PERFORMANCE EVALUATION, CRITICISM OF THE WORLD BANK AND COST-BENEFIT ANALYSIS OF WORLD BANK FINANCED PROJECTS: CASE OF TURKEY

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Policy Paper, 2009 (Updated December 2010)
H. John Heinz III College, Carnegie Mellon University

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THE WORLD BANK ANNUAL REPORT 2010 3

AFFILIATES OF THE WORLD BANK GROUP

The International Bank for Reconstruction and Development
Established 1944 | 187 Members
Cumulative lending: $523.6 billion (effective fiscal 2005, includes guarantees)
Fiscal 2010 lending: $44.2 billion for 164 new operations in 46 countries

The International Development Association
Established 1960 | 170 Members
Cumulative commitments: $221.2 billion (effective fiscal 2005, includes guarantees)
Fiscal 2010 commitments: $14.5 billion for 190 new operations in 66 countries

The International Finance Corporation
Established 1956 | 182 Members
Committed portfolio: $38.7 billion (plus $8 billion in syndicated loans)
Fiscal 2010 commitments: $12.7 billion committed and $5.4 billion mobilized for 528 projects in 104 countries

The Multilateral Investment Guarantee Agency
Established 1988 | 175 Members
Cumulative guarantees issued: $22.4 billion
Fiscal 2010 guarantees issued: $1.5 billion for 19 projects

The International Centre for Settlement of Investment Disputes
Established 1966 | 144 Members
Total cases registered: 319
Fiscal 2010 cases registered: 27

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ABSTRACT

By Ergul Haliscelik[1]

The World Bank Group is composed of 5 closely associated institutions which have different missions and specialize in different aspects of development. But they use their comparative advantages to work collaboratively toward the same overarching goal of poverty reduction. The term "World Bank" refers specifically to the IBRD and IDA and mostly it is used for only IBRD.

The Bank has supported important projects and government programmes in order to ensure economical and social improvement of the developing countries since it was founded. The mission of the Bank has transformed in order to accommodate with world conjuncture which is varied throughout time. Nowadays, there are serious criticisms for the World Bank that has a mission of “working for a world free of poverty”.

Turkey became a member of The World Bank in the 1947 and the relationship has reached up today by solidifying. In Turkey’s participation process to European Union, The Bank’s aids continued and coordinated works with IMF to provide economic stability has accelerated.

In this study I will examine structure, activities, mission and performance of the World Bank, types of funds and their sectoral-regional distributions, relations with member countries, financial sources and phases (project cycle) of Bank financed projects. After that, I will evaluate World Bank financed projects and its effects in Turkey by examining Turkey-WB relations. I will give my personal findings, criticisms and recommendations on these issues.

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ABBREVIATIONS LIST

APL	Adaptable Program Loan
CAS	Country Assistance Strategy
CPS	Country Partnership Strategy
DPL	Development Policy Lending
ECA	Europe and Central Asia Region
ERL	Emergency Recovery Loan
EU	European Union
FIL	Financial Intermediary Loan
FY	Financial Year
GNP	Gross National Product
HIPC	Heavily Indebted Poor Countries
IBRD	International Bank for Reconstruction and Development
ICR	Implementation Completion Reports
IDA	International Development Association
IEG	The World Bank Independent Evaluation Group
IFC	International Finance Corporation
IMF	International Monetary Fund
IPA	Instrument For Pre-Accession
MDG	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
MIGA	Multilateral Investment Guarantee Agency
N/A	Not Available, Not Applicable
OED	Operations Evaluation Department
OPEC	Organization of the Petroleum Exporting Countries
PAD	Project Appraisal Document
PCI	Per Capital Income
SAL	Structural Adjustment Loan
SECAL	Sector Adjustment Loan
SIL	Specific Investment Loan
UN	United Nation
USA	United States of America

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I. ACTIVITIES AND PERFORNANCE EVALUATION OF WORLD BANK

1.1. World Bank Group and World Bank

The World Bank Group and the comprehensive narrow World Bank have different meaning. The World Bank Group is composed of 5 closely associated institutions. 185 member countries are the owners of these institutions and have authority and final decision power. The World Bank Group institutions are:

- International Bank for Reconstruction and Development (IBRD),
- International Development Association (IDA),
- International Finance Corporation (IFC),
- Multilateral Investment Guarantee Agency (MIGA) and
- International Centre for Settlement of Investment Disputes (ICSID)

These institutions have different missions and specialize in different aspects of development but they use their comparative advantages to work collaboratively toward the same overarching goal: **poverty reduction.** They also work together to foster growth, and ensure that development is inclusive and sustainable (World Bank Annual Report, 2009:4). Objectives and main operations of five institutions Under World Bank Group Umbrella are illustrated in the table below.

