World Bank publishes report for 1989

THE World Bank published its annual report for 1989 in September 1989. The report provides a comprehensive review of the activities of the Bank. This article briefly summarises those parts of the report relevant to housing and housing finance.

A HIGH-level task force has recommended ways to strengthen the private sector's contribution to development in the developing countries. This has led to the formulation of an action programme which focuses on four priority areas, one of which is the financial sector development and expansion of the transfer of resources to the private sector.

The World Bank suggests that the ability of the financial sector to mobilise an adequate volume of savings and channel resources effectively to their most efficient uses is one of the most important ingredients for successful private sector development. A modern, efficient market-based economy is inconceivable without an efficient financial system to mobilise savings and channel them to the most productive end uses.

World Bank adjustment operations have consistently promoted reform of interest and exchange rates and although suitable progress has been made, these policy reforms have not always generated the expected supply response, in part because of rigidities and inadequacies in the financial sector. The Bank's operations and support of local financial intermediaries have sometimes tended to focus too narrowly on meeting the credit needs of particular end-borrowers and may not have given due attention to the requirements and importance of overall financial sector development.

The Bank's operations that involve the financial sector will be designed and carried out within the context of a coherent country-specific strategy for financial sector development. The Bank will emphasise four specific and closely related areas:

(a) The Bank will expand its operations in support of financial sector restructuring and reform, and the International Finance Corporation will expand its collaboration with the Bank in this financial sector work by helping to review policy and regulatory issues and identify ways to fill institutional gaps.

(b) The Bank will ensure that its activities are consistent with the overall strategy of encouraging greater reliance on markets. Progress will be gradual, but over time Bank-supported financial institutions, however owned, will have to withstand the test of the market.

(c) Because the scarcity of equity capital is a key constraint, the IFC will expand its capital market work through the establishment and strengthening of capital market institutions, supporting links between domestic and international capital markets and advising on the creation of appropriate regulatory frameworks.

(d) The Bank group will expand its efforts to increase the transfer of resources to the private sector, acting both as a catalyst and as a provider of direct financing through the IFC.

The report lists the projects approved for financing by the Bank and its affiliates during 1989. Loans under the heading of urban development are shown below.

At 13 June 1989, the Bank had outstanding urban development loans of $7.1 billion out of a total loan portfolio of $171.5 billion. ■

The World Bank Annual Report 1989, The World Bank, 1989.

ARGENTINA: IBRD — $300 million. The government will be supported in its efforts to reform policies in the housing sector through an increase in productivity in the housing programmes financed by FONAVI, the national housing fund, improvements in FONAVI's financial performance, and a reduction (with concurrent improvement of targeting) of subsidies. Total cost: $608 million.

BRAZIL: IBRD — $100 million. Technical assistance, training and equipment will be provided to municipalities and urban-sector institutions in Parana state to strengthen their financial management and overall administrative capacities. In addition, investments in urban infrastructure will be provided to municipalities throughout the state, and a pilot project for low-income, self-help house construction will be financed. Total cost: $226.9 million.

BURUNDI: IDA — $21 million. A second urban project aims to strengthen the economy of secondary towns through provision of neces-

48 ⟶

← 47
sary infrastructure and community facilities, as well as employment opportunities, and through the establishment of an institutional and financial environment that would help these semi-rural agglomerations evolve into actual urban centres. Total cost: $24.1 million.

CAMEROON: IBRD — $146 million. A second project, which constitutes the cornerstone of the new urban policy, seeks to consolidate the basis for sustainable and replicable urban-development operations through components designed to mobilise urban resources; rehabilitate priority infrastructure in Yaounde, Douala, and secondary cities; and implement sector policy reforms, including parapublic-enterprise reform. Total cost: $253.5 million.

CHILE: IBRD — $200 million. A second housing-sector project supports governmental efforts to increase the number of housing solutions for low-income people, offer a greater variety of new housing types to meet their needs and preferences, introduce programmes to upgrade the existing housing stock, improve cost recovery, and improve the resource mobilisation and efficiency of the private mortgage-financing system. Total cost: $1,134 million.

CHILE: IBRD — $75 million. An institutional capability to manage effectively future urban street maintenance and rehabilitation will be developed, and a programme to bring the urban-transport system back to a condition of maintainability will be financed. In addition, the technical, economic, and financial viability of less costly exclusive bus/tramways to accommodate increased demand and reduce public transport costs will be demonstrated. Total cost: $150 million.

MOZAMBIQUE: IDA — $60 million. The deterioration in basic urban infrastructure and services in Maputo and Beira will be stemmed, and the social effects of structural adjustment mitigated through the implementation of a programme of urban rehabilitation and employment generation. Co-financing is expected from FINNIDA ($6.1 million) and Spain ($3.9 million). Total cost: $83.8 million.

NEPAL: IDA — $41.5 million. The effective planning, delivery, and maintenance of infrastructure and municipal services in town panchayats (municipalities) will be supported. In addition, the government will be helped to reconstruct housing damaged during the August 1988 earthquake, construction standards will be incorporated into building codes. Technical assistance is included. Co-financing is expected from the UNDP ($5.1 million) and the GTZ ($1.7 million). Total cost: $54.8 million.

RWANDA: IDA — $32 million. The government's urban-sector reforms, which aim at reducing the central government's role in urban development and strengthening that of local governments and the private sector, will be supported. Co-financing is anticipated from the UNCDF ($2.9 million), the FAC ($1.1 million), and the UNDP ($1 million). Total cost: $66.2 million.

SUDAN: IDA — $75 million. An emergency flood-reconstruction project seeks to restore productive facilities and essential infrastructure damaged during the floods of August-September 1988, restore social services and destroyed housing, and outline requirements for an early-warning system against future flooding. In addition, the institutional framework needed to carry out the reconstruction programme will be strengthened. Total cost: $83.8 million.

TUNISIA: IBRD — $58 million. The supply of affordable low- and medium-income housing programmes will be increased as domestic savings are mobilised by the newly formed Housing Bank, to be supported through a line of credit and technical assistance. In addition, the share of the formal private sector in land and housing development, as well as in surveying activities, will be increased. Co-financing is expected from USAID ($15 million); $2 million in additional co-financing is being sought. Total cost: $200 million.

ZIMBABWE: IBRD — $80 million. Subsector loans will be made to specific urban authorities for their next five-year capital-investment programmes for primary infrastructure. In addition, steps will be taken to maximise the role of non-governmental investors in housing as a means to relieve the government's financial burden. Institution-building and technical assistance are included. Co-financing is anticipated from the Federal Republic of Germany ($21 million) and SIDA ($3 million). Total cost $580 million.

Note: Abbreviations are as follows:

IBRD International Bank for Reconstruction and Development – the formal name for the World Bank itself.

IDA International Development Association – the "soft loan" affiliate of the Bank.

IFC International Finance Corporation, which is legally separate from the World Bank but which shares some services with it.