

# **The World Bank**

lifting the veil off ...

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// The World Bank: lifting the veil off ...

## The Bank as a private enterprise, notionally owned by nation states

While we are all well aware of the role of the World Bank in financing developmental interventions in our countries, the less familiar aspect is information on where the Bank gets this money to lend us in the first place. The common understanding is that the Bank has reserves made from contributions of each member nation which are recycled and a chain of lending and borrowing is created out of this fund, with previously granted loans being returned to finance new loans. However, this is an incomplete, nay, misleading picture. This short note is to share our understanding about finances of the bank. The World Bank is a broad term to referred to address four related institutions. These are the International Bank for Reconstruction and Development (IBRD), the International Development Agency (IDA), the International Finance Agency (IFC) and the Multilateral Insurance Guarantee Agency (MIGA) [Please see Appendix 2 for details about each institution].

The World Bank raises money through Bonds in international Capital markets where they tap resources of rich commercial banks and other financial intermediaries. The money thus raised is used to finance its lending operations to developing countries. This is done while holding only a small reserve contributed by the shareholders of the World Bank (member countries).

Loans to developing countries are in turn utilized mostly for supporting private companies mostly based in USA, Europe and Japan through contracts, consultancies or participation in project activities. These profit and revenue flows are utilized, in turn by these organizations to expand and invest in the capital markets through their portfolio investments in various mutual funds and other market operations. It might not be important, even relevant, to them that a high number of projects financed through World Bank support have been classified as failures as their own profit flows are assured. While profits might be one issue, World Bank financing has also caused various other problems. As per a review supported by the World Bank<sup>1</sup>, the following findings have underlined the destructive nature of its interventions:

- Precipitous and indiscriminate trade liberalization, financial sector liberalization policies and the weakening of state support and of the demands for local goods and services have devastated local industries.
- Structural and sectoral policy reforms in the agricultural and mining sectors have undermined the viability of small farms, weakened food security and damaged the natural environment.
- A combination of labour-market reforms, lay-offs resulting from privatizations and civil-service

<sup>1</sup>Structural Adjustment Participatory Review Initiative report "The Policy Roots of Economic Crisis and Poverty". 2002

reform, and the shrinking of labour-intensive productive sectors have severely undermined the position of workers.

- The privatization of public utilities, the application of user fees to health care and education, and cuts made in social spending in national budgets have reduced the poor's access to affordable services.
- The increased impoverishment caused by structural adjustments has in many ways befallen women even more than it has men.
- Macro-level problems have accompanied many of the local -level failures of the adjustment programs. Many of the anticipated gains inefficiency, competitiveness, savings and revenues from the privatization of public enterprises, labour market "flexibilization" and large-scale mining operations have not materialized. Trade liberalization has tended to increase rather than decrease current account deficits and external debt due in part to the high imports contents of the exports promoted under adjustment regimes. The growing presence and power of transnational companies, ..have severely diminished the economic sovereignty of many countries...And the freedom of these corporations and both foreign and domestic speculative capital to move from country to country creates constant instability on top of the destabilizing effects of the destruction of the national economic activity.

Among this ruin, the World Bank "manages" to generate profits and continues to attract funds through market borrowings; earlier only from the OECD countries, but now increasingly from developing countries.

### **Capital issues, market borrowings**

The subscribed capital<sup>2</sup> of the World Bank was

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<sup>2</sup> Subscribed Capital is the portion of total Capital of the Company that has been paid in by the shareholders.

United States Dollars (\$) 189.5 billion {June 2002}, out of which only \$11.5 billion has been paid in and the rest is "callable". This represents around 6% of the total equity, with the rest categorized as callable capital<sup>3</sup>. This means that various member states have provided an average of 6% of the total commitment with the balance promised to be paid as and when the Bank needs it. Since the Bank was founded in 1946, it has not required its members to pay-in the balance of the equity as it has been raising monies from the commercial capital markets in the world for fulfilling its lending requirements.

The current level of borrowings<sup>4</sup> from the markets is \$110.3 billion denominated in 30 currencies or currency units, including \$4.9 billion in short term borrowings. Interestingly, over the past few years, the World Bank has been raising more monies in the international capital markets than it is loaning out. (Loans given by the bank are financed out of both the market borrowings as well as loans repaid)<sup>5</sup>. Looking the data provided by the Bank (Funding Volumes from Website {[www.world-bank.org](http://www.world-bank.org)} and net lending data from the Global Finance Report 2003 also downloaded from the same site) we find that the Bank has been consistently raising more monies from the capital markets in the last 5 years than it has been using to lend to "the member states". The bank has been on borrowing spree in the last few years with annual borrowings around an average of \$20 billion mark.

<sup>3</sup> Callable capital represents a commitment of the shareholder to pay the Company as and when required for fulfilling any organizational obligations.

<sup>4</sup> The World Bank raises money from capital markets to be able to finance the loans that it commits to developing countries. See page 4 for different type of borrowings.

<sup>5</sup> The Bank also retains part of the loan repayments as retained earnings.

	1997	1998	1999	2000	2001	2002
Net Lending (World Bank Group) (USD Millions Equivalent)	9,200	8,700	8,800	7,800	7,500	1,500
Funding Volumes (USD Millions Equivalent)	17,694	28,007	22,443	15,789	17,033	22,050
Number of Currencies	18	21	12	13	9	10
Range of Maturities <sup>6</sup>	1 to 30	1 to 30	1 to 30	1 to 32	1 to 32	1 to 30

Even if we assume that there is lag in the finance flows from the resources raised in the capital markets, we still find that the bank is raising almost double of what it is loaning out in these six years.