Table 1: Summary of Objectives and Operations of Institutions Under World Bank Group Umbrella

Institutions	Objective of Institution	Year of Foundation	Number of Member	Operations
International Bank for Reconstruction and Development (IBRD)	Provides loans and development assistance to middle-income countries (975$<PCI<10.000$) for sustainable development	1945	187	**Cumulative lending:** $524 billion **Fiscal 2010 lending:** $44.2 billion for 164 new operations in 46 countries
International Development Association (IDA)	Plays an important role to reduce poverty in the poorest countries (PCI < 1135 $), to which it provides interest-free long-term loans and grants.	1960	170	**Cumulative commitments:** $221 billion **Fiscal 2010 commitments:** $14.5 billion for 190 new operations in 66 countries.
International Finance Corporation (IFC)	provides investments and advisory services to build the private sector in developing countries	1956	182	**Committed portfolio:** $38.7 billion (plus $8 billion in syndicated loans) **Fiscal 2010 commitments:** $12.7 billion committed and $5.4 billion mobilized for 528 projects in 104 countries.
Multilateral Investment Guarantee Agency (MIGA)	Encourages foreign investment in developing countries by providing guarantees to foreign investors against loss caused by noncommercial risks.	1988	175	**Cumulative guarantees issued:** $22.4 billion (includes amounts leveraged through the Cooperative Underwriting Program) **Fiscal 2010 guarantees issued:** $1.5 billion for 19 projects.
International Centre for Settlement of Investment Disputes (ICSID)	provides facilities for settling investment disputes between foreign investors and their host countries	1966	143	**Total cases registered:** 319 **Fiscal 2009 cases registered:** 27

Source: World Bank Annual Report for Financial Year 2010, Pg:4-10

The Bank is one of the world's largest sources of funding for development. It has provided its funds, staff, and its experience for supporting development strategies, reducing poverty, increasing economic growth, and improving quality of life and living standards in member countries (World Bank Brochure, 2007:1-12).

The term "World Bank" refers specifically to the IBRD and IDA and mostly it is used for only IBRD. They provide financial and technical assistance to developing countries around the world. The world economy has experienced challenging economic, financial, and development conditions. Almost all economies have been adversely affected from these conditions which dominated the fiscal year programs of World Bank in 2009 and 2010. Bank's total lending for fiscal year (FY)[2] 2010, IBRD committed $44.2 billion for 164 new operations in 46 countries. IDA committed $14.5 billion for 190 new operations in 66 countries (in fiscal year 2009 it was totally $46.9, IBRD with $32.9 billion + IDA with $14 billion), which included loans, credits, guarantees, and grants (World Bank Annual Report, 2010::4-10).

While IBRD focuses on middle income and creditworthy poor countries, IDA focuses on the low-income poorest countries in the world. It is an obligation for a country to become a member of IBRD first to become eligible for other four institutions. Turkey graduated from IDA[3] and the largest parts of funds that Turkey has used are financed by IBRD. References in this study to the "Bank" or "the World Bank" are meant to apply to the IBRD unless specifically indicated otherwise.

Bank's activities and mission have been affected from many issues such as the crisis affecting developing countries, urgent economic problem and necessary rehabilitation activities after wars. The mission of the Bank has transformed in order to accommodate with world conjuncture which is varied throughout time. At today's World Bank, working for a world free of poverty" has become its mission (World Bank About Us, 2009).

2 Bank fiscal year (FY), beginning with July 1 and the subsequent end of the year to June 30

3 The countries which have more than 1135 $ PCI in 2010 FY are considered graduated from IDA. After graduation, countries are not eligible for IDA funds and they are supported by IBRD funds.

Nowadays, there are serious criticisms for the World Bank that has a mission of "working for a world free of poverty". Criticisms generally focus on bank's establishment, activities, operations and its mission.

One of these critics belongs to the Perkins and it is very remarkable: Perkins claims that World Bank was established to reconstruct the countries affected from World War II, but after the mission of the Bank has transformed in order to provide advantage for capitalist system against Soviet Union. He also claims that there is a good connection among the international organizations and multinational companies. They persuades foreign governments to accept funds especially from the World Bank and IMF to build dams, airports, other infrastructures and supports for some social economic policies that governments don't afford alone. In most case, the governments don't need and benefit from these kinds of investments or policies. Furthermore, he points out the membership, capital and voting power in the World Bank and claims that Bank just as other institution in Bretton Woods System (IMF) is not "the bank of World'' or institution instead it is a bank-institution that serves for just benefit of USA (Perkins, 2007, 3-5).

