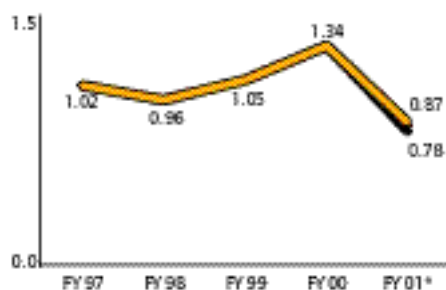


# IBRD Financial Results

**Net Return on Assets**  
(percent)

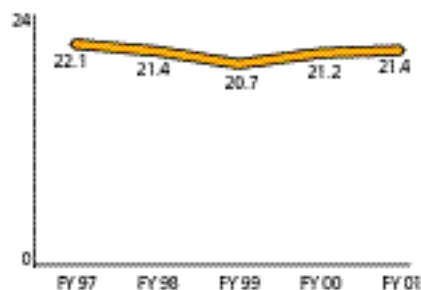


## MANAGING RETURNS TO MAINTAIN STRENGTH

- As a cooperative institution, IBRD does not seek to maximize profit but to earn a return on assets sufficient to ensure its financial strength and sustain its development activities on an ongoing basis.
- IBRD achieves a net return on assets of about 1 percent per annum. In fiscal 2001, an increase in loan loss provision reduced net return on assets, to under 1 percent.

\*In fiscal 2001 IBRD adopted Statement of Financial Accounting Standard No. 133 and International Accounting Standard No. 39, which required that derivative instruments be reported at fair value. Without adoption of these standards, the ratio would have been 0.78.

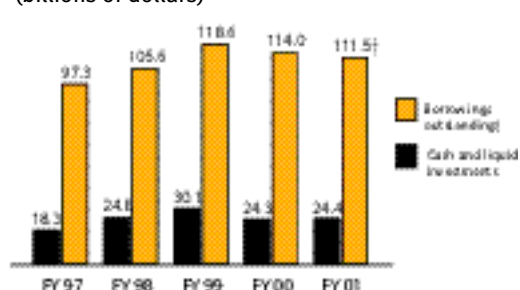
**Equity-to-Loans Ratio as of June 30, 2001**  
(percent)



## MANAGING RISK

- Consistent with its development mandate, IBRD's main risk is the credit risk of its loan portfolio. This risk is closely managed.
- IBRD keeps its exposure to market risk quite limited. Market risk arises due to movements in market variables, such as interest rates and exchange rates.
- IBRD's equity-to-loans ratio is a summary measure of its risk-bearing capacity. The ratio is conservatively managed in light of IBRD's financial and risk outlook.

**Borrowings and investments as of June 30, 2001**  
(billions of dollars)



## ACHIEVING EFFICIENT INTERMEDIATION

- IBRD's high credit rating (AAA) allows the Bank to borrow for long maturities at favorable terms. The Bank borrows globally in multiple markets and currencies.
- Outstanding debt after swaps reached 76 percent of average total earning assets, as of June 30, 2001.
- As of June 30, 2001, the liquid asset portfolio was \$24.2 billion, composed of liquid investments.

† Outstanding borrowings, net of swaps.

## Selected IBRD Financial Data (millions of dollars)

### For the fiscal year<sup>a</sup>

	Fiscal 2001	Fiscal 2000
Income from loans	8,143	8,153
Income from investments	1,540	1,589
Borrowing expenses	(7,152)	(7,128)
Administrative expenses	(859)	(935)
Other	(183)	312
Net income	1,489	1,991

Loan commitments	10,487	10,919
Loan disbursements	11,784	13,332

### At fiscal year-end<sup>a</sup>

Cash and liquid investments	24,407	24,331
Loans outstanding	118,866	120,104
Borrowings outstanding	(111,482) <sup>b</sup>	(114,012) <sup>b</sup>
Equity	(29,570)	(29,289)

a. Excerpted from the audited financial statements presented in volume 2 of this *Annual Report*.

b. Outstanding borrowings, net of swaps.

