Nutrition:**

**Guatemala:** IBRD--\$20 million. Poverty-alleviation efforts, focused in particular indigenous communities and women's groups, will be assisted through support for social-assistance, social-infrastructure, economic-infrastructure, and credit subprojects, to be financed by a newly created Social Investment Fund. Cofinancing is anticipated from Germany (\$ 18 million), the BCIE (\$ 10 million), the UNDP (\$700,000), and, possibly, others (\$8 million). Total cost: \$80 million.

**Angola:** IDA--\$19.9 million. Improvements will be made to the Ministry of Health's policymaking and managerial capabilities, contributing to a better planned and more focused development of the health sector. In addition, the ongoing national AIDS-control and family planning program will be strengthened, and selected health facilities will be rehabilitated. Total cost: \$22.2 million.



**Honduras:** IDA--\$25 million. More than a quarter million poor people, including about 120,000 pregnant and nursing women and mothers of children attending the first three grades of primary school, are to benefit from project that seeks to expand nutrition and strengthen the delivery of basic health services. In addition, some 60,000 people are to benefit from the provision of rural water supply and sanitation. Cofinancing is expected from the WFP (\$10 million), USAID (\$3 million), the UNDP (\$330,000), UNICEF (\$110,000), PAHO (\$80,000), and others (\$3.5 million). Total cost: \$54.2 million.

**Jordan:** IBRD--\$20 million. The health status of the population will be enhanced through qualitative improvements in the Ministry of Health's primary and hospital services and through reform of the ministry's organization, management, finances, and planning capacity. Cofinancing (\$2.4 million) is anticipated from Finland, France, Germany, the United Kingdom, the United States, and the EC. Total cost: \$30 million.

**Madagascar:** IDA--\$21.3 million. Food insecurity and malnutrition in the country's two most food-insecure provinces will be reduced through income-generating projects and targeted nutrition programs that will be implemented by nongovernmental organizations and local communities. This expected from the WFP (\$7.3 million), Japan (\$500,000), and UNICEF (\$400,000). Total cost: \$32.4 million.

**Mozambique:** IDA--\$6.3 million. The national capacity to analyze the major causes of food insecurity in the country will be enhanced, and macro and sectoral programs designed to relieve household food insecurity will be designed and implemented. Cofinancing is anticipated from the FAO (\$1 million) and the Save the Children Fund (\$500,000). Total cost: \$8.2 million.

**Indonesia:** IBRD--\$93.5 million. As many as 1.5 million families living in five (three from the Eastern region) are expected to benefit from a project designed to elevate infant, child, and maternal health status by improving the effectiveness of community health and nutrition interventions. Cofinancing is expected from Germany (\$18.5 million). Total cost: \$164.1 million.

**Papua New Guinea:** IBRD--\$6.9 million. Family-planning service delivery will be supported as will a group of activities designed to build up long-term capacity for the population program. Cofinancing is anticipated from the AIDAB (\$10 million) and the AsDB (\$6.8 million). Total cost: \$32.7 million.

**Venezuela:** IBRD--\$94 million. Low-income populations in rural and peri-urban areas throughout the country are to benefit from a project that seeks to control both vector and waterborne endemic diseases (malaria, in particular). In addition, the planning and management capacity of public-health institutions to control endemic diseases will be increased. Total cost: \$188 million.

**Zimbabwe:** IDA--\$64.5 million. The incidence and impact of sexually transmitted infections will be reduced through provision of critical programmatic and commodity support to the government's program for sexually transmitted disease prevention and care. Cofinancing (\$14.8 million) is expected from the ODA. Total cost: \$87.3 million.

## **8) Public-Sector Management or Technical Assistance:**

**Sierra Leone:** IDA--\$10 million A program of technical assistance has been designed to increase the effectiveness of budgeting and expenditure control and accountability (focal points of the government's reform program), standards of public administration, and the efficiency (while Assistance reducing the size) of the public-enterprise sector. Total cost: \$11.2 million.

**Philippines:** IBRD \$63 million. Improvements in tax administration will be supported through provision of technical assistance, staff training, hardware, software, priority equipment, and facilities. Total cost: \$106.2 million.

**Madagascar:** IDA-\$1.4 million. Funds from IDA reflows will be provided supplement the public-sector adjustment credit, approved in fiscal 1988 in the amount of \$125 million.

**Guyana:** IDA--\$12 million. Basic public services will be improved by establishing a longer-term salary structure (thus enabling the government to attract and retain essential staff) and by carrying out a related recruitment program. In addition, the government will be assisted in strengthening economic-policymaking and key public-sector management systems. Total cost: \$22 million.

**Argentina:** IBRD--\$300 million. Assistance will be made available for privatizing/restructuring of public industrial enterprises reducing public finances and deficits, and improving the environment for competitive private-sector activity and investment.

**Albania IDA:** \$4million. The government's ability to formulate and Implement reforms in macroeconomic management, enterprise restructuring and privatization,

and financial-sector reform will be improved through the provision of technical assistance. Total cost: \$ 4.6 million.

**Armenia:** IBRD--\$12 million. This first loan to Armenia will help finance an institution-building project designed, in the short run, to help the government design and implement economic- reform programs and, in the longer run, to develop the government's institutional capacity to manage a private market economy and build up the private sector. Cofinancing is expected from USAID (\$3.7 million) and the EC (\$1 million). Total cost: \$17.2 million.

**Equatorial Guinea:** IDA \$2.4 million. The government will be assisted in maximizing revenues from the off-shore Alba condensate and gas field and in strengthening its technical and financial capability to monitor oil companies' activities in the country. Total cost: \$2.7 million.

**Peru:** IBRD--\$30 million. The government will be assisted in the preparation and implementation of its privatization program and related sectoral policy, legal, and regulatory reforms Cofinancing (\$6.5 million) is expected from Canada, Japan, the CAF, and the UNDP. Total cost: \$43.3 million.

**Peru:** IBRD--\$11.8 million. An energy and mining technical-assistance project seeks to assist the government in implementing sector strategies and policies (especially demonopolization and privatization of state-owned enterprises), complete the legal and regulatory reform of the Energy and Mines. Cofinancing (\$3 million) is anticipated from Japan Total cost \$17.5 million.

## **9) Telecommunication:**

**Bulgaria:** IBRD--\$30 million. The government's policy and institutional reforms of the telecommunications sector will be supported, and the 1993-97 time slice of the sector's least-cost investment program will be financed. Cofinancing is expected from the EIB (\$75.1 million) and the EBRD (\$39.4 million). Total cost: \$339.8 million.

**Guinea:** IDA--\$14.6 million. The newly created Société des télécommunications and the Office de la poste guinéenne will be launched on a firm basis by financing key appointments in administrative and operational positions. In addition, the Ministry of Communication will be reorganized as the policymaker and regulator for the sector. Total cost: \$16.6 million .

## **10) Transportation:**

**Albania:** IDA--\$18 million. Roads will be rehabilitated, maintained, or constructed (and maintenance equipment and spare parts provided); quays and port surfaces at Durres will be repaired; and technical assistance and training provided. Cofinancing (\$6.4 million) is anticipated from the KFAED. Total cost: \$27 million.

**Angola:** IDA--\$41 million. Transportation infrastructure, a casualty of the country's civil war, will be rehabilitated and overdue maintenance performed. In addition, employment in the private sector will be promoted through the development of small and medium-scale enterprises using labor-intensive technologies in road-maintenance activities. Technical assistance is included. Cofinancing is expected from SIDA (\$3.3 million) and the CCCE and DANIDA (\$3 million each). Total cost: \$64.9 million.

**Argentina:** IBRD--\$340 million. A four-year time slice of the routine and periodic- maintenance program of the National Highway Directorate (DNV), as well as of that organization's road-reconstruction needs, will be financed. Technical assistance and training are included. Total cost: \$756 million

### **11) Urban Development:**

**Brazil:** IBRD \$128.5 million. The financial, institutional, and organizational policy changes required to achieve sustainable, integrated multimodal transport in the Rio de Janeiro metropolitan region will be consolidated. In addition, stations, track, rolling stock, power supply, and fencing of the right of way will be rehabilitated, and associated equipment will be provided. Total cost: \$272 million.

**China:** IDA--\$110 million. The planning and delivery of urban services to four major cities in Zhejiang province will be strengthened through provision of technical assistance and finance for investments in water supply and waste disposal, Land development, traffic management, and pollution control. Total cost: \$231 million.

**Lebanon:** IBRD--\$175 million. The government's National Emergency Reconstruction Program, designed as a multisectoral operation focusing on emergency, Reconstruction Program, repairs and the rehabilitation of physical and social infrastructure, will be supported. Total cost: \$223.9 million

## **12) Water Supply and Sewerage:**

**Brazil:** IBRD - \$245 million. A cost effective approach to control water pollution in two of the most congested and polluted metropolitan areas of the country will be developed through the creation of two urban water-basin authorities-for the Guaratiranga river near Sao Paulo and for the upper Iguacu river in Curitiba-and the financing of water pollution-control investments. Total cost: \$494 million.