Today, international organizations, especially the World Bank, have an important role towards the reduction of destructive effects of globalization on developing countries, particularly for poor people in these countries. International organizations should implement policies and programs to balance and reduce the negative effect of globalization. One of the negative effects of globalization is making the income distribution worse both in a country among its citizens and among the countries due to the fact that globalization has not realized potential to eradicate poverty and promote economic growth. Therefore, the World Bank, by coordinating with other international organizations, should implement policies that makes phenomenon of globalization more humane, more efficient and more equitable which is also parallel to its mission of "a world free from poverty" (Stiglitz, 2004:9-15).

The World Bank and IMF are two of the most powerful international financial institutions and major sources of lending for developing low (mostly located in Africa) and middle income countries. As parallel to policies mentioned in the previous paragraph, the sources of the bank have been provided to the developing countries with investment and development loans. These funds are usually provided on condition that construction and engineering contracts are done by multinational companies, most of them are originally U.S. companies. They implement policies and dictate major changes in the economies of developing countries.

Most of the funds are in the form of loans that should be paid back by the taxpayers in the member countries. Governments usually have difficulties for repayment. Thus Bank and IMF dictate some political and economic policies to the borrower governments. While these policies provide some advantage to rich countries, especially USA and other G-7 countries and their companies, they also cause some long-term problems in developing countries. Developing countries has become more dependent on these institutions due to Bank's and IMF's activities for development and stabilization. In the long-run, developing countries' debt figures increase and parallel to this especially their natural resources such as petrol, natural gas can more easily be transferred to the rich countries. As a result of these, developing countries and their poor people have been suffered from disastrous affects of "Globalization" supported from these institutions.

1.2.International Development Association -IDA

1.2.1. General Information About IDA

The International Development Association (IDA) was established in 1960 and Turkey became a member in this year. IDA has 166 members and works with the poorest countries. It has an important role in the Bank's mission to reduce poverty by providing interest-free credits and grants for programs that boost economic growth, reduce inequalities and improve people's living conditions. It is one of the largest sources of assistance for the world's 78 poorest countries, 39 of which are in Africa (World Bank What is IDA, 2009).

The purpose of the IDA is written in its Articles of Agreement as: "promote economic development, increase productivity and thus raise standards of living in the less-developed areas of the world included within the Association's membership, in particular by providing finance to meet their important developmental requirements on terms which are more flexible and bear less heavily on the balance of payments than those of conventional loans" (IDA, 1960:3).

IDA complements IBRD with capital investment and advisory services. IBRD and IDA share the same staff and headquarters. These institutions have the same standards to evaluate projects. While IBRD provides funds for middle income level countries , IDA provides funds for poor countries whose Per Capital Income (PCI) level is below the "poverty level"[4].

IDA is legally and financially independent from IBRD. It has separate assets and liabilities. It is an obligation for a country to become a member of IBRD first to become eligible for IDA.

IDA provides funds with better conditions than IBRD. It provides interest-free loans and grants to the countries it helps with repayment periods of 35 to 40 years with a grace period of up to 10 years. Two criteria are used to determine which countries are eligible for IDA funds: country's per capita income (PCI) must be below a certain cut-off level (it is $1,065 for FY 2008, $1,095 in FY 2009 and $1,135 in FY 2010) and the country may have only limited or no creditworthiness for IBRD funds (IDA, 2007:111 & IDA, 2008:108-110).

IDA depends on contributions, most of its financial resources are in this form, from its wealthier member countries (including some developing countries). IDA loans mainly focus on: primary education, basic health services, clean water supply and sanitation, environmental safeguards, business-climate improvements, infrastructure and institutional reforms (Tünsoy, 2005:2).

1.2.2. Performance Evaluation of IDA in FY 2009-2010

1.2.2.1. Funds Provided by IDA

Since its establishment, total amount of IDA credits and grants has reached $222 billion as of end of FY 2010. In recent years, it has provided more than average annual $10 billion funds where approximately %50 goes to the African countries. IDA commitments were $14.5 billion in FY 2010, highest level in IDA history. This funding included $11.9 billion in credits and $2.7 billion in grants. The commitments in FY 2010 were provided for 190 new operations in 66 countries, approximately half of these were used by African countries, which received $7.2 billion, or 49 percent of total IDA commitments. South Asia ($4.6 billion) and East Asia ($1.7 billion) also received large

[4] "Poverty level" is a certain cut-off level of PCI which is below the certain amount. it has been updating every year ($1,065 in FY 2008 $1,095 in FY 2009 and $1,135 in FY 2010)

shares of committed funding. India and Vietnam were the largest country recipients (World Bank Annual Report, 2010:4, 9).