As per the Bank, "funding raised in any given year is used for IBRD's general operations, including loan disbursements, refinancing of maturing debt and prefunding of future lending activities...All proceeds from new funding are initially invested in the liquid asset portfolio until they are required for IBRD's operations<sup>7</sup>." Till 2000, the Bank was keeping liquid funds in three distinct portfolios: stable, operational and discretionary. Stable portfolio is an investment portfolio holding minimum level of liquidity (set at beginning of each year), operational portfolio provides working capital for day to day cash flow requirement while the discretionary portfolio "when used, provides flexibility for the execution of IBRD's borrowing program and can be used for taking advantage of attractive market opportunities<sup>8</sup>". The discretionary portfolio has been liquidated since 2001 but the Bank can recreate it as and when the opportunity arises.

<sup>6</sup> Maturity refers to the time period that the loan taken from the market will be repaid.

<sup>7</sup> Pp.25 Information Statement, IBRD, September 2002

<sup>8</sup> Pp 21 Information Statement, IBRD, September 2002

## The controlling power of USA based on a v. small investment

We all know that USA has effective veto power in major policy decisions of the Bank as it holds more than 16% of the vote (any major policy decision requires at least 85% of the votes in favour to become effective). The United States was able to get this strong position based on historical<sup>9</sup> reasons when the Bank was founded in 1946 and has utilized this power effectively to gain control over the direction of the world economy. Secondly, it is the support of the sovereigns<sup>10</sup> (though callable capital) that is projected by the Bank in the international capital markets as its ability to service the debt it has built up. Thus the Bank is effectively controlled by the United States of America through a contribution of a mere \$1.99 billion of paid up capital with the rest of its share (\$ 29.96 billion), effectively being a "promissory note". However, it is support of such promissory notes that allow the World Bank to command an AAA rating for the bonds it issues.

Interestingly, this 'Promissory Note' does not have the full legal sanction of the government of the United States of America and is voted on by the US House of Representatives each year. This means that in case of a default on servicing a loan by the World Bank or a call for capital for any other reason, the US Government

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<sup>9</sup> When the Bank was set up, there was a lot of concern about how to avoid meddling interference from Governments and give it an independent profile as Governments which were at that time a bit skeptical of these international institutions. One of the reasons for making the Bank bond-financed was to avoid the kind of scrutiny that would come from having it solely government-appropriated. This effectively allows international financial bodies and commercial banks to create another channel of virtual funds based on loans to the developing world. Effectively, the developing countries, apart from their loans to the capitalist banks are also indebted to these same institutions through the World Bank.

<sup>10</sup> Member countries. Please see Appendix 1 to see the share of selected member country in votes and contribution to the capital of the World Bank.

may not pay up its share of the contribution, citing domestic law. Good governance forced down the throats of poor countries to make law amenable to foreign capital and enterprise, obviously do not hold good for the United States of America. Interestingly, in 1999, the House of Representatives in the USA turned down the allocation of callable capital for the World Bank proposed by the Treasury Secretary<sup>11</sup> of the USA Government. It required hectic lobbying from the highest levels to overturn this decision and have the House sanction the amount. Given the Meltzer Commission report of reform of the World Bank and IMF and the growing uni-lateralism of the USA, possibility of non-authorization of USA share of callable capital in the near future could also impact on the super safe AAA ranking of the World Bank loans. In case that happens, cost of funds to the Bank will be dearer and thus interest rates on loans disbursed by the Bank might increase, leading to greater stress on borrowing countries. It would also mean that the Bonds would not be as attractive as they currently are.

Thus the World Bank, administered effectively by the United States of America through its block voting right, is controlled by the contribution of a mere \$ 1.99 billion, while it raises monies from capital markets across the world to finance its requirements of extending credits for various "development" needs across the world. This \$1.99 billion is roughly the same amount that is paid by developing countries in two days (at rate of \$1 billion a day) for their debt servicing obligations<sup>12</sup> to international private banks and other bilateral and multilateral lenders.

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<sup>11</sup> A notional allocation for the financial obligations has to be made as part of the budgetary process.

<sup>12</sup> Data from Miscellaneous Facts and Statistics-Fact Sheet 4 quoting World Bank Global Development Finance 2002. <http://www.jubileedebtcampaign.org.uk/> {3/6/03}



## Debt from various markets (extraction from multiple sources).

The first commercial bond<sup>13</sup> was issued by the World Bank in 1947 in USA. It had started raising money in the Europe, starting from Switzerland and the United Kingdom by 1951<sup>14</sup>. However, in the 1990s the Bank had increased its borrowings from 40 countries in the world, many outside the developed world. 80% of the money that the Bank uses for its programme comes from bonds. Institutional buyers- local governments, pension funds, mutual funds, university endowments, religious institutions etc. usually purchase these bonds.

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<sup>11</sup> A Bond is a loan agreement by which a borrower agrees to pay the bondholder a certain amount of money at a certain time, The buyer of the bond (the lender) should have the confidence that the bond will be paid back at that time, along with interest. Bonds with high ratings are considered safe and with high chance of promised returns. A high rating allows a borrower to pay a low interest rate, as there is lower perceived risk. World Bank loans have had an AAA (highest possible) rating, and are hence attractive to investors.

<sup>14</sup> The Bank derived 41% of its income from bonds sold in European markets from 1972 to 1992.

## Various countries and type of credit instruments

The bank uses various market instruments, to raise resources. These include:

- a. Benchmark and Global Funds<sup>15</sup> in major tradable currencies usually placed with institutional investors.
- b. Simple and Emerging currency bonds subscribed by retail and institutional investors<sup>16</sup>.
- c. Structured Notes<sup>17</sup>.
- d. US \$ Discount notes for short-term borrowings issued for a period between 1 to 360 days in US denominated notes.

The following chart represents the currencies that the Bank has issued bonds in 2003. A more detailed list can be obtained from the World Bank website ([www.worldbank.org](http://www.worldbank.org)). It gives us an idea of the volumes of funds sourced by the Bank as also the fact that some of the biggest financial intermediaries act as lead managers and underwriters for these bonds.