# Where the World Bank Got Its Money in Fiscal 2001

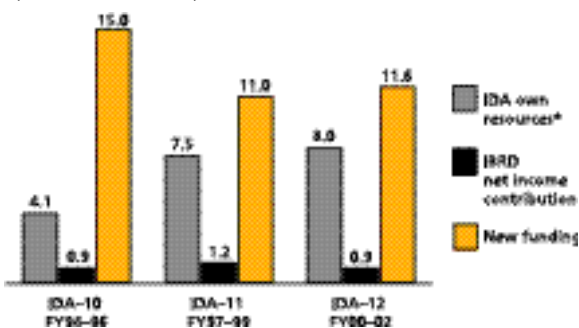
## INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

- In fiscal 2001 IBRD raised \$17 billion, before swaps, at medium- to long-term maturities, in international debt capital markets. Borrowings and shareholder equity fund IBRD's loans and investments.
- The year's funding volume was above that of fiscal 2000, after peaking in fiscal 1998 due to above-average demand for financing.
- IBRD's financial strength is based on the support it receives from its shareholders and on its array of financial policies and practices.
- IBRD issued debt in nine currencies and in a wide range of maturities and structures in fiscal 2001. Diversification helps lower borrowers' funding costs and expands IBRD's investor base.

## INTERNATIONAL DEVELOPMENT ASSOCIATION

- IDA donors come together every three years to decide on the amount of new resources required to fund IDA's future lending program and to discuss lending policies and priorities.
- Fiscal 2001 was the second year of the 12th Replenishment of IDA. IDA-12 is designed to provide IDA with resources to fund credits committed during the period July 1, 1999, to June 30, 2002.
- Nearly 40 countries are IDA donors. Donor nations include not only industrial countries but also developing and transition countries—some of them IBRD borrowers and former IDA borrowers—such as Argentina, Brazil, Hungary, the Republic of Korea, the Russian Federation, and Turkey (see page 35).
- IDA's financial strength is based on the strong and continued support of its donors as well as reflows.

**Sources of IDA funding**  
(billions of dollars)



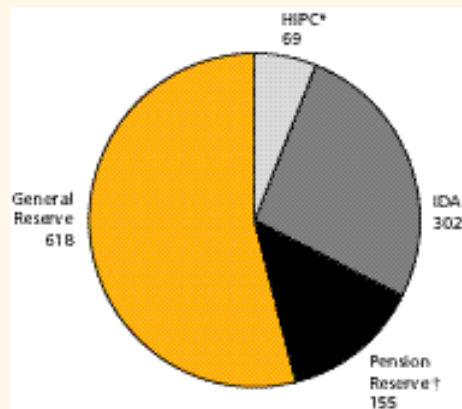
\*IDA Own Resources includes principal repayments, service charges, and investment income.

## Where Do IBRD's Profits Go?

IBRD's net income serves several purposes related to its mission:

- **A portion of net income is retained annually to ensure IBRD's financial integrity.** The General Reserve allows IBRD to assume credit risk in lending to countries at the lowest funding costs—which in turn benefits borrowers. Income retention has enabled IBRD to maintain financial soundness through periods of deteriorating loan quality as well as surging loan demand.
- **Support to IDA has consistently been a priority.** Over the last five years, \$1.6 billion (or about 22 percent of IBRD net income) has been transferred to IDA.
- **Support for the Heavily Indebted Poor Countries (HIPC) Initiative has also been important.** Over the last five years transfers to the HIPC Trust Fund have amounted to a total of \$900 million, averaging about 12 percent of annual IBRD net income.
- **IBRD's net income helps meet other developmental needs from time to time.** It enables IBRD to respond to unforeseen humanitarian crises and provide grants or other support for worthy causes. IBRD also regularly shares income with its borrowing members through partial waivers of the interest and commitment fees it contractually charges on its loans.
- **Financial strength and standing in the markets allow IBRD to leverage its equity by five times in the international bond markets.** This leverage increases IBRD's ability to lend for developmental activities.

**Allocation of Fiscal 2001 Net Operating Income of \$1.1 billion**  
(millions of dollars)



\*An additional amount of \$31 million was allocated to the HIPC Trust Fund out of the surplus account consisting of a portion of prior years' net operating income.

†Pension Reserve is used exclusively for the income derived from the difference between actual funding of the Staff Retirement Plan and the accounting expense associated with it, required by GAAP. These funds are not "allocable."