**Srilanka:** IDA-\$ 24.3 million. About 650,000 people living in rural areas (and, to a lesser extent, small towns) are expected to benefit from a project that will develop, implement, and maintain community-based water-supply and sanitation schemes. Total cost: \$32.3 million.<sup>15</sup>

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<sup>15</sup>David Peretz, et al. "Summaries of Projects Approved for IBRD and IDA Assistance in Fiscal 1993". The World Bank Annual Report 1993. Washington D.C. , 1993, pp. 145-164.

## **G -Donors' Approaches and Strategies**

Appendix B of this research provides a list of 16 donor countries in addition to a list of seven institutions, acting as donors. Each donor has its own approach program for development cooperation that focuses on different sectors.

Table 2 Contains a list of program approaches followed by some of the different donor countries or institutions.



**Table 2 - Donors' Approaches**

<b>Donor</b>	<b>Approach</b>
* Austria	Poverty alleviation - Development of human resources.
* Belgium	Emphasis on basic needs and rural development.
* Canada	Poverty alleviation - Human rights - resource development.
* Denmark	Poverty alleviation - environmental issues - Women's interests.
* Finland	Emphasis on raising the level of knowledge and skill of the population.
* France	Enhance the strong historical ties with francophone African countries.
* Italy	Promote political, social and economic stability.
* Japan	Emphasis on self-help policy.
* Netherlands	Create opportunities - Support the alleviation of poverty.
* Norway	Reduce poverty - promote economically and ecologically sustainable growth.
* Sweden	Promote economic growth and social equality.
* Switzerland	Assist developing countries to improve living conditions.
* United States of America	The need for private sector investment to promote economic growth.
* Arab Fund for Economic and Social Development	Emphasis on economic and social development.

In addition to different approaches, the donor countries and institutions also differ with regard to three other areas :

- Countries of special interest.
- Sectors of special interest.
- Volume and terms.

Each Donor country or institution concentrates its efforts on a number of selected countries and regions. According to the Donor's Handbook, Austria, for example, concentrates on sub-Saharan African countries, countries in Central America (Nicaragua, Costa Rica, Guatemala) and countries in South East Asia (Nepal, Bhutan, Thailand, Indonesia)<sup>16</sup>. On the other hand, Belgium has given attention to countries with historical links to it, such as Zaire, Morocco, Tunisia, Turkey, Bolivia, Bangladesh, Senegal, Ivory Coast, Mali and many other affiliate countries. Referring also to the Donors' Handbook, Lebanon is considered to be a country of special interest to the Arab Fund for Economic and Social Development only.

In the same direction, each donor has different sectoral preferences. Canada's special interest lies in human resources development; consequently, its emphasis is put on education and health. Germany places major emphasis on public utilities, education, basic needs, food security, rural development, environment, small-scale industry, women in development, social programs, population and technical assistance.

A third and final example is concerned with the Arab Fund for Economic and Social Development which tends to concentrate on agriculture, energy, transportation and telecommunication, water supply and sewerage, and industry and mining.

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<sup>16</sup> Willem Nijhof. Donor's Handbook. USA, n.p. 1992, pp 4-8

Volume and terms of loans also vary among donors. Table 3 shows the volume of loans raised by each donor during fiscal year 1989 till fiscal year 1991 as indicated by the Donor's Handbook prepared by W. Nijhof in 1992 .

**Table 3 - Loans volume / donor (in US \$ M)**

<b>Donor</b>	<b>1989</b>	<b>1990</b>	<b>1991</b>	<b>Total</b>
Austria	37.1	15.2	8.0	60.3
Belgium	28.9	13.2	21.1	63.2
Canada	60.4	60.0	103.6	224.0
Denmark	24.2	84.2	24.5	132.9
Finland	32.6	73.7	20.7	127.0
France	255.4	347.3	245.4	848.1
Germany	242.6	311.1	287.2	840.9
Italy	102.2	154.2	32.6	289.0
Japan	3,135.1	2,644.5	1,442.5	7,222.1
Netherlands	63.9	138.3	68.3	270.5
Norway	24.5	64.9	86.5	175.9
Spain	9.4	31.1	0.6	41.1
Sweden	46.8	48.1	43.4	138.3
Switzerland	132.6	68.0	87.2	287.8
United Kingdom	215.8	175.2	89.6	480.6
United States of America	125.4	189.0	170.8	485.2
Abu Dhabi Fund	0.0	6.2	25.5	31.7
Arab Fund	171.2	45.7	50	266.9
BADEA Islamic Development Bank	27.7	9.4	19.2	56.3
Kuwait Fund	15.0	12.0	50.5	77.5
OPEC Fund	28.5	57.5	50.0	136.0
Saudi Fund	10.5	13.0	22.8	46.3
	0.0	31.6	12.5	44.1
<b>TOTAL</b>	<b>6,778.8</b>	<b>6,583.4</b>	<b>4,953.5</b>	<b>18,315.7</b>

# CHAPTER III

## PROCEDURES & METHODOLOGY

Various analysis procedures and methodological issues used in the research design are discussed in this chapter. It describes the population, the sample population, the dependent and independent variables, the measurement instruments, and the analysis of the descriptive data.

### A -Population of the Study

The population of the study consists of 173 countries for which the UNDP and Euromoney provided data on UNHDI 94 score, political risk score, bank lending amounts, IDA amounts and IBRD amounts for those countries.

### B -Sample Selected

The selected sample consists of countries that are in the developing category and for which there are comparative data. In other words, each one of these countries possesses two scores for political risk and bank lending in addition to having taken advantage of both types of loans: IDA and IBRD. For these reasons, the researcher has excluded Lebanon from the sample since it hasn't yet taken advantage of IDA loans. The total number of the sample is 22 developing countries having the following characteristics with respect to location, population and per capita GNP. (See Table 4.)

**Table 4 - Sample Selected**

<b>Country</b>	<b>Location</b>	<b>Population</b>	<b>Per Capita GNP in \$</b>
Bolivia	South America	7,347,000	650
Botswana	Africa	1,319,000	2,530
China	East Asia	1,149,523,000	370
Costa Rica	Central America	3,064,000	1,850
Dominican	West Indies	7,197,000	940
Ecuador	South America	10,782,000	1,000
El-Salvador	Central America	5,278,000	1,080
Ghana	West Africa	15,336,000	400
Honduras	Central America	5,259,000	580
India	South Asia	866,499,000	330
Kenya	East Africa	25,006,000	340
Lesotho	South Africa	1,813,000	580
Mauritius	Africa	1,087,000	2,410
Nigeria	West Africa	98,983,000	340
Pakistan	South Asia	115,844,000	400
Papua New Guinea	Pacific	3,964,000	830
Paraguay	South America	4,397,000	1,270
Philippines	South East Asia	62,868,000	730
Sri Lanka	South Asia	17,190,000	500
Thailand	South East Asia	57,151,000	1,570
Turkey	South West Asia	57,326,000	1,780
Zimbabwe	Africa	10,079,000	650

**Source: The World Bank - Annual Report 1993**

**Note: GNP per capita is 1991 estimates based on the "World Development Indicators" section of World Development Report 1993**

## **C -Variables and their Measurement**

### **1) Research Variables**

The selected dependent and independent variables are:

\* HDI: It is the main dependent variable. The extent to which it depends on political risk, bank lending, IDA and IBRD differs with respect to each one's importance.

\* Political risk : Political risk is the only independent variable that affect HDI directly from one side and indirectly from the other side through its influence on bank lending.

\* IDA: IDA is an independent variable with respect to HDI.

\* IBRD: IBRD is an independent variable with respect to HDI.

\* Bank lending: Bank lending is independent with respect to HDI. However, it depends on political risk.

These research variables are believed to have direct and indirect relations. But, to what extent does one significantly affect the other is the question to be tested through the analysis results and assessment of the multiple regression analysis.

### **2) Instrument used for collecting data**

The researcher has made use of the world bank annual report 1993 in determining the amounts of IDA and IBRD loans approved till the fiscal year 1993

by region and country<sup>17</sup>. It is apparent from table 3.1 that the 22 countries belong to different regions of the world. For instance, the sample contains 7 African countries representing 31.8% of the total sample, 7 Latin American countries representing 31.8% of the total sample, 7 Asian countries representing 31.8% of the total sample size and 1 Australasian country representing 4.5% of the total sample.

HDI, Political risk and bank lending scores related to these countries are identified through the use of Euromoney.<sup>18</sup>

### **D - Conceptual Framework for Analyzing the Data**

In order to test the hypotheses and to answer the questions that were formulated in chapter one, the following techniques were used:

First: Frequency and percentage analysis to answer the research question concerning the major characteristics of the selected sample.

Second: Multiple regression would be used to determine the relative importance of BIRD and IDA on HDI via political risk and bank lending factors.