Top Ten Borrowers of IDA funds in fiscal year[5] 2010 are shown in the following table. Although the largest share of IDA resources has been committed to Africa, India and Vietnam were the largest single recipients of funding.

Table 2: FY10 Top Ten IDA Borrowers (Including Regional Projects)

Countries	Fund Amount (Million USD)
India	2,578
Vietnam	1,429
Tanzania	943
Ethiopia	890
Nigeria	890
Bangladesh	828
Kenya	614
Uganda	480
Dem. Rep. Congo	460
Ghana	433

Source: World Bank Official Web Site

1.2.2.2. Key Financial Indicators

Based on the IDA financial statements, major financial indicators in the 2006-2010 financial years as a comparison are summarized in the table below.

Table 3: IDA 2006-2010 Key Financial Indicators

IDA (Millions of Dollars)	FY06	FY07	FY08	FY09	FY10
Commitments	9,506	11,867	11,235	14,041	14,550
Of which development policy lending	2,425	2,645	2,672	2,820	2,370
Gross disbursements	8,910	8,579	9,160	9,219	11,460

[5] Bank fiscal year, beginning with July 1 and the subsequent end of the year to June 30

Of which development policy lending	2,425	2,399	2,813	1,872	3,228
Principal repayments (including prepayments)	1,680	1,753	2,182	2,209	2,349
Net disbursements	7,230	6,826	6,978	7,010	9,111
Credits outstanding	127,028	102,457	113,542	112,894	113,474
Undisbursed credits	22,026	24,517	27,539	29,903	30,696
Undisbursed grants	3,630	4,642	5,522	5,652	5,837
Development grant expenses	1,939	2,195	3,151	2,575	2,583

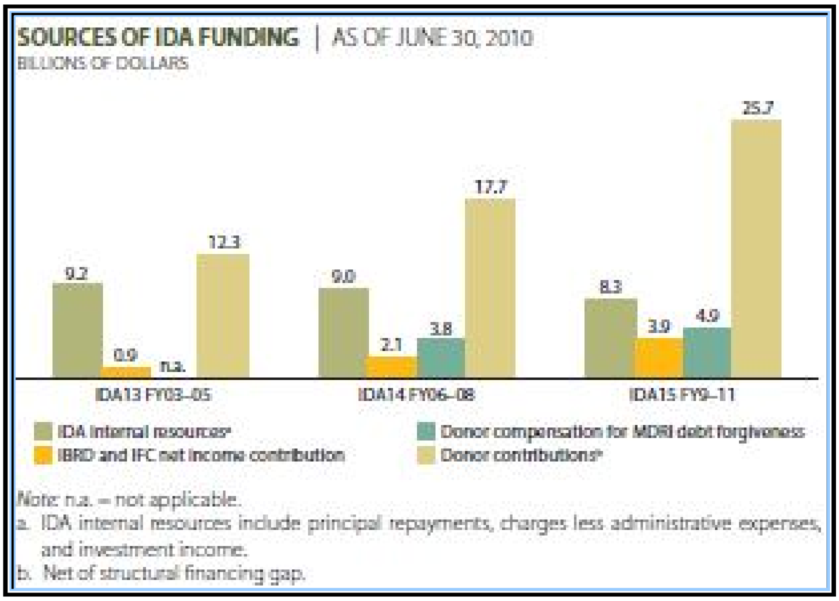
The World Bank Annual Report 2010 & http://web.worldbank.org/

IDA commitments were 14,55 FY 2010, which is %3,6 higher than previous financial year, and it was the highest level in IDA history ($14 billion in FY 2009, which is %25 higher than previous financial year). These commitments were provided for 190 new operations in 66 countries, the largest share of IDA funds was provided to Africa with $7.9 billion, or %56 of total IDA commitments (% 50 in FY 2008), South Asia $4.1 billion or %30 and East Asia and Pacific $1.2 billion or %9. On the other hand, in FY 2009 the largest part of IDA funds were committed in the Law-Justice and Public Administration with $2.6 billion, or %19 of total IDA commitments (WB Annual Report, 2008:4,9 & WB Annual Report, 2009:54-55).

