

360

\$334m World Bank aid to Bangladesh so far

by A Special Correspondent

THE World Bank and its affiliates—the International Development Association (IDA) and the International Finance Corporation (IFC)—increased their lending commitments in fiscal year 1981 by eight per cent, to 13,102 million dollars, according to the bank's 1981 annual report.

The principal borrowers from the IDA in fiscal 1981 were India with 1,300 million dollars, Bangladesh with 334 million, Pakistan with 202 million and Egypt with 198 million.

The lowest-income countries received 35 per cent of the combined amount in the fiscal year ended June 30, about the same as in the previous two years and significantly above the levels of the past. These countries received 87 per cent of commitments from the IDA, the World Bank affiliate that makes lowest loans to the poorest developing countries.

Of the overall fiscal 1981 commitment of 13,102 million dollars, the bank itself accounted for 8,809 million, IDA 3,482 million and the IFC which loans to private sector projects, 811 million.

Looked at by sector agriculture and rural development absorbed by far the largest share of bank and IDA commitments—31 per cent—reflecting the bank's continuing concentration on projects to improve the productivity of the poor. In the years through 1968 this sector received only eight per cent of bank and IDA commitments. Other leading sectors in fiscal 1981 included education, with six per cent of total commitments (compared with one per cent in the period through 1968), and oil, gas and coal projects, with five per cent of total commitments (also up from one per cent in the past). Electrical power and transportation projects still absorbed substantial shares in fiscal 1981—eleven and nine per cent respectively—but these were far below the 30 and 32 per cent shares they took in the years through 1968.

Within the agricultural and rural development sector, one of the fastest growing areas of activity of the bank is in agricultural research. The bank's Executive Directors, according to the report, "have recognized that the World Bank must take the lead among international institutions in supporting national research." Plans call for a steady increase in commitments to this area, from about 330 million dollars in fiscal 1979 to 550 million in fiscal 1984 (in constant U.S. dollars—in other words, after adjusting for inflation). The emphasis in bank supported research projects is to be on food crops, low-income groups and low-cost technologies.

The bank is pursuing its plans to increase lending in the energy sector, as indicated by the figures for oil, gas and coal projects. One of the other areas of concentration in this sector is the production of fuel wood. The report estimates that a five-fold increase in the present rate of planting would be needed to ensure a reasonable balance between the demand for fuel wood and the supplies of it in developing countries by the year 2000. The bank hopes to continue to expand its lending for fuel wood so as to help the developing countries to at least double the present rate of reforestation by 1985.

The bank's lending programme for fiscal years 1981-85 for all energy-related projects calls for commitments of 13,000 million dollars. Previously, the bank had said that commitments

of as much as 25,000 million dollars in this sector would be "desirable" but the report said this level "could not be financed by the bank without upsetting the overall sectoral balance of its lending." A bank spokesman said another reason is that technical resources and personnel have not been available.

Structural adjustment loans—meant to help developing countries re-establish workable balance-of-payments positions in the medium term while maintaining their development efforts—accounted for about seven per cent of overall bank and IDA commitments in fiscal 1981. The report notes that while specific purposes of such loans vary, they are commonly used to support national programmes that include "policy changes designed to initiate corrections of biases in incentive systems that deter exports and promote un-economical import substitution."

At a news briefing, a bank spokesman said there is no overlap between the bank's structural adjustment lending and that of the International Monetary Fund. The bank's loans

are for a much longer term he pointed out, and are aimed at helping countries adjust from long-standing policies that may take ten to fifteen years to correct. Such loans are a way to complement the activity of the fund, he said.

The report says that cofinancing of bank-assisted and IDA-assisted projects by other institutions generated 4,038 million dollars in loans in fiscal 1981 over and above the amounts lent by the bank and IDA themselves. Although this is 38 per cent below the cofinancing level of fiscal 1980, it is still considerably above the levels reached in the years before that. The cofinancing figure for 1980 was disproportionately large because of one especially large project.

Another spokesman noted that the cofinancing total has been rising steadily for years, and the desire of commercial banks and other lending institutions to join with the World Bank in cofinanced projects is "stronger than ever."

The annual report, which covers bank activities through June 30, 1981, does not reflect the fact that the sixth replenishment of IDA to provide

funds for fiscal years 1981-83, has gone into effect. The sixth replenishment became effective after the United States in August gave IDA its commitment to contribute 3,240 million dollars, or 27 per cent of the total. The U.S. Congress did not complete legislative action on the U.S. contribution until August.

Mexico was the most active borrower from the bank in fiscal 1981. Seven loans, totaling 1,100 million dollars, were approved. Brazil borrowed 844 million dollars to help finance eight projects, and Turkey borrowed 722 million to support eight projects.

The World Bank's lending rate is based on a guideline that provides for a spread of 0.5 per cent above the estimated cost of its borrowing. The rate was boosted September 17 from 10.6 to 11.6 per cent, the second increase in three months and the third so far this year.

IDA credits are interest-free and are repayable over 50 years. An annual 0.75 per cent service fee is charged on the disbursed portion of each credit.