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<sup>17</sup> The world bank - Annual report 1993 - (NDU Statistical unit)

<sup>18</sup> Euromoney. September 1994. (NDU Statistical unit)



# CHAPTER IV

## FINDINGS OF THE STUDY

This chapter answers the research questions that were posed in chapter I as follows:

- 1- What are the major characteristics of the developing countries in the selected sample?
- 2- What is the relative importance of IDA and IBRD on HDI?

With respect to the first question, the researcher has used two different approaches to analyze the variables characteristics lying within the sample. In the first approach, the sample has been divided into four categories: the Latin American category, the African category, the Asian category and the Australasian category. Then, a comparison has been made with respect to the variables characteristics in each category. Whereas, in the second approach, the researcher has analyzed the sample frequency distribution for each variable by measuring the mean, the median, the standard deviation and the skewness of each variable within the sample.

## **A - Major Characteristics of the Developing Countries/Category**

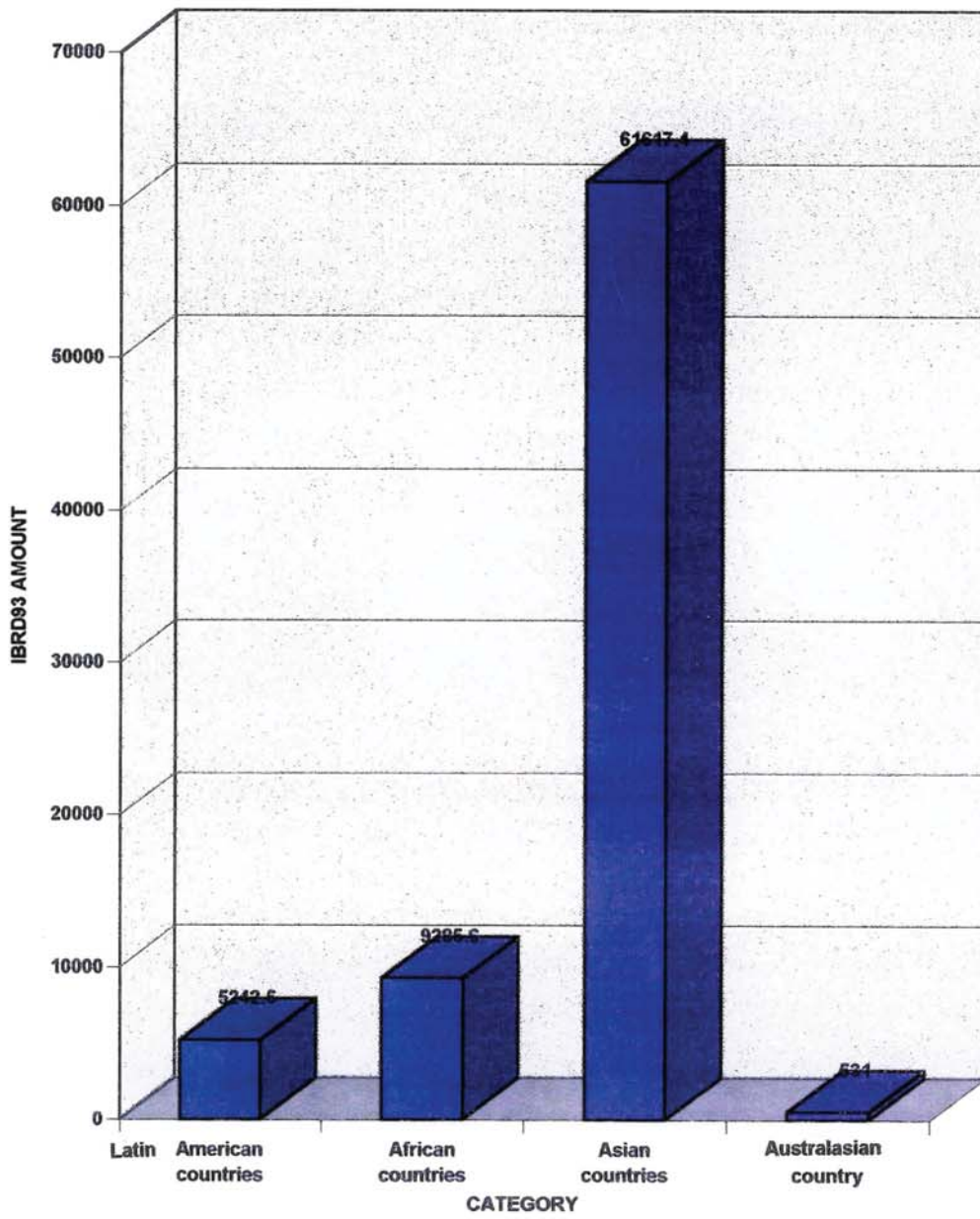
The researcher has studied 22 developing countries out of which seven are Latin Americans ( Bolivia, Honduras, Paraguay, El Salvador, Costa Rica, Dominican Republic and Ecuador); seven Africans (Botswana, Ghana, Kenya, Lesotho, Mauritius, Nigeria and Zimbabwe); seven Asians ( China, India, Pakistan, Philippines, Sri Lanka, Thailand and Turkey); and one Australasian (Papa New Guinea).

Appendix C indicates each country's share of IDA, IBRD and bank lending, as well as to each one's relative score for UNHDI 94 and political risk.

### **1) IBRD 93 Characteristic/Category:**

Figure 2 shows that the Asian countries category has ranked first in getting advantage of IBRD loans till the fiscal year 1993 with an amount of 61,617.4 millions of USD as opposed to an amount equal to 9,285 millions of USD provided to the African developing countries. Latin American countries totaled 5,242.5 millions of USD. Papa New Guinea, the only Australasian country in the sample, has taken \$531 millions of IBRD loans.

**FIG.2 - IBRD93/Category (in Millions of USD)**



**2) IDA 93 Characteristic/Category:**

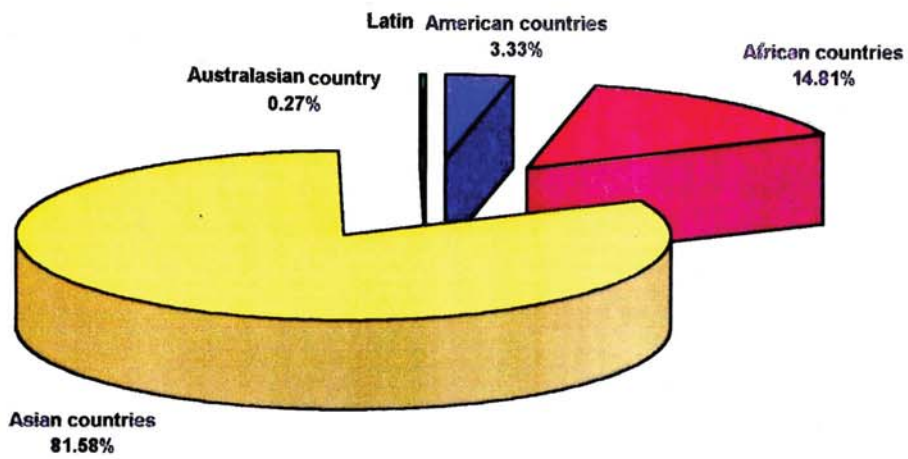
Table 5 represents the results for IDA loans till fiscal 1993 as follows:

**Table 5 - Total IDA loans / Category till fiscal 1993**

<b>Category</b>	<b>Millions of USD</b>
Asian countries	33,838.9
African countries	6,145.2
Latin American countries	1,382.8
Australasian countries	113.2
Total	41,480.1

Table 5 is elaborated by means of a 3D pie chart showing each category's share or percentage of IDA 93.(see figure 3).

