What is the World Bank?

The World Bank was established in 1945 and initially known as the International Bank for Reconstruction and Development (IBRD). Today, the "World Bank" refers to both the IBRD and its affiliate, the International Development Association (IDA), established in 1960. The IBRD and IDA share the same staff and the common objective of improving social and economic conditions in developing countries by lending money for development projects. The only significant difference between the two is that IDA provides project financing to only the poorest nations and at terms and conditions much softer than those of IBRD loans.

The World Bank is also comprised of two other affiliates. One is the International Finance Corporation (IFC), established in 1956. Its function is to promote private sector growth in developing countries via mobilization of private investment. While the World Bank deals only with government entities in its lending operations, the IFC deals exclusively with the private sector.

The other affiliate, and newest member of the World Bank family, is the Multilateral Investment Guarantee Agency (MIGA), which was founded in 1988 to provide eligible investments with protection against political and other non-commercial risks.

The World Bank is made up of 151 member countries, of which only its developing country members (approximately 100) are eligible to receive Bank funds. The World Bank approved over $20 billion in loans and credits in fiscal year 1989. On average, the World Bank funds about 30 to 40 percent of a project's total cost.

The IBRD raises its funds on international money markets by selling AAA-rated bonds; it then re-lends the money at variable rates set at about a half percent above the borrowing cost. Repayment terms are 20 years or less, with a 5-year grace period. IDA receives its funding largely from contributions from its industrialized member countries, and from its retained earnings, and then lends to the less developed countries at zero interest over a 30 to 40 year period with grace periods up to 10 years. IFC obtains funds from its own subscribed capital and from loans from the World Bank. IFC loans are made at variable terms and conditions, usually amortized over 7 to 12 years. IFC will also take equity positions -- up to 35 percent -- in private capital projects.

Because Canada is a member of the World Bank, Canadian firms and individuals are eligible to compete for business opportunities arising from projects and activities funded by the Bank.

When the World Bank lends money to a developing country for a project, the executing agency of the project will almost always be the borrowing country's government or a branch thereof. It is the executing agency, and not the World Bank, that is responsible for virtually every element of project execution, *particularly the hiring of consultants and procurement of goods and services*. Accordingly, companies must focus their sales and marketing approach directly on the executing agency of the project in the borrowing country.

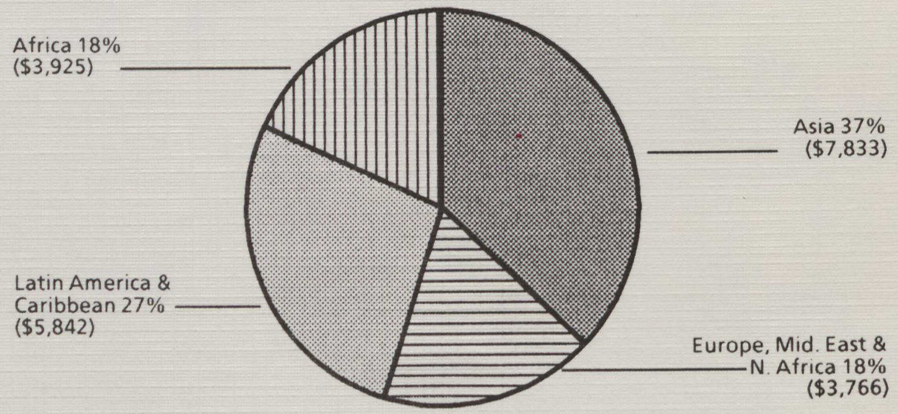
The Project Cycle

World Bank-financed projects evolve through six stages:

Before the project is approved:

- *Identification:* This first phase of the cycle concerns identifying projects that appear appropriate for the country's priorities and development strategy, as well as suitable for Bank support. Although both parties are involved in this process it is primarily the borrowing country's initiative and takes about 12 to 18 months. Pre-feasibility studies are often required in this stage.
- *Preparation:* After a proposed project has entered the "pipeline" it is further studied and defined by both the borrowing country and Bank technical staff. Feasibility studies and detailed project design usually occur at this stage. Preparation, which lasts from one to two years, is still the borrowing country's responsibility, but consultants are frequently hired to assist.
- *Appraisal:* Bank staff conduct an in-depth assessment of the technical, environmental, financial and economic elements of the project. The appraisal phase is the Bank's sole

World Bank Lending, By Region
FY 1989, In Millions of U.S. Dollars



TOTAL LENDING: $21.3 Billion
Source: 1989 World Bank Annual Report