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<sup>15</sup> Benchmark bonds issued by the World Bank are designed to offer high secondary market liquidity and spread performance to the institutional investor. They are backed by the commitment of the World Bank's underwriting partners in the financial community to carry out active secondary trading and make markets throughout the life of an issue. The World Bank regularly monitors the spread quotations of its benchmark issues versus the underlying government issues in order to ensure consistent market pricing and superior performance. Benchmark securities are sometimes issued in "global" bond format in order to allow the securities to be placed simultaneously with investors in all major international capital markets. .. Due to their worldwide placement, global benchmark bonds are often very large in size (USD 1 to 4 billion) and offer a high degree of market liquidity. Benchmark issues have accounted for approximately 50% of World Bank debt issuance in recent years, and are expected to remain a key instrument for access to the capital markets for years to come. Source: World Bank Website, FAQs

<sup>16</sup> Simple Bonds (see footnote 13 above) issued in local currencies in the capital markets of developing countries such as Mexico, Argentina, Philippines etc.

### Selected List of World Bank Bond Issues in 2003<sup>18</sup>

Currency	Volume	Coupon	Launch Date	Final Maturity Date	Lead Manager/s
USD	100 m	Zero Coupon	4/15/03	5/6/23	Merrill Lynch International
USD	100 m	Step-up	3/12/03	4/9/10	Morgan Stanley
EUR	100 m	Range	3/3/03	3/3/10	JP Morgan Securities
HUF	5 b	6.25%	2/19/03	1/27/05	TD Securities
HUF	10 b	6.25%	1/27/03	1/27/05	TD Securities

### Is it Stabilizing Capital markets or Extending Financial Footprint

While the Bank has been active in the major capital markets located in the USA and Europe for a long time, it has started tapping new markets since the 1990s. Including others, it has now issued bonds in Mexico, Brazil, Argentina and has currently come to an "in-principle" agreement with India to issue bonds in the domestic currencies. As mentioned earlier, the

<sup>17</sup> Structured notes issued by the World Bank are debt securities that feature specific properties that match the needs of particular groups of investors. By introducing an element of return volatility, structured notes offer higher nominal coupons than non-structured, plain vanilla bonds. Structured notes can include one or more of the following properties: call and put options for the early redemption of principal prior to maturity; fixed coupons that step up or step down over the life of the security; dual currency features that provide for payment of coupon income and/or principal redemption in different currencies; foreign exchange options where the level of coupon income and/or principal redemption is dependent on the movement of foreign exchange rates over time; initial fixed rate coupons which are followed by floating rate coupons linked to a market interest rate such as LIBOR; and equity options where coupon income or principal redemption is a function of the performance of a predetermined index of stock prices. The share of structured notes in the World Bank's total annual funding has been continuously increasing over the past years. It now accounts for about one quarter of all capital market borrowings.

<sup>18</sup> See Appendix 3 for a longer list of issues over the past few years.

Bank claims that this is to express confidence in the growing capital markets in these countries. However, as the capital market in these economies stabilize, the Bank extends its footprint to extract savings in the system for its own use.

Typically, a number of institutional buyers switch portfolios to include World Bank bonds thus depriving local companies and municipalities of the small savings that are available in these markets. Clearly, the lure of AAA securities of the Bank, with the backing of callable capital plea of DAC of OECD<sup>19</sup>, among others is much stronger than even sovereign guaranteed loans<sup>20</sup> of the governments of the countries where the Bank is now issuing bonds. The World Bank is thus not only putting pressure on the developing economies to open up to foreign investments, it is also intervening and mopping up resources from the capital markets, which its twin concern, the IMF pressures these countries to open up their capital accounts to allow a unhindered flow of foreign and domestic currencies in and out of the country.

States in the global South provide another means of funds (seemingly assured to the lender) through investment in these bonds to the World Bank. This in term increases the lending capabilities of the Bank which uses that to further pressurize developing countries governments with lures of new loans and investment grants to further liberalize their systems. With the increasing trend of the Bank raising money in the developing countries, its an irony that these

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<sup>19</sup> With a total capital backing of \$110.46 billion out of the total capital of \$ 190.81 billion.

<sup>20</sup> While local bonds issued by the Government Of India claim an AAA rating, international financial ratings for India currently are not so healthy. Standard and Poor ranks GOI bonds as BB-. Clearly, the Bank Bonds will seem more secure to the local Indian investors than even sovereign bonds.

countries are now investing money in an Institution that uses the same money to push for liberalization of the economy and uses a major part of the loans given to that economy to pay foreign companies, rather than supporting domestic investment. The complacency of the State in these globalization processes, while not apparent at the first instance, certainly seems to exist. But do they have a choice here?

A World Bank issue in the local currency, couched in the guise of expressing confidence in the capital market of that economy, (which also wants to attract direct foreign investment) is a hard bait to resist. India seems to be the latest to succumb to this bait. Argentina, Mexico and Brazil seem to have gone that way too in the past decade (issues in South African Rand, Philippine Peso, Chilean Peso and Korean Won have also been made). The World Bank bond in the Indian market will compete against, say the Infrastructure Bonds recently issued by the local banks in India on behalf of the Government.<sup>21</sup> The Bank, of course, makes much larger global bond issues depending on the capacities in the economies. The Bank target for the 2003 fiscal is around \$20 billion. Over the past few years, new bonds have ranged from an equivalent of \$10 million to a maximum of \$ 4 billion.

The table given in the next page depicts that the World Bank has been borrowing from new countries, apart from its usual haunts in Europe, USA and Japan. Clearly as new countries liberalize and open their capital markets to international institutions, the World Bank steps in to compete with local borrowers in these markets. As currencies destabilize,

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<sup>21</sup> For instance the Chilean Peso 55 billion (US\$105 million) issued by the World Bank in Chile in 1999 is of similar volume as the ICICI Bonds of IN Rupees 400 crores (US \$ 85million) issued domestically last year in India.

say Philippines, post 1997, South East Asian cricies the Bank also stops operating in these markets. As the above table shows, the Bank did not issue Bonds in Philippines after 1997, the exact time that placing a Bond there would have created confidence in the minds of international creditors. So much for the claims of the Bank that it is now raising local currency bonds in emerging markets to express confidence in an economy !!!