**FIG.3 - IDA93/Category**



### **3) UNHDI 94 Characteristic/Category:**

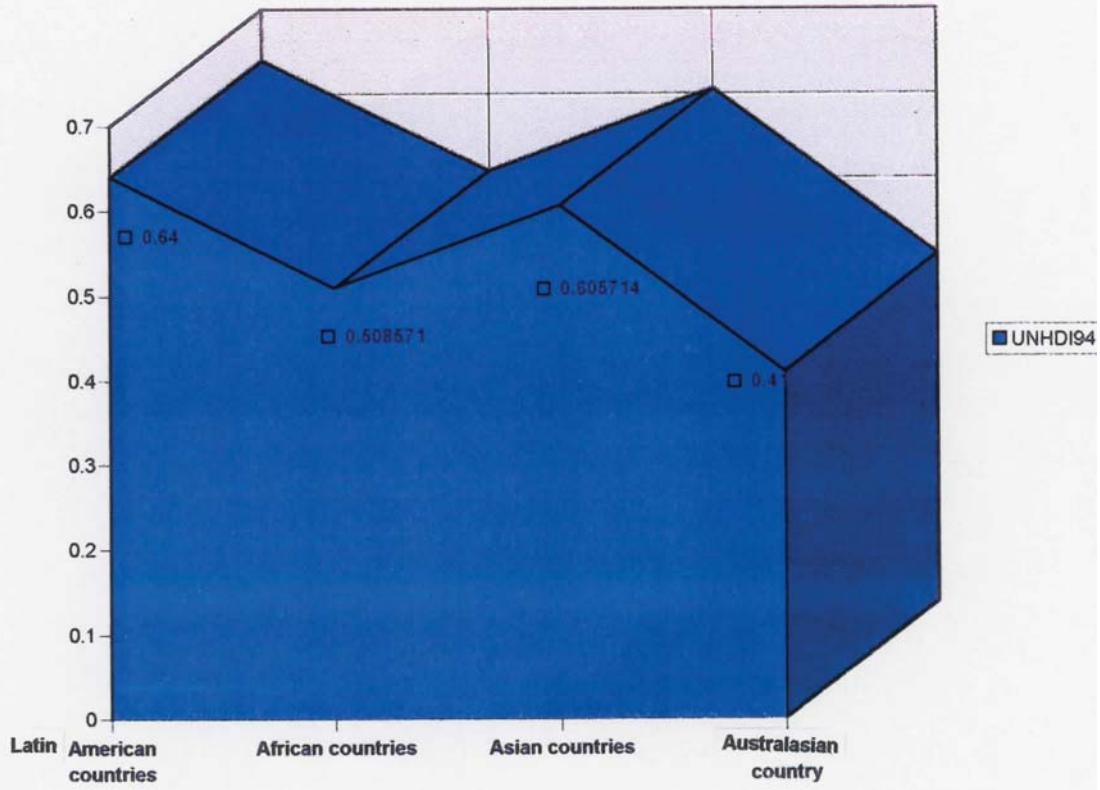
The UNHDI 94 average score per category appears in table 6 of this research.

**Table 6 - UNHDI 94 Average Score / Category.**

<b>Category</b>	<b>UNHDI 94 Average Score</b>
Latin American countries	0.64
Asian countries	0.606
African countries	0.508
Australasian country	0.41

A 3-D Area chart is drawn on figure 4 to better elaborate this characteristic.

FIG.4 - Average UNHDI94/Category



**4) Political Risk Characteristic/Category:**

Political risk average score / category is summarized in table 7.

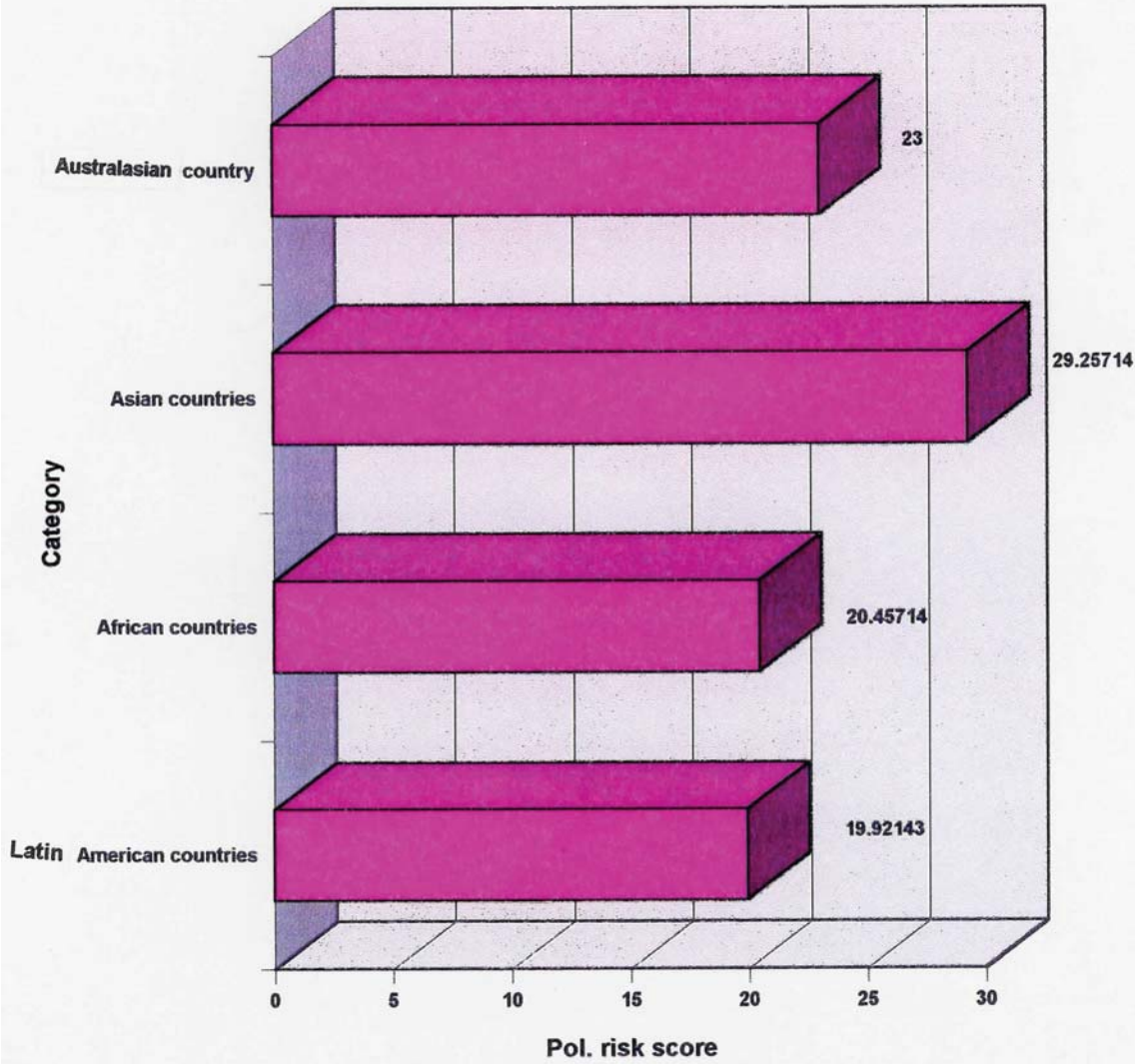
**Table 7. Political Risk Average Score 94.**

<b>Category</b>	<b>Political risk score</b>
Asian countries	29.26
Australasian country	23
African countries	20.46
Latin American countries	19.92

(see figure 5)



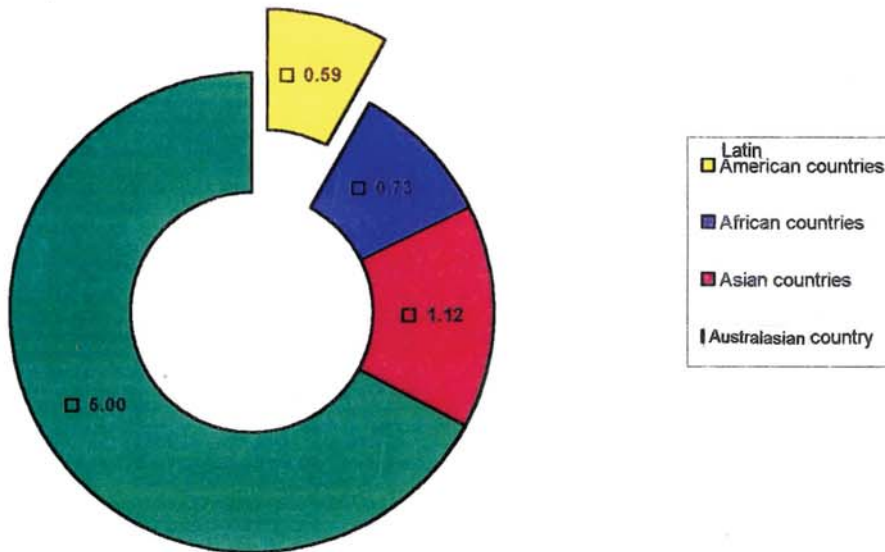
**FIG.5 - Political risk/Category**



### 5) Bank lending characteristic

Bank lending is the final characteristic of the selected sample. Papua New Guinea, the Australasian country, has gained access to \$5 millions in 1994 as opposed to only \$1.12 millions for the Asian countries category, \$730,000 for the African countries category and \$590,000 for the American countries category. (see figure 6)

**FIG. 6 Bank Lending/Category**



## **B - Major characteristics of the Sample Selected/Frequency distribution**

After having analyzed the variables characteristics in respect to countries' category, the researcher has studied these characteristics for the whole sample. The results are as follows:

### **1) IBRD 93 Characteristic/Sample:**

The sample composed of 22 countries has taken advantage of \$76,676.5 millions till the fiscal year 1993 of IBRD loans. The mean of the sample is equal to \$3,485.295 millions as opposed to a median of \$792.1 millions indicating that the IBRD distribution within the sample is highly positively skewed with a level of 2.257. Standard deviation from the mean amounts to \$5,377.132 millions. The highly positive skewness is reasoned on the fact that 15 countries out of the 22 or 68.20 % of the sample have got IBRD loans ranging from \$110 millions to \$1,848.9 millions, amounting to \$9,021.6 millions. The share of those 15 countries is therefore only equal to 11.77 % of total IBRD loans. Whereas, only one country, India, representing 4.5 % of the total sample has taken \$21,744.2 millions or 28.36 % of IBRD share. The six remaining countries have taken the \$45,910.7 millions left, distributed in different ranges. (See figure 7)

### **2) IDA Characteristic/Sample:**

The total amount of IDA loans given to the sample of 22 developing countries is equal to \$41,480.1 millions. The mean amounts to \$1,885.459 millions as opposed to a median amount of \$253.7 millions. The standard deviation from the mean is equal to \$4,470 millions. The skewness of the IDA characteristic within the sample is equal to 3.784 indicating that the distribution of the sample is

positively skewed having an asymmetrical frequency distribution shape with a tail that tends to go to the positive direction of the x-axis.