1.2.2.3.Contributions From Donors Countries

Donor countries' contributions are the main sources of the IDA funds[6]. It will be provided $25.2 billion for FY 2009-2011 (it was $25.7 billion for FY 2006-2008). Transfers from IBRD's net income, grants from IFC, and borrowers' repayment (include service and commitment charges) of earlier IDA credits and gains and interest from investments are other financial sources for IDA operations. These sources are also illustrated in the following table (WB Annual Report, 2010:5).

[6] Donor countries pledged a record $25.2 billion for the World Bank to help overcome poverty in the poorest countries. In total the 15th Replenishment of IDA (IDA15) will provide $41.7 billion, an increase of $9.5 billion over IDA14, the largest expansion in donor funding in IDA's history.



Graph 1: Sources of IDA Funding
Source: The World Bank Annual Report 2010, Pg:5

As described in the following table, the contribution of donor countries in FY 2008 was $ 8,744 million and this figure has decreased to $ 8,475 million at the end of FY 2009. While United Kingdom has provided the most important contribution with the $1,075 million in FY 2008, USA has provided the most important contribution with the $1,263 million in FY 2009. Trust funds are provided for many development objectives at the global, regional and specific country levels (World Bank Annual Report, 2007:62 & World Bank Annual Report, 2008:64).

Table 4: Top Ten Trust Fund Donors in FY 2008-2009 (Million USD)

TOP 10 TRUST FUND DONORS | FISCAL 2008 AND 2009
MILLIONS OF DOLLARS

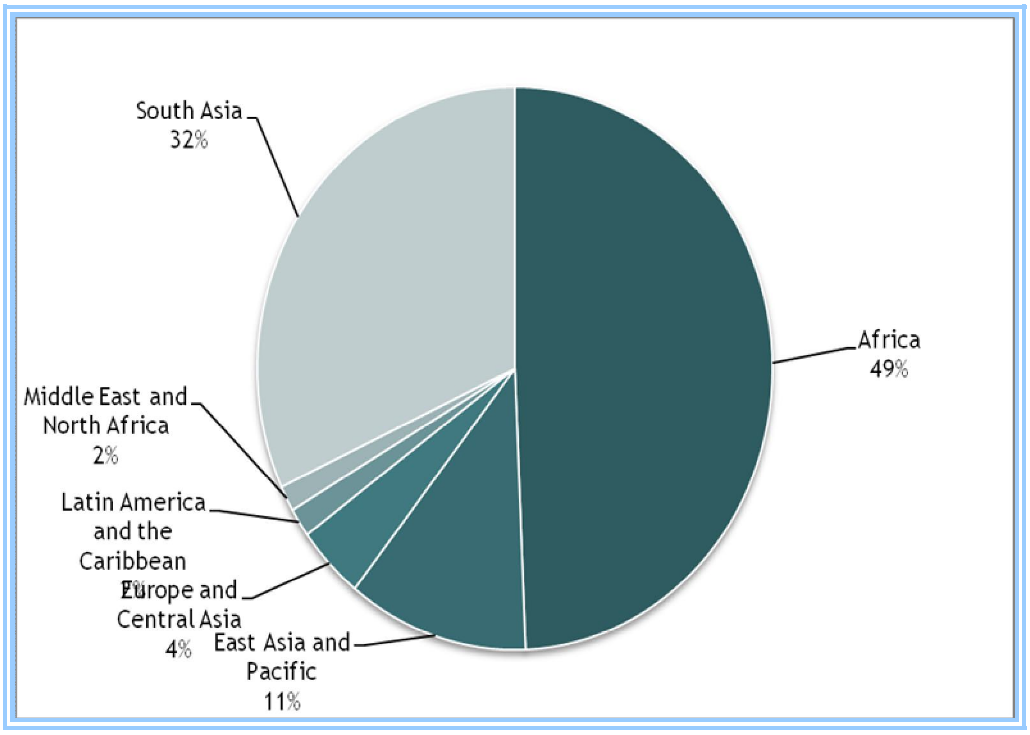
DONOR	2008	2009
United States	760	1,263
United Kingdom	1,075	918
Netherlands	677	703
Spain	321	491
Germany	505	480
France	736	436
European Commission	685	416
Japan	402	405
Norway	443	395
Canada	516	372
Others	2,624	2,596
Total	**8,744**	**8,475**

Note: Cash contributions to ICSID escrow accounts have been excluded from fiscal 2009 figures. Fiscal 2008 figures have been restated accordingly.