*List of Currencies that the World Bank has issued Bonds in the Recent Past  
(Sudden decline in 1999 is attributed to movement of European currencies to the EURO)*

Year	1997	1998	1999	2000	2001	2002
No of currencies	18	21	12	13	9	10
Currencies	AUD CAD CZK DEM DKK ESP GBP GRD HKD ITL JPY KRW NZD PHP PLN SKK USD ZAR	AUD CAD CHF CZK DEM DKK ECU ESP FRF GBP GRD HKD ITL JPY LUF NZD PLN PTE SEK USD ZAR	AUD CZK EUR GBP GRD HKD ITL JPY NZD PLN USD ZAR	AUD CLP EUR GBP GRD HKD JPY MXN NZD PLN SKK USD ZAR	CAD EUR GBP HKD HUF JPY PLN USD ZAR	AUD BRL CAD EUR HUF JPY NOK PLN USD ZAR

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## Bonds Markets as Sites of Resistance

We now know how the Bank finances its destructive lending patterns which result in environmental degradation, dislocation of local people, alienation of national wealth by multinational corporations, and does not even consider reduction/cancellation of debt burdens on "member states", often brought about by its own wrong prognosis and advise to that country. The Bank has been earning profits each year since it was founded, with the net annual income exceeding US \$ 1 billion for over the past 15 years. Clearly, the basis of earning these profits is through its lending programmes as well as by secondary dealings in the capital markets through its Liquid portfolio for which it generates resources through the issue of long term bonds and discount notes. The bond markets are a viable site of resistance to the Bank as around 80% of the

resources generated by the Bank come through these instruments.<sup>22</sup>

Since the Bonds issued by the World Bank are often sold directly to institutional buyers or are subscribed almost immediately on launch, protests at the physical Stock and Bonds markets is meaningless. We need to identify potential and existing buyers of World Bank Bonds and advocate with them to dis-invest the Bonds from their current portfolios and convince them not to purchase any new issues.

A number of such initiatives have already been taken up and various institutions, including municipalities and pension funds in the United States have stopped investing in World Bank Bonds.

In India, as mentioned earlier, the Bank has agreed with the Government of India to float local currency Bonds. We need to work with Trade Unions and other employee organizations of major institutional buyers like the Life Insurance Company as well as private Mutual Fund Operators not to include World Bank Bonds in their portfolios. We need to engage the general public not only to highlight the impact of World Bank policies on their lives but also for them to act in the form of pressure groups to stop World Bank from raising resources through Bonds<sup>23</sup>. This has to be combined with efforts to have the safety standards of a AAA ranking downgraded by rating agencies through effective lobbying highlighting the superficial commitment of the USA towards payment of the callable portion of its equity.

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<sup>22</sup> Combined, of course, with mobilization at the physical sites of Bank supported projects.

<sup>23</sup> The encouraging part is that this has already happened in other parts of the World. Various Municipalities in United States have passed resolutions not to purchase Bank bonds and there is a strong campaign building up in Europe to boycott the bonds as well.



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ASEED's<sup>24</sup> "World Bank Boycott organizer's toolkit" list the reasons why the boycott will be effective in opposing the World Bank as it:

- "Educates people and Communities about the World Bank and its impacts
- Provides a way...to actively oppose capitalism within our own communities while connecting with local struggles and movements across the globe
- Builds power for groups in the global South campaigning against World Bank projects and structural adjustment policies
- Threatens the World Bank's primary source of financing
- Challenges the World Bank's sensitive public image
- Strengthens networks of people working to oppose economic globalization around the world
- Jeopardizes the World Bank's AAA bond rating that signifies a secure investment, which deters institutional investors from investing in WB bonds
- Empowers individuals to demand a say over their lives and the world's resources.

Strategizing for boycotting the World Bank bonds should form an integral part of the resistance to the policies of the World Bank. A large-scale campaign designed around boycotting the Bonds not only has a strong "feel good" element for the participants but also gives the Bank a fair idea regarding the opinion of various people with respects to its policies. Moreover, it seeks to strike at the lifeline of the sources of funds for the Bank.

# Appendix 1:

## Selected World Bank Subscriptions and the Voting rights of the members

Each member has 250 votes. They have further votes based on their shares in the Bank. Thus Afghanistan has 250 votes + 300 votes due to share ownership (see column under Shares)= 550 votes, while the USA (the biggest shareholder having 2,64,969 shares) has a total of 250 votes+ 264969 votes=2,65,219 votes.