This is also explained on the basis that a large number of countries amounting to 19 ( 86.36 % of the sample) have only taken \$10,101 millions of IDA loans till fiscal year 1993 which represents 24.35 % of total IDA loans given to the 22 countries. On the other side, one country, India, representing 4.5 % of the sample, has taken advantage of \$20,449.3 millions or 49.3 % of total IDA loans. The remaining \$10,929.8 millions have been given to 2 countries. The researcher has distributed the amounts given in ten equal ranges. The width of each range is \$2,500 millions. (See figure 8)

### **3) HDI Characteristic/Sample:**

With respect to HDI, the mean for the 22 selected countries is equal to 0.577. The standard deviation from the mean amounts to 0.153. The HDI median of the sample equals to 0.580, which is somewhat close to the mean, indicates that the frequency distribution of the sample around the mean tends to be normal and its shape tends towards the bell-shape of the normal distribution. The skewness of the frequency distribution is equal to 0.099 which is very small and the frequency distribution will therefore tends to the normal position.

Since the HDI score ranges from 0 to 1, the researcher has divided this range into 10 equal ranges. (The width of each range is 0.1). Figure 9 shows that the HDI distribution in the sample is normal since the number of countries in each range lying below the mean is similar to its counterpart lying above the mean.

#### **4) Political Risk Characteristic/Sample:**

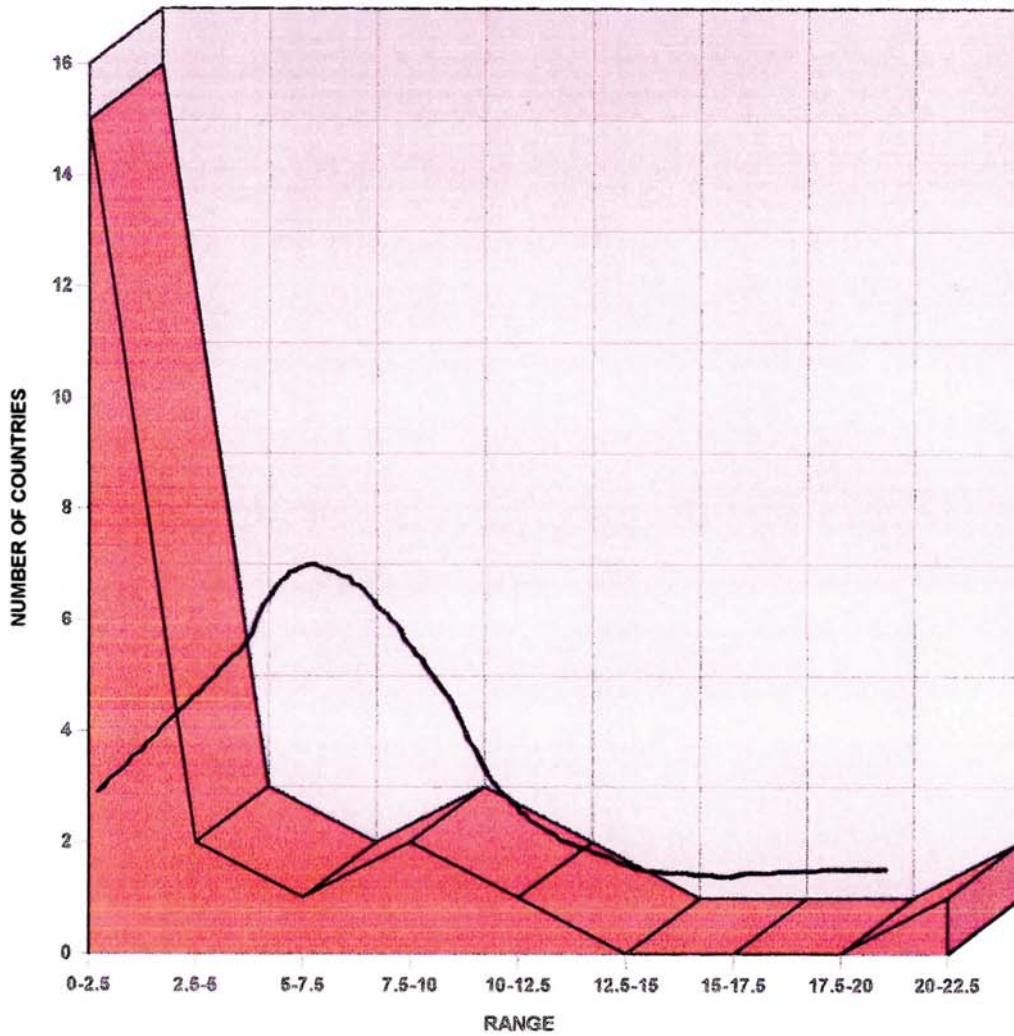
The political risk mean for the sample is equal to 23.202 as opposed to a median score of 22. The standard deviation from the mean amounts to 6.572. Comparing the mean to the median, it is obvious enough to note that a slight difference amounting to + 1.202, (23.202 - 22), is existing between these two measures. From this perspective, the frequency distribution of the sample with respect to Political Risk is a little bit positively skewed amounting to 0.379, and tends more towards the normal position. The political risk score ranges from 0 to 50, this is why the researcher has divided it into ten equal ranges of scores (The width of each one is 5). The results as they appear in figure 10 indicate that the countries' scores are somewhat normally distributed around the mean.

#### **5) Bank Lending Characteristic/Sample:**

The mean of bank lending for the selected sample is \$0.338 million as opposed to a \$0.02 million median amount. The standard deviation from the mean amounts to \$1.055 millions. Since the calculated mean is much greater than the median, the frequency distribution of the countries will be positively skewed. The amount of the skewness is 4.496 indicating that the frequency distribution is highly positively skewed to the right.

This is also reasoned on the fact that 21 countries out of 22, or 95.45 % of the sample have taken \$2.44 millions of bank lending which represents 32.8 % of total bank lending for the sample as opposed to only one country, papa New Guinea taking \$5 millions or 67.2 % of total bank lending. (See figure 11 ).