Source: The World Bank Annual Report 2008, Pg:64

1.2.2.4. Regional and Sectoral Distribution of Funds

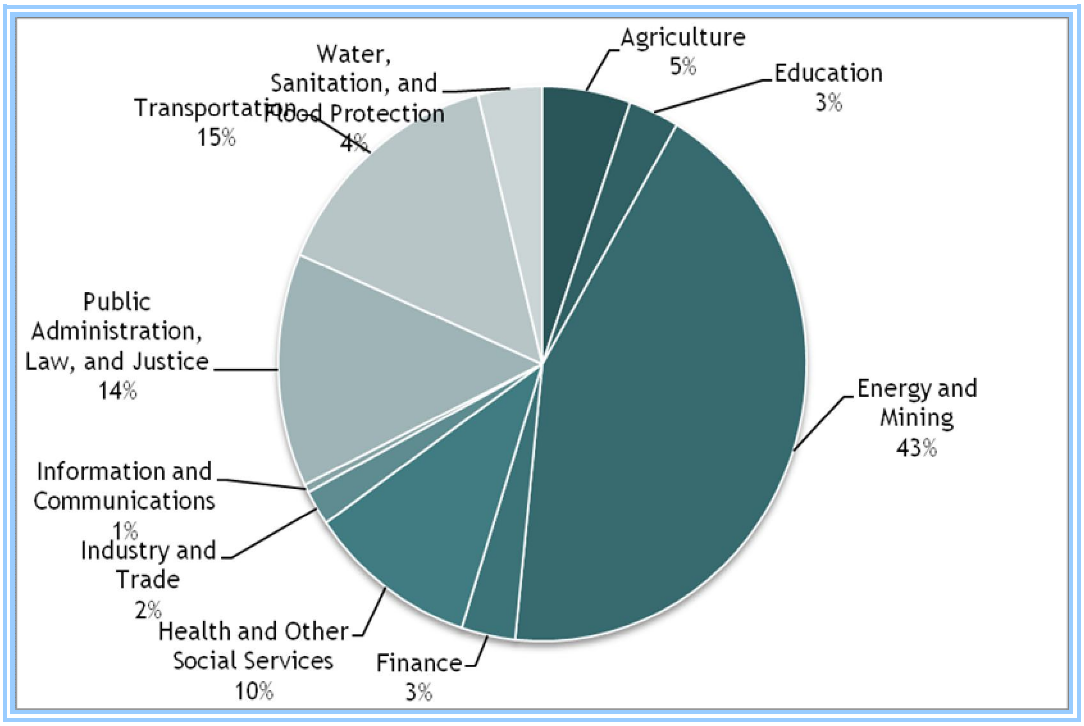
IDA commitments in FY 2010 have reached $14.5 billion to support 190 new operations in 66 countries. As seen in the following graph, most of the funds were provided for low-income regions. Almost half of IDA lending, or $7.2 billion, went to Africa, reflecting the fact that half of the 79 countries eligible for IDA funding are situated on that continent. The largest share of IDA funds has provided to Africa with %49 of total IDA commitments, South Asia %32 of total funds and East Asia and Pacific %11 of total funds. On the other hand, just 4 % were provided to in the Europe and Central Asia (ECA) region where Turkey is also within the borders of this region. Many countries in ECA region are not eligible for IDA funds due to having high PCI levels. (WB Annual Report, 2010:56).



Graph 2: Regional Distribution of IDA Funds
Source: The World Bank Annual Report 2010,

IDA funds can be used in different sectors. As shown in the following graph, the largest part of IDA funds were used in the energy & mining (%43), transportation (%15 of total IDA commitments); public administration sector (including law and justice), with %14 of total IDA commitments. IDA also has financed many infrastructure investments especially in health and other social services (%10); agriculture with (%5) water, sanitation, and flood protection (%4) and education with

(%3) of total IDA commitments (WB Annual Report, 2008:56 & WB Annual Report, 2010:1-31).



Graph 3: Sectoral Distribution of IDA Funds
Source: The World Bank Annual Report 2010

1.2.2.5.Debt Relief

IMF and World Bank introduced the "Heavily Indebted Poor Countries (HIPC)" initiative in September 1996 for external debt crisis of the poor countries, mainly located in Africa. The program was designed by Bank and IMF to extract the maximum in debt repayments from poor countries and to reduce Africa's debt burden to a "sustainable" level. G-7 counties together with these organizations proposed a debt cancellation plan for 18 countries, 14 of which are in Africa in July 2005. Then, Bank and IMF approved this plan through the "Multilateral Debt Relief Initiative (MDRI)" (Activitism for Africa, 2009).

Most of the world's most indebted countries are located in Africa. IDA, IMF and the African Development Fund have been implementing this policy for the eligible countries graduated from Enhanced Heavily Indebted Poor Countries (HIPC) Initiative. Donors decided to finance a package for the MDRI in March 2006. They will continue to provide additional contributions to ensure necessary resources for poverty reduction. (Multilateral Debt Relief Initiative , 2009).