### Statement of Subscriptions to Capital Stock and Voting Power

June 30, 2002

Expressed in millions of U.S. dollars

Member	Shares	Subscriptions			Voting Power		Number of Votes
		Percentage of total	Total amounts	Amounts paid in <sup>1</sup>	Amounts subject to call <sup>2</sup>		
Afghanistan	300	0.2	36.2	3.6	32.6	550	
Algeria	9,252	0.59	1,116.1	67.1	1,049.0	9,502	
Argentina	17,911	1.14	2,160.7	132.2	2,028.4	18,161	
Austria	11,063	0.70	1,334.6	80.7	1,253.9	11,313	
Bahrain	1,103	0.07	133.1	5.7	127.4	1,353	
Bangladesh	4,854	0.31	585.6	33.9	551.6	5,104	
Belgium	28,983	1.84	3,496.4	215.8	3,280.6	29,233	
Bhutan	479	0.03	57.8	1.0	56.8	729	
Brazil	33,287	2.12	4,015.6	245.5	3,770.1	33,537	
Brunei Darussalam	2,373	0.15	286.3	15.2	271.1	2,623	
Cambodia	214	0.01	25.8	2.6	23.2	464	
Canada	44,795	2.85	5,403.8	334.9	5,068.9	45,045	
Chile	6,931	0.44	836.1	49.6	786.6	7,181	
China	44,799	2.85	5,404.3	335.0	5,069.3	45,049	
Colombia	6,352	0.40	766.3	45.2	721.1	6,602	
Cyprus	1,461	0.09	176.2	8.4	167.9	1,711	
Egypt Arab Republic of	7,108	0.45	857.5	50.9	806.6	7,358	
Ethiopia	978	0.06	118.0	4.7	113.3	1,228	
Fiji	987	0.06	119.1	4.8	114.3	1,237	
France	69,397	4.04	8,371.7	520.4	7,851.3	69,647	
Germany	72,399	4.61	8,733.9	542.9	8,190.9	72,649	
Greece	1,684	0.11	203.1	14.1	189.1	1,934	
Hungary	8,050	0.51	971.1	58.0	913.1	8,300	
India	44,795	2.85	5,403.8	333.7	5,070.1	45,045	
Indonesia	14,981	0.95	1,807.2	110.3	1,697.0	15,231	
Iran, Islamic Republic of	23,686	1.51	2,857.4	175.8	2,681.5	23,936	
Iraq	2,808	0.18	338.7	27.1	311.6	3,058	
Israel	4,750	0.30	573.0	33.2	539.8	5,000	
Italy	44,795	2.85	5,403.8	334.8	5,069.0	45,045	
Japan	127,000	8.08	15,320.6	944.0	14,370.7	127,250	
Jordan	1,388	0.09	167.4	7.8	159.6	1,638	

## Statement of Subscriptions to Capital Stock and Voting Power

June 30, 2002 (Continued)

Expressed in millions of U.S. dollars

Member	Shares	Subscriptions			Voting Power	
		Percentage of total	Total amounts	Amounts paid in <sup>1</sup>	Amounts subject to call <sup>1,2</sup>	Number of Votes
Lao People's Democratic Republic	178	0.01	21.5	1.5	20.0	428
Lebanon	340	0.02	41.0	1.1	39.9	590
Libya	7,840	0.50	945.8	57.0	888.8	8,090
Malawi	1,094	0.07	132.0	5.6	126.4	1,344
Malaysia	8,244	0.52	994.5	59.5	935.0	8,494
Mexico	18,804	1.20	2,268.4	139.0	2,129.4	19,054
Mongolia	466	0.03	56.2	2.3	53.9	716
Namibia	1,523	0.10	183.7	8.8	174.9	1,773
Nepal	968	0.06	116.8	4.6	112.1	1,218
Netherlands	35,503	2.26	4,282.9	264.8	4,018.1	35,753
Nigeria	12,655	0.81	1,526.6	92.7	1,433.9	12,905
Pakistan	9,339	0.59	1,126.6	67.8	1,058.9	9,589
Philippines	6,844	0.44	825.6	48.9	776.7	7,094
Russian Federation	44,795	2.85	5,403.8	333.9	5,070.0	45,045
Saudi Arabia	44,795	2.85	5,403.8	335.0	5,068.9	45,045
Singapore	320	0.02	38.6	3.9	34.7	570
South Africa	13,462	0.86	1,624.0	98.8	1,525.2	13,712
Spain	27,997	1.78	3,377.4	206.8	3,170.6	28,247
Sri Lanka	3,817	0.24	460.5	26.1	434.1	4,067
Sweden	14,974	0.95	1,806.4	110.2	1,696.2	15,224
Switzerland	26,606	1.69	3,209.6	197.2	3,012.4	26,856
Thailand	6,349	0.40	765.9	45.2	720.7	6,599
Turkey	8,328	0.53	1,004.6	59.8	944.8	8,578
United Kingdom	69,397	4.42	8,371.7	539.5	7,832.2	69,647
United States	264,969	16.87	31,964.5	1,998.4	29,966.2	265,219
Vietnam	968	0.06	116.8	8.1	108.7	1,218
Zimbabwe	3,325	0.21	401.1	22.4	378.7	3,575

## Appendix 2:

### The World Bank's Financial Components

The World Bank Group has four financial arms: the International Bank for Reconstruction and Development (IBRD, also known as the "World Bank"), the International Development Association (IDA), the International Finance Corporation (IFC), and the Multilateral Insurance Guarantee Agency (MIGA). After the debt crisis, the World Bank Group became the primary source of governmental loans to the developing world. However, in the past few years, the amount of private investment has dramatically increased in the World Bank Group.

The International Bank for Reconstruction and Development was founded in 1946 as a way to finance reconstruction projects in war-ravaged countries despite their poor creditworthiness. The IBRD gets its money from regular subscriptions paid by member governments and by borrowing money on international markets (through selling World Bank bonds). The Bank then lends that money to borrowing governments at a lower rate than commercial banks would. Although the IBRD still concentrates on development it operates primarily in mid-middle-income developing countries; in FY 1994, the IBRD was funded at about \$17 billion.

The IBRD offers loans to developing country governments for a variety of undertakings: Sectoral loans support reform or infrastructure improvement in a specific economic sector, i.e., mining, transport, energy, banking, etc.; project loans support the completion of a specific project, such as a dam, highway or power plant; and macroeconomic loans assist governments in achieving the economic objectives detailed in a structural adjustment program (more on structural adjustment programs, below). IBRD loans can cover the entire cost of a project, but the Bank's clout attracts many other sources of financing, especially from the private sector. Recently, the Bank has also started offering support for private investors themselves, in an effort to attract development money to Southern countries.

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Finally, IBRD also offers a host of technical assistance programs to its developing country members for "capacity building" and "technology transfer."

Technical assistance can be given in areas such as privatization of state-owned entities, developing banking systems and domestic capital markets, as well as creating a regulatory framework for foreign direct investment.