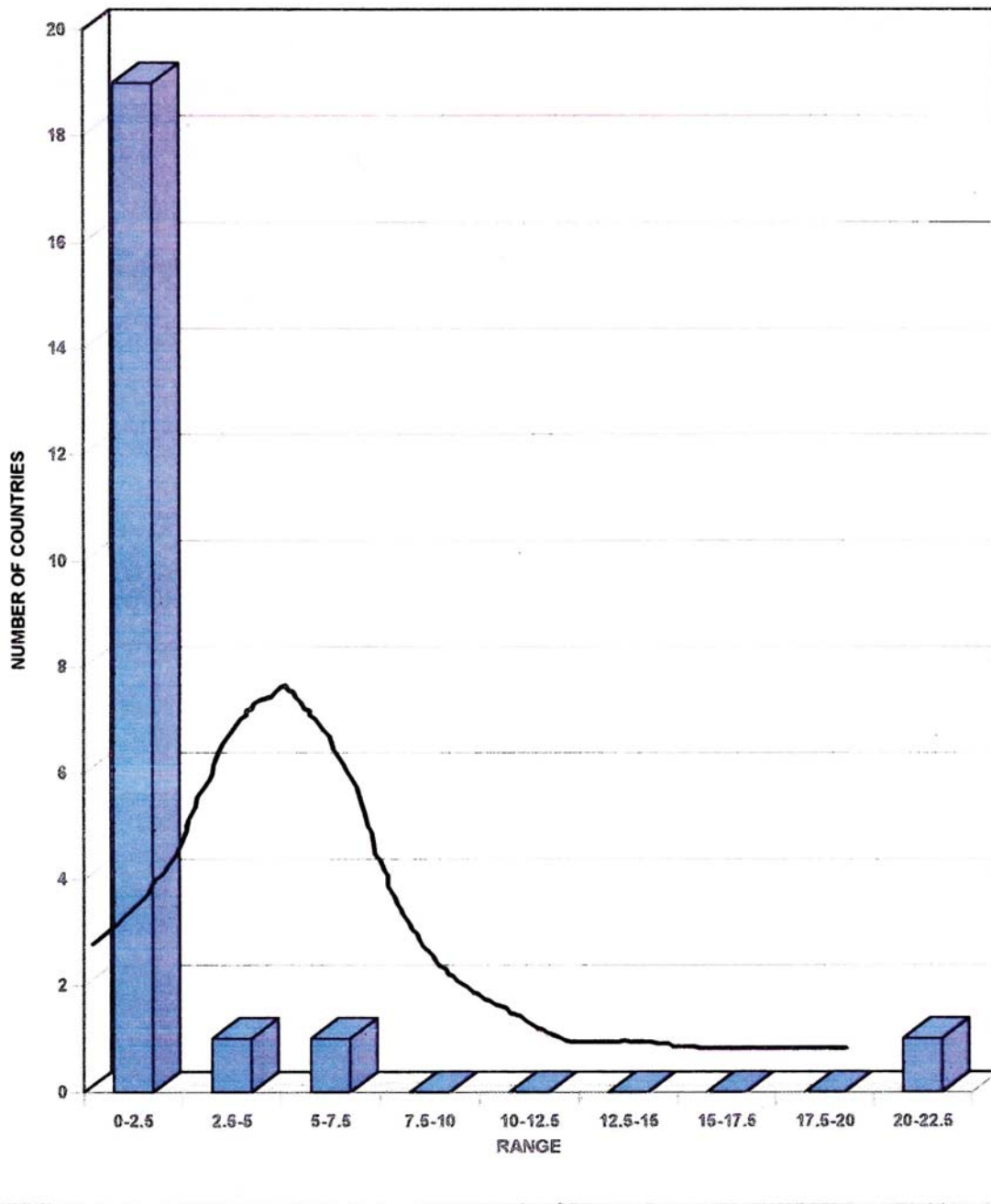
**FIG. 7 - IBRD93 DISTRIBUTION IN THE SELECTED  
SAMPLE (IN BILLIONS OF USD)**



**Std. Dev. = 5377.13**  
**Mean = 3485.3**  
**N = 22 observations**

**Median = 792.1**  
**skewness = 2.257**

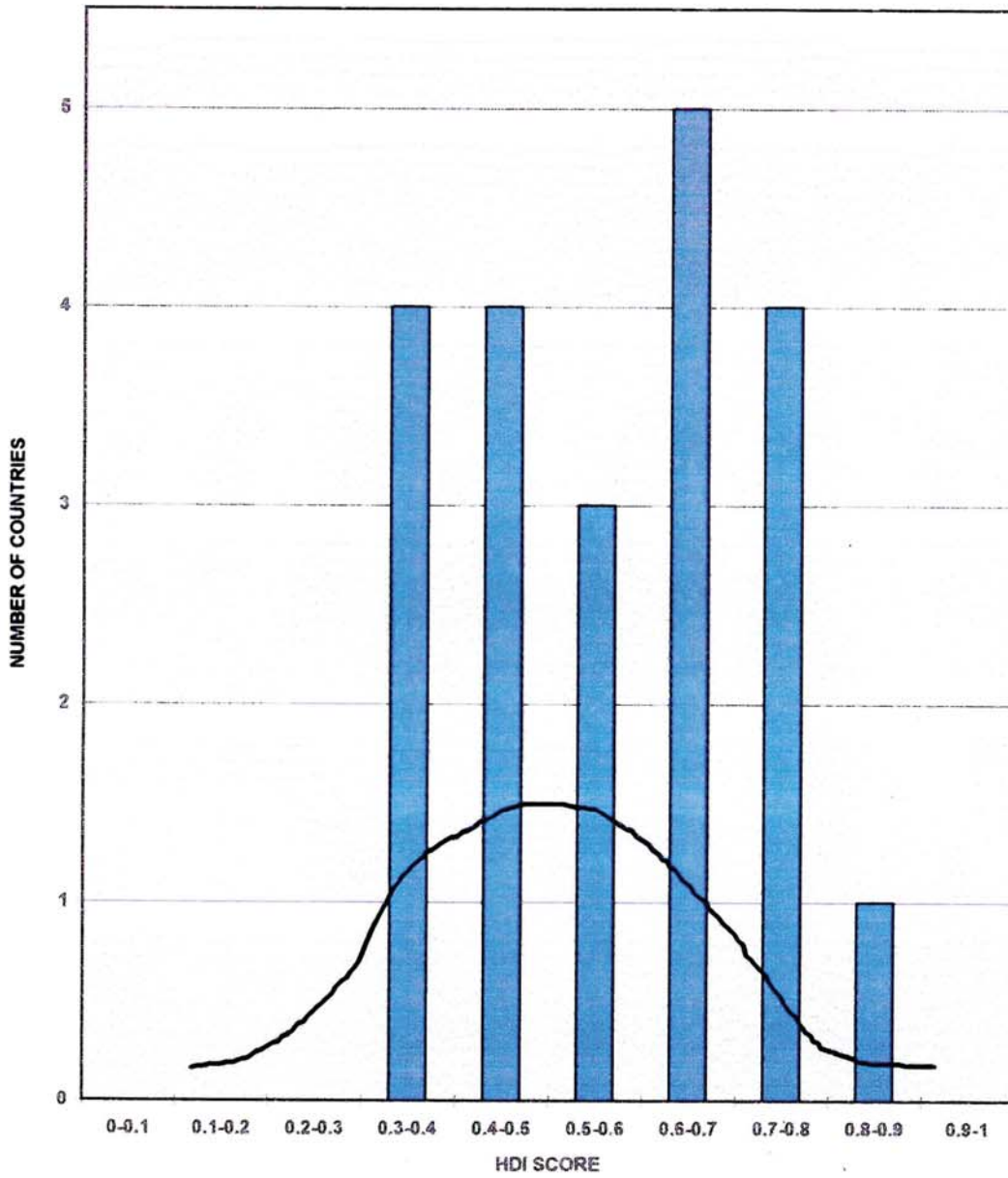
**FIG. 8 - IDA93 DISTRIBUTION IN THE SAMPLE  
SELECTED (IN BILLIONS OF USD)**



Std. Dev. = 4470.21  
Mean = 1885.5  
N = 22 observations

Median = 253.7  
skewness = 3.784

**FIG. 9 - HDI SCORE DISTRIBUTION IN THE  
SELECTED SAMPLE**

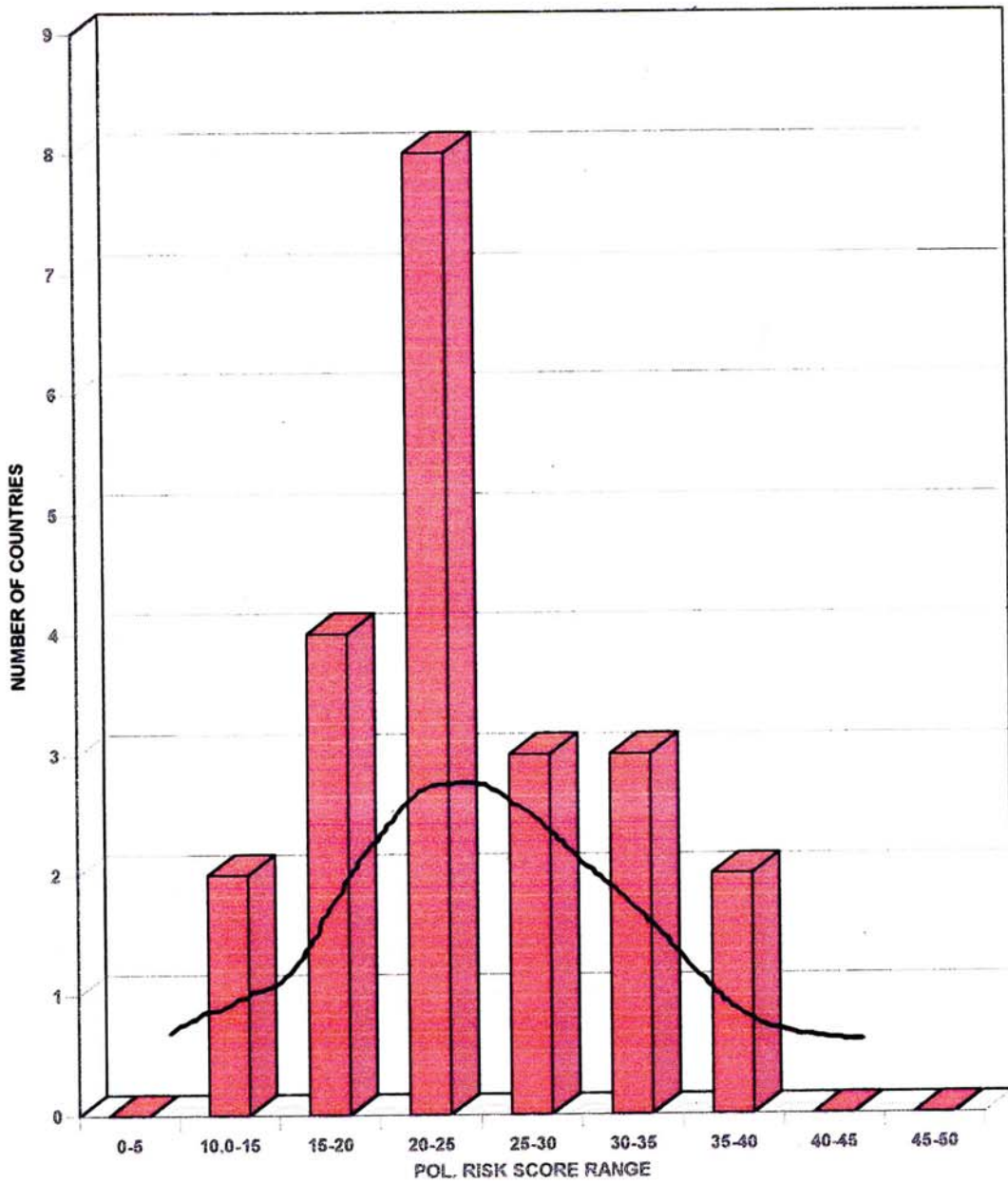


Mean = 0.577  
Std. Dev. = 0.153  
N = 22 observations

Median = 0.58  
Skewness = 0.099



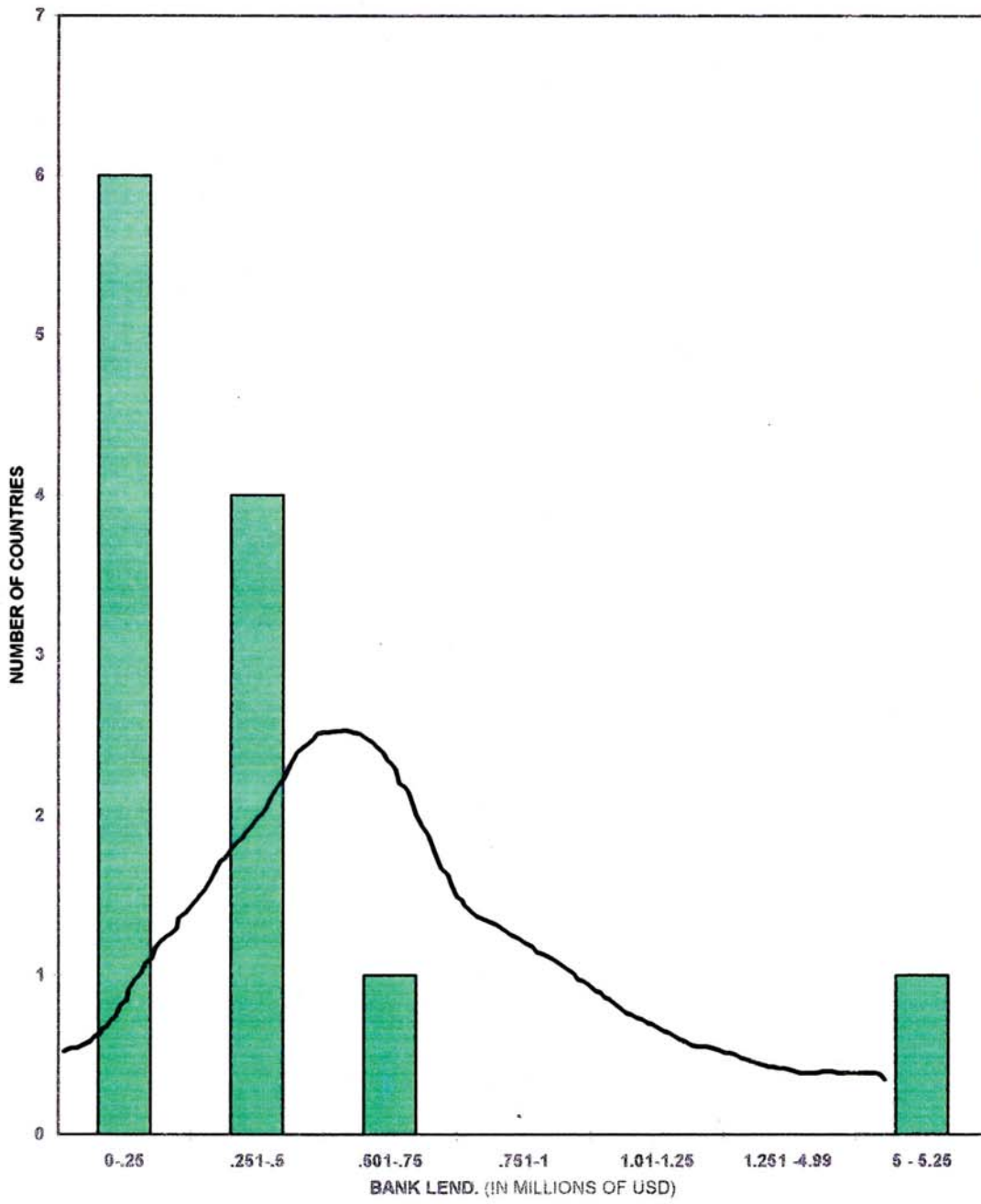
**FIG. 10 - POL. RISK DISTRIBUTION IN THE  
SELECTED SAMPLE**



Std. Dev. = 6.572  
Mean = 23.202  
N = 22 observations

Median = 22  
Skewness = 0.379

**FIG. 11 - BANK LEND. DISTRIBUTION IN THE  
SELECTED SAMPLE**



**Std. Dev = 1.055**  
**Mean = 0.338**  
**N = 22 observations**

**Median = 0.02**  
**Skewness = 4.496**

### C - Multiple Regression

A correlation matrix indicating the strength of the relationship between the variables is developed by means of the multiple regression analysis. The results of the matrix indicates that a relationship is existing between any of the independent variables from one side and the dependent variable from the other side. The strength of these relationships depends on the calculated correlation coefficient  $r$  appearing in table 8:

**Table: 8 - Correlation Matrix**

	<b>HDI</b>	<b>BL</b>	<b>PR</b>	<b>IBRD</b>	<b>IDA</b>
<b>HDI</b>	<b>1.000</b>	-.160	.378	-.138	-.364
<b>BL</b>	-.160	<b>1.000</b>	.040	-.111	-.124
<b>PR</b>	.378	.040	<b>1.000</b>	.408	.381
<b>IBRD</b>	-.138	-.111	.408	<b>1.000</b>	.794
<b>IDA</b>	-.364	-.124	.381	.794	<b>1.000</b>

Considering the relative importance of IDA and IBRD in determining the variation of HDI holding the effect of political risk and bank lending constant, table 9 shows the prediction equation as follows:

$$\text{HDI} = 0.509 - 0.113 \text{ IDA} + 0.175 \text{ BL} + 0.011 \text{ PR}$$
$$(\text{T} = -6.310) \quad (\text{T} = 3.07) \quad (\text{T} = 4.12)$$