There are 3 conditions for countries to be eligible for debt relief under the MDRI (IDA, 2006:1):

- Satisfactory macro-economic performance under an IMF poverty reduction and growth facility (PRGF) program or equivalent;
- Satisfactory progress in implementing a poverty reduction strategy (PRS); and
- An adequate public expenditure management (PEM) system that meets minimum standards for governance and transparency in the use o f public resources.

World Bank and the IMF decided the HIPC Initiative in 1996. IDA has provided more than $5 billion in debt relief to 33 countries since that year and more than $27 billion in debt forgiveness of principal under MDRI, introduced in 2006. Estimated total debt relief under HIPC ($18 billion) and MDRI ($37 billion) will be provided by IDA (World Bank Annual report, 2008:58).

Number of countries for which HIPC assistance has been committed as of February 19, 2009 is 35 while number of countries for MDRI is 26 (IMF, 2009:2).

As a result of IDA Executive Director approval, as the end of the FY 2008 $32.8 (it was $32.5 billion at the end of FY 2007) development credits outstanding were written off. The following table shows the amounts written off by country on an accumulated basis since implementation of the MDRI in 2006. The most benefited countries were Ghana $3.8 billion, Tanzania $3.3 billion Ethiopia $3.1 billion, Uganda $2.9 billion and Zambia $2.3 billion (IDA, 2007:122-123 & IDA, 2008:121).

Table 5: The Countries' Credits written off under the MDRI

In millions of U.S. dollars

Country	Cumulative amounts written off
Benin	$ 689
Bolivia	1,506
Burkina Faso	822
Cameroon	908
Ethiopia	3,053
The Gambia	214
Ghana	3,769
Guyana	221
Honduras	1,103
Madagascar	1,891
Malawi	1,865
Mali	1,260
Mauritania	607
Mozambique	1,189
Nicaragua	970
Niger	967
Rwanda	866
São Tomé and Principe	69
Senegal	1,733
Sierra Leone	526
Tanzania	3,300
Uganda	2,923
Zambia	2,318
Total	$32,769

Source: IDA Special Purpose Financial Statements 2008, Pg.121

Majority of the countries benefiting from IDA debt relief are low-income countries located in Africa. Basic source of funds are provided by developed donor countries, especially Britain, the Netherlands and the United States. It is mission of IDA that providing funds to low-income countries with appropriate conditions to support development and poverty reduction policies. However, since low-income countries could not repay their funds financed by IDA, the cumulative amount of written off has risen year by year. The dependency of low-income courtiers on IDA so on the developed countries has been getting increase. This situation causes to serious criticism on IDA's mission and policies.

1.3. The International Bank for Reconstruction and Development - IBRD

International Bank for Reconstruction and Development (IBRD-World Bank), established in 1944 as the original institution of the World Bank Group, has 185 members. Turkey has been a member of this organization since 1947. IBRD is owned and operated for the benefit of its member countries. IBRD's goal is to reduce poverty not only in middle-income countries but also in creditworthy poorer countries. IBRD promotes sustainable development through its funds (loans, guarantees, and risk management products) and its analytical and advisory services. Even though IBRD is not a profit oriented organization, each financial year it has had a net income from its operation since 1948. The incomes that IBRD has generated over the years have been used for not only IBRD's development supports to reduce poverty in developing countries but also financial strength for its future operations. As a result of this, IBRD has provided its resources to member countries with good borrowing terms (long maturity and grace period with a lower cost) (World Bank About Us, 2009).

IBRD's member countries, compared with commercial banks' customers in the international market, has a better lending conditions (low interest, longer maturities, principal payments begin after grace period (usually 3-5 years), interest and foreign currency conversion, etc…). IBRD, generally, provides funds in countries for many purposes such as: poverty reduction, supporting social services, environmental protection, improvement of living standards and promote economic development. It also partially or fully finances the projects and policies in the member countries for these purposes. IBRD may be assessed also as specialized institution in such issues. (Tünsoy, 2005:5).