To be eligible for IBRD loans, governments must be a member of the World Bank, and comply with Bank-imposed Structural Adjustment Programs (SAPs), which have been severely criticized by NGOs worldwide as an unnecessarily harsh set of macroeconomic policies. SAPs are aimed at reducing government budget deficits by decreasing government expenditure (particularly on social programs), increasing export production, privatization, and liberalizing trade and investment policies. The purpose of these reforms is to help countries become more economically robust, creditworthy and able to pay off its debts. These policies are prerequisites for loan eligibility and often include provisions for reduced government spending on social services. The Bank offers advice and loans to help implement SAPs.

The International Development Agency (IDA) was established in 1960 to provide concessional (no interest or "soft") loans to the world's poorest governments. IDA's funding priorities are poverty alleviation, environmental protection, and sustainable development. Its loans, however "soft" they might be, are conditioned by harsh structural adjustment requirements. IDA and IBRD are often lumped in the same category, because they lend for the same purposes and focus primarily on government borrowers. However, IDA funding is considerably lower than that of the World Bank, amounting to \$5.6 billion (about 34% that of IBRD's) in FY 1994.

IDA is considering the establishment of two new financing services to enhance the private sector. The rationale is that through foreign investment, IDA countries could gain much-needed infrastructure.

The first is a guarantee program that would encourage the penetration of foreign capital and multinational corporations. The second program is the IDA Private Investment Fund which would be IDA money managed by the International Finance Corporation (see below).

The International Finance Corporation (IFC) is the Bank's lending facility to the private sector. Established in 1956, it offers a wide range of financing, including equity investments (having an ownership stakes in companies), loans, and guarantees. It also offers numerous technical assistance and advisory programs in areas such as privatisation, environmental assessment, risk management and accessing international capital markets. IFC is funded through investment contributions from member countries and from the income those investments generate. IFC is the largest source of direct investment for private-sector projects in developing countries. In 1994, IFC helped finance 213 projects, totalling \$5.4 billion. The IFC prides itself on its history of mobilizing private money – for every one dollar IFC invests; it recruits six more dollars from private investors. In theory, IFC should invest only in those projects that have trouble attracting private-sector funding, but 85% of its investments have been concentrated on large projects in 15 emerging market economies that are often able to attract sufficient private investment. The IFC is supposed to “go where no one else will go,” but instead they seem to follow other private investors to the safe markets to minimize risks.

This concentration of investments in a handful of countries is a direct result of the IFC's requirement that all of its investments must make a profitable rate of return. By linking its activities to profitability criteria, critical development projects which are not lucrative (such as health, education, services to rural or poor populations, etc.) are passed up.

One of the most pressing NGO concerns regarding the IFC is how IBRD policies regarding environment, gender, resettlement, indigenous peoples, information disclosure, etc. will apply to the IFC's private

sector clients – primarily corporations. While activists are fighting to keep these hard-won policies in place, the IFC claims that Bank policies must be adapted to respect business confidentiality, an important consideration for private companies who face competition from corporate rivals. Exactly how these policies will be adapted is still under debate.

**MIGA – the Multilateral Insurance Guarantee Agency**, is the World Bank's newest arm. Its stated purpose is "to help developing countries attract productive foreign investment." MIGA itself has no explicit aim of reducing poverty, but it is a member of the World Bank Group, which claims goals of reduced poverty and improved standards of living. Established in 1988 as a "direct response to the debt crises of the 1980s," MIGA provides long-term non-commercial risk insurance to foreign investors doing business in MIGA-member countries. Originally, the World Bank was created with the intention of granting guarantees or insurance to private parties wishing to invest in war-torn countries. But only in the last ten years has the Bank been actively involved in issuing guarantees. MIGA gets its money from member-country subscriptions and insurance premiums.

As of November 1995, MIGA had guaranteed over 155 contracts valued at more than US\$8.5 billion, but actually had never made any payments on claims. MIGA insurance covers private investors from "political risks" associated with doing business in a developing country. Such political risks include: expropriation (government take-over of a private company or assets), civil disturbance, the risk that local currency cannot be converted to "hard" currency (like dollars) and government breaches of contract.

In addition, MIGA sponsors investment missions to help businesses and governments network with each other. They also provide technical assistance to governments, such as helping to develop information technologies, train policy makers, and establish investment promotion agencies.

## Appendix 3:

### Selected Recent World Bank Bonds

Lead Manager column demonstrates the involvement of international financial Banks and other commercial players in support of the Bank.

Currency	Volume Type	Coupon or Date	Final Launch Date	Maturity	Lead Manager/s
USD	10 m	Callable Range Accrual	8/3/07	8/22/22	Morgan Stanley
NZD	350 m	7.5%	7/20/07	7/30/14	ANZ Institutional, TD Securities
ZAR	2 b	9.75%	7/19/07	8/2/10	TD Securities, JP Morgan
TRY	50 m	17.75%	7/12/07	7/30/08	RBC Capital Markets
MYR	70 m	2.75%	7/6/07	7/6/10	TD Securities
BRL	50 m	9%	6/22/07	6/22/10	TD Securities
EUR	1.5 b	4.25%	5/22/07	6/1/07	ABN Amro, Deutsche Bank, HSBC
ISK	2 b	11.5%	4/26/07	5/11/09	ABN Amro, UBS Investment Bank
ISK	2 b	10%	4/26/07	5/11/10	ABN Amro, UBS Investment Bank
ISK	2 b	9.25%	4/26/07	5/11/11	ABN Amro, UBS Investment Bank
TRY	500 m	13.625%	4/25/07	5/9/17	ABN Amro, JP Morgan, TD Securities
BRL	75 m	9.5%	4/16/07	4/27/09	ABN Amro
MXN	500 m	7.5%	4/3/07	4/17/12	Deutsche Bank
MXN	500 m	7.25%	3/1/07	3/13/09	TD Securities
TRY	50 m	18.25%	3/1/07	2/6/09	TD Securities
TRY	100 m	16%	2/15/07	2/28/12	TD Securities
TRY	100 m	17.625%	2/9/07	2/19/10	UBS Investment Bank
ZAR	250 m	8.5%	1/10/07	12/18/08	Deutsche Bank
AUD	500 m	6%	10/25/06	11/9/16	ABN Amro Westpac
USD	74.12 m	Callable Zero	9/8/06	9/22/36	Morgan Stanley
USD	1 b	5%	3/22/06	4/1/16	Goldman Sachs International Morgan Stanley
USD	10 m	Callable Range Accrual	3/15/06	4/12/21	Morgan Stanley
MXN	2 b	7.56%	3/3/06	3/10/11	Banco Bilbao Vizcaya Argentaria, Goldman Sachs International
NZD	200 m	6.375%	2/13/06	7/15/09	RBC Capital Markets
TRY	50 m	12%	2/8/06	8/22/07	Lehman Brothers International (Europe)
TRY	75 m	11.25%	12/14/05	1/4/08	TD Securities
ISK	3 b	8%	10/26/05	11/9/07	TD Securities
TRY	75 m	12%	10/13/05	11/7/07	TD Securities