R square for the full model is .78 with an F of 21.20 which is highly significant at alpha = 5%. In determining the relative importance of the explanatory variables: IDA, political risk and bank lending on HDI, it seems that IDA is the most predictor while bank lending is the least one. IBRD has been taken out of the prediction equation because its variation seems not too significantly affecting the variation in HDI

Table 9 shows the results of the statistical analysis of the multiple regression done by means of SPSS.

**Table 9 - Multiple Regression Analysis**

MULTIPLE REGRESSION

Equation Number 1                      Dependent Variable                      UNHDI 94

Variable (5) entered on step number

Multiple R	.88288
R square	.77947
Adjusted R square	.74272
Standard Error	.07760

Analysis of Variance

	DF	Sum of Squares	Mean Square
Regression	3	.38309	.12770
Residual	18	.10839	.00602

F =            21.20720                      Signif F = .0000

VARIABLES IN THE EQUATION

Variable	B	SE B	Beta	T	Sig T
ZIDA	-.113164	.017934	-.711617	-6.310	.0000
ZBL	.174894	.057064	.342179	3.065	.0067
PR	.010884	.002640	.467584	4.123	.0006
CONSTANT	.508912	.074097		6.868	.0000

VARIABLES NOT IN THE EQUATION

Variable	Beta in	Partial	Min Toler	T	Sig T
ZIBRD	.027578	.049662	.715121	.205	.9082

End block Number 2    PIN =    .100 Limits reached

# CHAPTER V

## SUMMARY, CONCLUSION AND RECOMMENDATION

### A -Summary

This research is conducted to explain the effect of IDA and IBRD loans on HDI given political risk and bank lending factors. In order to reach his objective, the researcher analyzed data for 22 developing countries that is available on Euromoney 94 and World bank 93 annual report. The developing countries are divided into four categories as follows:

#### **Category 1: The Latin American countries category**

This category is composed of Bolivia, Honduras, Paraguay, El Salvador, Costa Rica, Dominican Republic and Ecuador. It is characterized by having the highest HDI<sup>94</sup> average score amounting to 0.64 compared to an average score of 0.508 for the African countries, 0.605 for the Asian countries and 0.41 for the only Australasian country.