# IBRD Operational Results

## LENDING: QUALITY UP, VOLUME STABLE

- The quality of IBRD operations continued to improve: fewer ongoing projects were at risk of not achieving their development objectives compared with last year.
- The portfolio of ongoing projects (713) was smaller than last year's (764), reflecting a decline in approvals of new operations (91 approved in fiscal 2001 compared with an annual average of 130 in the last five years) and efforts to ensure the timely completion of projects under implementation.
- As access to international capital markets continued to improve for many countries, IBRD lending stabilized at slightly below last year's \$10.9 billion.
- The share of adjustment lending continued to decline (38 percent in fiscal 2001, down from 41 percent in fiscal 2000 and 63 percent in fiscal 1999), approaching pre-East Asia crisis levels.

## LENDING BY REGION AND SECTOR

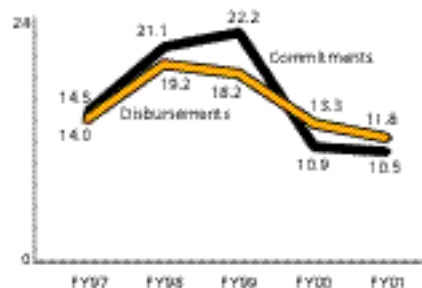
- New IBRD lending commitments in fiscal 2001 were highest for the Latin America and the Caribbean (LAC) Region (\$4.8 billion), followed by the Europe and Central Asia (ECA) Region (\$2.2 billion).
- Latin American countries also accounted for close to 69 percent of IBRD's adjustment lending, half of it in phased, programmatic support for medium-term policy reform and institution-building efforts (for example, fiscal and financial reform in Brazil, social sector reform in Peru, and bank restructuring in Jamaica).

- Human development was a high priority in fiscal 2001; the share of education, health/nutrition/population, and social protection lending in total IBRD lending increased to 21 percent (\$2.2 billion) from 16 percent (\$1.7 billion) in fiscal 2000. Most of the increase was concentrated in the LAC Region.
- IBRD lending also helped borrowers to strengthen their financial sector (\$1.7 billion), improve public sector management (\$1.4 billion), meet infrastructure needs (\$2.7 billion, including \$2.4 billion in the transport sector), and support the environment and rural development (\$1.3 billion).

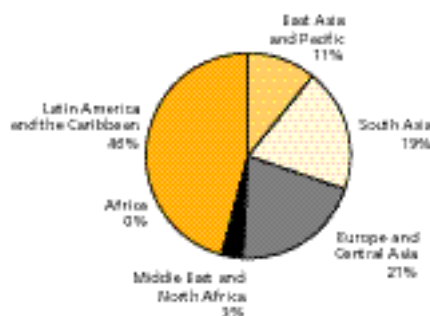
## ECONOMIC AND SECTOR WORK (ESW)

- In fiscal 2001, 230 ESW products were delivered for IBRD-eligible countries—including 38 core diagnostic reports underpinning Country Assistance Strategies and adjustment lending (poverty assessments, country economic memoranda, public expenditure reviews, country financial accountability assessments, and country procurement assessments)—compared with 259 products in fiscal 2000.
- In addition, reports on the financial sector, rural development, social protection, and other sectors enhanced the design of projects and supported the dialogue on policy and institutional priorities.
- Twenty-seven ESW products were delivered for India, the year's largest IBRD borrower. The ECA Region accounted for nearly 40 percent of ESW deliveries, with 44 country studies supplemented by 30 regional reports focusing on topics such as education, enterprise restructuring, and accession to the European Union.

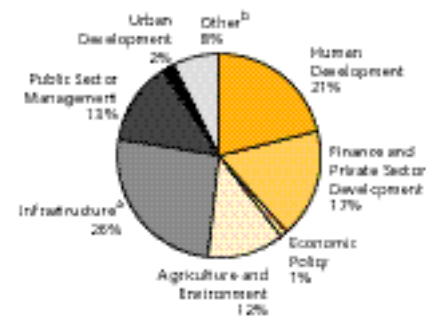
**IBRD Lending Commitments and Disbursements, Fiscal 1997–2001**  
(billions of dollars)



**IBRD Lending by Region, Fiscal 2001**  
Share of total lending of \$10.5 billion



**IBRD Lending by Sector, Fiscal 2001**  
Share of total lending of \$10.5 billion



Note: See table 1.1, page 26.

a. Includes transportation, telecommunications, and water supply and sanitation.  
b. Includes multisector, electric power and other energy, oil and gas, and mining.