TRY	100 m	13.125%	3/15/05	4/25/07	Fortis Bank
USD	10 m	Callable Range Accrual	3/9/05	4/13/20	Morgan Stanley
USD	25 m	Callable Fixed Rate/ CMS-Linked	2/4/05	3/4/20	Morgan Stanley
BRL	210 m	0% FX-linked	2/10/05	2/23/07	Barclays Capital
USD	750 m	4.75%	1/31/05	2/15/35	JP Morgan, Morgan Stanley
TRY	70 m	15 %	12/23/04	1/7/10	JP Morgan
USD	10.4 m	Equity-linked	11/9/04	11/26/11	Deutsche Bank Securities
HUF	13 b	8.75 %	9/8/04	9/22/06	Deutsche Bank
USD	1 b	4.125 %	6/10/04	6/24/09	Citigroup, Daiwa Securities SMBC, Morgan Stanley
HUF	13 b	9 %	5/18/04	12/18/05	Deutsche Bank
ZAR	250 m	9.5%	5/5/04	5/21/07	RBC Capital Markets
USD	50 m	Callable Fixed Rate	4/20/04	5/11/07	HSBC
USD	13 m	Callable Range Accrual	4/2/04	4/15/19	Morgan Stanley
USD	25 m	Callable Fixed Rate Step-up	4/1/04	4/29/09	Morgan Stanley
USD	100 m	Callable Fixed Rate	3/31/04	4/15/19	Goldman Sachs International
COP	535.6 b	CPI-linked	3/31/04	4/15/19	ABN Amro
USD	30 m	Callable Fixed Rate Step-up	2/4/04	3/3/11	Morgan Stanley
USD	50 m	Callable Floating Rate	12/17/03	12/17/10	Credit Suisse First Boston
HUF	14 b	10%	12/15/03	8/15/05	TD Securities
USD	35 m	Fixed/Index-linked	11/19/03	12/10/13	Morgan Stanley
EUR	50 m	Fixed/Index linked	10/31/03	12/2/15	Morgan Stanley & Banca Akros S.p.A
USD	15 m	Callable Fixed/ Floating Range	10/29/03	11/24/15	Morgan Stanley
USD	100 m	Callable Fixed Rate Step-up	8/25/03	9/8/08	Wachovia Capital Markets
USD	15 m	Redeemable Fixed/Notes Reverse Floating (Target Redemption)	8/26/03	9/23/13	Morgan Stanley
USD	39.331m	Redeemable Fixed/ Reverse Floating Notes (Target Redemption)	8/13/03	9/10/15	Morgan Stanley
USD	20 m	Callable Floating Rate	8/12/03	9/3/13	Credit Suisse First Boston
USD	30 m	Callable 7.30% Single Coupon	8/1/03	8/15/33	Morgan Stanley
USD	20 m	Callable 6.95% Single Coupon	7/29/03	8/15/33	UBS Limited
USD	65 m	Callable Floating Range	7/24/03	8/13/13	Morgan Stanley
USD	25 m	Callable Floating Range	7/18/03	8/13/18	Morgan Stanley
CAD	27.5m	0.5%	7/25/03	12/20/18	RBC Capital Markets
USD	158 m	0%	7/15/03	8/5/33	Credit Suisse First Boston
USD	25 m	Callable Floating Range	7/14/03	8/13/18	Morgan Stanley
USD	20 m	Callable Floating Rate Capped	7/8/03	7/29/13	FTN Financial Capital Markets
USD	50 m	Callable Fixed Rate	7/8/03	7/28/06	HSBC
HUF	5 b	6.25%	7/2/03	1/27/05	TD Securities
USD	50 m	Callable Fixed Rate	6/6/03	7/1/08	HSBC