#### **Category 2: The African countries category**

This category is composed of Botswana, Ghana, Kenya, Lesotho, Mauritius, Nigeria and Zimbabwe. It is characterized by not having ranked first in any of the sample characteristics.

### **Category 3: The Asian countries category**

This category is composed of China, India, Pakistan, Philippines, Sri Lanka, Thailand and Turkey. It is characterized by having taken the highest advantage of IDA loans amounting to \$33,838.9 millions, followed by \$6,145.2 millions for the African countries category, \$1,382.8 millions for the Latin American countries category and \$113.2 millions for the Australasian country category. The Asian category has also taken the highest advantage of IBRD loans amounting to \$61,61704 millions. The African category has been given \$9,285.6 followed by \$5,242.5 given to the Latin American category. Five hundreds and thirty one millions of USD is the Australasian category's share of the IBRD loans.

### **Category 4: The Australasian country category**

This category is composed of only Papa New Guinea which is characterized by having the strongest direct access to bank lending. The total amount of bank loans given to this country is \$5 millions, followed by \$1.12 millions given to the Asian category. \$730,000 is the African category's share as opposed to \$0.59 million for the Latin American countries.

## **B -Conclusion**

Considering the effect of IDA on HDI via bank lending and political risk, the researcher has found that a negative relationship exists between these two variables keeping the effect of other variables constant. This might be reasoned on the basis of the corruption that is characterized by the developing countries.

The relationship between political risk and HDI is positive which is acceptable because the better a country is on the political risk score, the better the rank on HDI. So, bank lending which is positively related to the political risk score, leads to better HDI.

The R square is equal to .77947 which is highly significant indicating that a relationship exists between the dependent and independent variables.

### **C -Implications**

The fundamental utility of any research lies in its degree of applicability in real situations. This research study, which is basically an empirical study of actual data derived from Euromoney 94 and the World bank annual report 93, has the obvious and expected relationship between its findings and their applicability.

The practical value of this research is to be analyzed from two different perspectives:

- The policy maker perspective
- The decision maker perspective

Policy makers represented by the board of the World Bank and the donor countries and communities must enhance their assessment measures for every country applying for IDA loans. The assessment should take into consideration the type of project the country is going to implement, in addition to the total cost that this project requires to be completed in terms of financial, human and time resources.

Policy makers must, therefore, control the implementation process of the agreed project to examine whether the earlier set planning steps and objectives are



applied or not. If they are applied, no correction is needed. However, if changes occur due to fraud, corruption or misuse, policy makers must interfere to penalize the person being responsible for the mistake.

The control measures, stated earlier, are very important in order to better implement the World Bank strategy aiming at reducing the poverty level of the developing nations. Otherwise, poverty will keep increasing since the poor will be double paying the loan and nothing can therefore be done to diminish poverty in these countries.

Decision makers, represented by both the government and parliament members of any developing country, are the only ones responsible of executing and controlling the projects approved using IDA loans. So, loyalty to the nation must be over and above any individualistic or particularistic objective or goal. The parliament's job is to vote for additional laws forcing better control and even sanctions or penalties when it is necessary.

### **D -Recommendation**

In this study, the researcher has studied the effect of IDA and IBRD loans on HDI, given political risk and bank lending factors. In chapter IV, it has been found that a negative relationship is existing between IDA and HDI. That is, the larger the amount of IDA loans for a specific developing country within the sample, the lower is the HDI score going to be for that country.

Some of the reasons, as noted earlier, might be attributed to corruption, which can not be declared as a theory in this thesis before it is tested on a certain representative sample. So, from this perspective, the researcher recommends that

future researchers test whether corruption is one of the independent variables leading to a negative relationship between IDA and HDI.

Other points of recommendation also include retesting the same subject after a certain period of time ( two or three years ) since the NDU Statistical unit could be directly connected to any source of information in the world through the introduction of the INTERNET system. Therefore, the researcher will have direct access to information from the necessary and required source.

Other researchers can also test the change in HDI depending on other variables than IDA or IBRD. They might test the effect of Foreign Direct Investment ( FDI ) on HDI, for example.

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## APPENDIX A

### LIST OF ACRONYMS AND ABBREVIATIONS

<b>AfDB</b>	: African Development Bank
<b>AsDB</b>	: Asian Development Bank
<b>AIDAB</b>	: Australian International Development Assistance Bureau
<b>BCIE</b>	: Banco Centroamericano de Integracion Economica
<b>CAF</b>	: Andean Development Fund
<b>EC</b>	: European Community
<b>CCCE</b>	: Caisse Centrale de Cooperation Economique
<b>DANIDA</b>	: Danish International Development Agency
<b>EBRD</b>	: European Bank for Reconstruction and Development
<b>EIB</b>	: European Investment Bank
<b>FAC</b>	: Fonds D'aide et cooperation
<b>GATT</b>	: General Agreement on Tariffs and Trade
<b>IDB</b>	: Inter-American Development Bank
<b>GEF</b>	: Global Environment Facility
<b>IFAD</b>	: International Fund for Agricultural Development
<b>KFAED</b>	: Kuwait Fund for Arab Economic Development
<b>ODA</b>	: Overseas Development Administration
<b>OECD</b>	: Overseas Economic Cooperation Fund
<b>OPEC</b>	: Organization of the Petroleum Exporting Countries
<b>PAHO</b>	: Pan American Health Organization
<b>PHARE</b>	: Pologne-Hongrie: Aide a la reconstruction economique
<b>SDC</b>	: Swiss Development Corporation
<b>WFP</b>	: World Food Programme
<b>SIDA</b>	: Swedish International Development Authority
<b>UNDP</b>	: United Nations Development Programme

**UNICEF** : United Nations Children's Fund

**UNESCO** : United Nations Educational, Scientific and Cultural Organization

**USAID** : United States Agency for International Development

**WWF** : World Wildlife Fund

## **APPENDIX B**

### **LIST OF DONORS**

#### **I- COUNTRIES**

Austria	Japan
Belgium	Netherlands
Canada	Norway
Denmark	Spain
Finland	Sweden
France	Switzerland
Germany	United Kingdom
Italy	United States

#### **II-INSTITUTIONS**

Abu Dhabi Fund For Arab Economic Development  
Arab Fund for Economic and Social Development  
BADEA (Arab Bank for Economic Development in Africa)  
Islamic Development Bank  
Kuwait Fund for Arab Economic Development  
OPEC Fund For International Development.  
Saudi Fund for Development

## APPENDIX C

### Sample Selected Characteristics

\*IBRD93, IDA93, and bank lending amounts are in millions of USD

Latin American countries	IBRD93	IDA93	UNHDI94	Pol. risk	Bank lend.
Bolivia	299.3	896.7	0.53	21.3	0
Costa Rica	866.9	5.5	0.85	26.5	0.39
Dominican Republic	566.9	22	0.64	19.5	0
Ecuador	1848.9	36.9	0.72	19.5	0
El Salvador	433.1	25.6	0.54	17.1	0
Honduras	717.3	350.6	0.52	12.8	0.18
Paraguay	510.1	45.5	0.68	22.75	0.02
<b>TOTAL=</b>	5242.5	1382.8			0.59
<b>AVERAGE=</b>			0.64	19.9214	
African countries	IBRD93	IDA93	UNHDI94	Pol. risk	Bank lend.
Botswana	280.7	15.8	0.67	30.2	0
Ghana	207	2411.5	0.38	21.9	0.02
Kenya	1200	2138.2	0.43	21.55	0.14
Lesotho	110	213.2	0.48	17.75	0
Mauritius	346.5	20.2	0.78	20	0.26
Nigeria	6248.2	902.9	0.35	10	0
Zimbabwe	893.2	443.4	0.47	21.8	0.31
<b>TOTAL=</b>	9285.6	6145.2			0.73
<b>AVERAGE=</b>			0.50857	20.4571	
Asian countries	IBRD93	IDA93	UNHDI94	Pol. risk	Bank lend.
China	9614.4	6870.7	0.64	37.1	0
India	21744	20449	0.38	30.75	0.02
Pakistan	4783.2	4059.1	0.39	24.15	0
Philippines	8572.9	294.2	0.62	26.05	0.1
Sri Lanka	210.7	1862	0.67	25.6	0
Thailand	4734.1	125.1	0.8	36.75	0.59
Turkey	11958	178.5	0.74	24.4	0.41
<b>TOTAL=</b>	61617	33839			1.12
<b>AVERAGE=</b>			0.60571	29.2571	
Australasian country	IBRD93	IDA93	UNHDI94	Pol. risk	Bank lend.
Papa New Guinea	531	113.2	0.41	23	5

**SOURCE: NDU STATISTICAL UNIT**