# IDA Operational Results

## LENDING: QUALITY UP, VOLUME UP

- The quality of ongoing IDA operations continued to improve, with fewer projects at risk than last year.
- The size of IDA's active project portfolio increased to 735 from 729 in fiscal 2000 as a result of a significantly larger number of new approvals (134 operations in fiscal 2001 compared with an annual average of 127 in the last five years).
- New IDA commitments reached \$6.8 billion compared with \$4.4 billion in fiscal 2000. Contributing to this rise was \$1.4 billion in new commitments to three countries (Ethiopia, Kenya, and Pakistan) that had received no new IDA financing in fiscal 2000.
- The share of adjustment lending increased to 27 percent from 16 percent in fiscal 2000 as a result of a number of large adjustment loans, including the first two PRSCs approved for Uganda and Vietnam.

## LENDING BY REGION AND SECTOR

- IDA lending increased in all Regions, except in the Middle East and North Africa Region, which maintained last year's lending levels. IDA lending to the Africa Region (\$3.4 billion) reached 50 percent of total new IDA commitments, and included several Africa-wide programs—a concerted response to the HIV/AIDS crisis, help to adjust to oil price shocks, promotion of regional trade, and post-conflict reconstruction support.

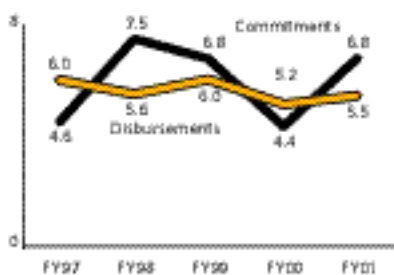
Ethiopia was the largest IDA borrower in fiscal 2001 (\$667 million), followed by Vietnam (\$629 million) and India (\$520 million).

- IDA support for human development—education, health/nutrition/population (including HIV/AIDS), and social protection—reached \$2.2 billion (representing a \$600 million increase compared to fiscal 2000).
- Other priorities were economic reform and public sector management (\$1.3 billion), infrastructure development (\$0.9 billion), finance and private sector development (\$1 billion, representing an almost \$600 million increase over last year), and rural development and the environment (\$1 billion).

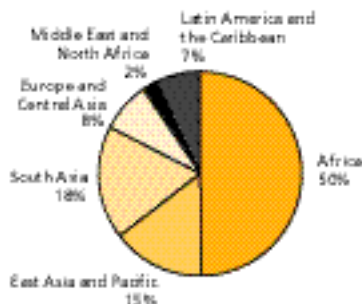
## ECONOMIC AND SECTOR WORK (ESW)

- One hundred and five ESW products were delivered for IDA-eligible countries in fiscal 2001, slightly less than the previous year's total of 119.
- Core diagnostic reports, numbering 24, covered poverty, social and structural analysis, public expenditure management, financial accountability assessments, and procurement assessments, helping countries to improve governance, financial discipline, and the targeting of public expenditures on poverty reduction.
- Other diagnostic and advisory reports centered on education and rural, social, and private sector development.
- The Africa Region accounted for 36 percent of total ESW deliveries, followed by South Asia (23 percent) and ECA (14 percent).

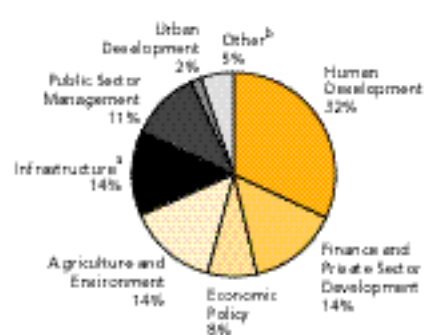
**IDA Lending Commitments and Disbursements, Fiscal 1997–2001**  
(billions of dollars)



**IDA Lending by Region, Fiscal 2001**  
Share of total lending of \$6.8 billion



**IDA Lending by Sector, Fiscal 2001**  
Share of total lending of \$6.8 billion



Note: See table 1.1, page 26.

a. Includes transportation, telecommunications, and water supply and sanitation.  
b. Includes multisector, electric power and other energy, oil and gas, and mining.