USD	100 m	Callable Fixed Rate Step-up	6/4/03	7/3/13	Morgan Stanley Prudential-Bache
USD	7 m	Callable Fixed Rate Step-up	6/10/03	5/28/10	Morgan Stanley
USD	1 b	3.625%	5/13/03	5/21/13	Citigroup & JP Morgan
USD	15 m	Callable Fixed/ Floating Range	4/29/03	5/28/15	Morgan Stanley
USD	100 m	Callable Fixed Rate Step-up	4/29/03	5/28/10	Morgan Stanley
USD	100 m	Callable 0%	4/15/03	5/6/23	Merrill Lynch International
USD	20 m	Callable Fixed/ Floating Range	4/11/03	5/14/18	Morgan Stanley
USD	100 m	Callable Fixed Rate Step-up	3/12/03	4/9/10	Morgan Stanley
EUR	100 m	Floating/Index-linked	3/3/03	3/3/10	JP Morgan ABAXBANK S.p.A
HUF	5 b	6.25%	2/19/03	1/27/05	TD Securities
HUF	10 b	6.25%	1/27/03	1/27/05	TD Securities
USD	25 m	Callable Fixed/ Floating Range	12/10/02	12/10/12	Morgan Stanley
USD	45.6 m	Callable Floating Range	10/17/02	11/7/14	Morgan Stanley
USD	15 m	Callable Floating Range	10/17/02	11/7/14	Lehman Brothers
ZAR	150 m	12.5%	10/2/02	1/14/05	RBC Capital Markets
USD	25 m	Callable Fixed Rate Step-up	9/24/02	10/22/07	Morgan Stanley
ZAR	150 m	12%	9/10/02	3/26/04	TD Securities
USD	200 m	Callable Fixed Rate Step-up	8/8/02	9/4/09	Morgan Stanley
EUR	100 m	Callable Fixed Rate Step-up	8/8/02	9/4/08	Banca Akros, Morgan Stanley, Prudential-Bache
USD	1 b	4.125%	8/5/02	8/12/09	Dresdner Bank, HSBC
USD	50 m	Floating Rate Notes	7/18/02	8/6/07	Morgan Stanley
USD	15 m	Callable Floating Range	7/16/02	8/13/07	Lehman Brothers
USD	20 m	Callable Floating Range	7/11/02	8/8/12	Lehman Brothers
USD	15 m	Callable Fixed Rate	7/8/02	7/31/06	Morgan Stanley
USD	33 m	Callable Fixed Rate Step-up	6/11/02	7/5/06	Morgan Stanley
USD	100 m	Callable Fixed Rate Step-up	5/28/02	6/27/08	Morgan Stanley
USD	100 m	Callable Fixed Rate Step-up	5/15/02	6/13/08	Morgan Stanley
USD	30 m	Callable Fixed Rate Step-up	4/15/02	4/10/08	Morgan Stanley
ZAR	150 m	12.5%	4/9/02	5/14/12	Deutsche Bank
ZAR	150 m	12%	3/13/02	3/26/04	RBC Capital Markets
USD	200 m	Callable Fixed Rate Step-up	3/13/02	4/10/08	Morgan Stanley
BRL	80 m	0% FX-linked	3/8/02	4/4/05	Salomon Brothers International
USD	500 m	5.125%	2/27/02	3/13/09	Dresdner Bank
USD	72 m	Callable 0%	2/22/02	3/11/22	Morgan Stanley
ZAR	150 m	10.75%	2/20/02	12/12/07	TD Securities
NOK	200 m	6%	2/18/02	2/7/05	Deutsche Bank

PLN	100 m	8%	2/12/02	2/22/07	TD Securities
USD	20 m	Callable Fixed Rate	1/29/02	2/7/22	Bank of America
USD	20 m	Callable Fixed Rate	1/24/02	2/22/22	Schroder Salomon Smith Barney
USD	15 m	Floating Range	1/24/02	2/22/10	Morgan Stanley
ZAR	150 m	10.75%	1/23/02	12/12/07	TD Securities
HUF	10 b	7.75%	1/3/02	7/18/03	TD Securities
USD	3 b	4%	1/2/02	1/10/05	Goldman Sachs, SSB, UBS Warburg
USD	30 m	Floating Range	12/28/01	1/14/09	Morgan Stanley
USD	250 m	5%	11/29/01	11/4/05	UBS Warburg
PLN	100 m	10.25%	11/9/01	1/17/03	Caboto, TD Securities
PLN	100 m	11%	10/18/01	10/30/02	RBC Dominion Securities, UniCredit Banca Mobiliaire
USD	3 b	3.5%	10/15/01	10/22/04	JP Morgan, Morgan Stanley, UBS Warburg
NOK	400 m	6%	10/10/01	2/7/05	Deutsche Bank
USD	3 b	4.375%	9/19/01	9/28/06	Goldman Sachs, JP Morgan, SSB
USD	75 m	Callable 0%	8/17/01	9/7/21	Credit Suisse First Boston
ZAR	50 m	10.5%	7/19/01	3/30/11	TD Securities
USD	500 m	5.5%	7/16/01	4/17/06	Barclays, Nomura
USD	250 m	5%	7/3/01	11/4/05	UBS Warburg
ZAR	50 m	10.5%	6/29/01	3/30/11	TD Securities
HUF	10 b	9.25%	6/25/01	7/5/02	Commerzbank, TD Securities
USD	200 m	5.1%	5/3/01	11/30/04	JP Morgan
USD	1 b	4.75%	5/2/01	4/30/04	JP Morgan Chase, Merrill Lynch, UBS Warburg
USD	150 m	Callable Fixed Rate	5/1/01	5/21/04	Merrill Lynch
GBP	75 m	5.75%	4/26/01	6/7/32	RBC Dominion Securities
PLN	100 m	14.5%	4/26/01	5/10/02	TD Securities
USD	3 b	4.75%	4/24/01	4/30/04	JP Morgan Chase, Merrill Lynch, UBS Warburg
ZAR	110 m	10.5%	4/23/01	5/25/11	RBC Dominion Securities
ZAR	100 m	10.5%	4/11/01	3/30/11	TD Securities
USD	500 m	5%	3/29/01	3/28/06	HSBC, Morgan Stanley, UBS Warburg
ZAR	100 m	10.5%	3/27/01	3/30/11	TD Securities
ZAR	110 m	10.375%	3/26/01	3/29/11	RBC Dominion Securities
USD	3.5 b	5%	3/22/01	3/28/06	HSBC, Morgan Stanley, UBS Warburg
USD	250 m	6%	3/20/01	3/22/07	Morgan Stanley
USD	250 m	4.75%	3/13/01	11/5/03	Credit Suisse First Boston
PLN	100 m	17%	2/13/01	1/11/02	Morgan Stanley, TD Securities
PLN	1 b	10.625%	2/6/01	2/8/11	Morgan Stanley
ZAR	150 m	11.25%	1/24/01	1/31/11	RBC Dominion Securities
GBP	50 m	5.75%	1/12/01	6/7/32	JP Morgan Chase
PLN	100 m	17%	1/9/01	1/11/02	Morgan Stanley, TD Securities

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