1.3.1. The World Bank's Foundation Aims and Articles of Agreement

The arrangements for foundation operations of Bank are written in its "Articles of Agreement". In a way, it is the main contract and like a constitution of the World Bank. Articles of Agreement is composed of 11 articles, 58 sections and 2 schedules. IBRD was established and it operates in accordance with the provisions in the agreements in which last amendments were made in February 16, 1989. The articles are: (IBRD, 1989:1-21);

I: Purposes
II: Membership in and Capital of the Bank
III: General Provisions Relating to Loans and Guarantees
IV: Operations
V: Organization and Management
VI: Withdrawal and Suspension of Membership: Suspension of Operations
VII: Status, Immunities and Privileges

VIII: Amendments

IX: Interpretation

X: Approval Deemed Given

XI: Final Provisions

The Bank's purposes have been arranged in the first article. The summary of this article is illustrated below: (IBRD, 1989:1);

- Assisting in the reconstruction and development of territories of members by facilitating the investment of capital for productive purposes, and the encouragement of the development of productive facilities and resources in less developed countries,
- Promoting private foreign investment by means of guarantees or participations in loans and other investments made by private investors,
- Developing international trade and maintaining balance of payments stability by encouraging international investment for the development of the productive resources of members,
- Arranging the loans made or guaranteed by it in relation to international loans by other sources to support more useful and urgent projects first,
- Assisting for a smooth transition from wartime to a peacetime economy. Providing most appropriate conditions for international investment and business conditions in post-war period in the territories of members.

When we look at the above objectives we can say that Post War's socio-economic conjuncture in the world had an important role for determining the purposes. But the economic environment and conditions in which the founders expected Bank to function is not available now. The crisis affecting developing countries, urgent economic problem and necessary rehabilitation activities after wars have affected Bank's activities and mission. Therefore, Article of Agreements has been amended several times. The mission of the Bank has transformed in order to accommodate with world conjuncture which is varied throughout time.

International organizations, especially the World Bank, have responsibility for abating the disastrous affects of "Globalization" on both developing countries and their poor people. Nowadays, there are serious criticisms for the World Bank that has a mission of “working for a world free of poverty”. This mission is a long-term goal but it is not easy to measure and achieve ending or reducing poverty. Bank should determine more achievable and measurable goals such as improving quality of life and living standards and achieving millennium development goals, especially for people in the low and middle income countries.

1.3.2. The World Bank’s Sources of Financing

While the main source of IDA is obtained from contributions of developed member countries, IBRD’s main source is obtained from its income on investments in financial markets. IBRD obtains majority of its funds in financial markets by issuing bonds and other financial instruments. To cover borrowing costs and administrative expenses, IBRD charges borrowing countries (interest, fee and commitments). These charges paid by developing countries were $24.4 billion between 2004 and 2008. So we can say that equity, debt and other income (interest, securities revenues, and profits) are the main sources of the IBRD.

1.3.3. Capital of World Bank and Voting Power

World Bank has similar organizations chart with IMF. It has a Board of Governors, Executive Directors, a President and other officers and staff to perform Bank duties and operations. To be a member of bank, first of all a country should be a member of IMF. After the debt, World Bank's most important funding source is its capital. According to the Bank's article of agreement, the total amount of funds provided by bank can not exceed the sum of subscribed capital, reserves and surplus of the Bank. While allocating funds to members, Bank considers the member countries' quotas in the IMF (IBRD, 1989:1-23).

Member States’ voting power in IBRD plays an important role in the allocation of funds. In the process of determining each member's voting power, the share capital of member which is calculated according to the relative economic strength of each member is taken into account. As a result, countries with a high capital share in the Bank have become more effective and active in the decision making process of allocation and uses of funds.

World Bank started its operation with $7.67 billion capital in 1946 (Cenk, 1996:7). Total capital of the bank as of end of 2008 fiscal year has increased to $189.92 billion. Majority of capital is unpaid. Total paid-in capital is $11.49 billion, while the remaining $178.43 billion is subscribed-unpaid (IBRD, 2009/a:47).

Each member country of the World Bank has a share capital. The capital of World Bank and the share of member countries in the amount of capital are denominated in U.S. dollars. The amount of share capital determines the voting power of the member country in the Bank.

Statement of subscriptions to capital stock and voting power are summarized in the following table (IBRD, 2009/a:55-58).

Table 6: Top 11 Countries and Turkey's Statement Of subscriptions To Capital Stock And Voting Power (As of June 30, 2009)

	SUBSCRIPTIONS		VOTING POWER	
Member	**Total amounts (Million $)**	**Percentage of Total (%)**	**Number of votes**	**Percentage of Total (%)**
United States	31.965	16,83	265.219	16,36
Japan	15.321	8,07	127.250	7,85
Germany	8.734	4,60	72.649	4,48
United Kingdom	8.372	4,41	69.647	4,30
France	8.372	4,41	69.647	4,30
China	5.404	2,85	45.049	2,78
Italy	5.404	2,85	45.045	2,78
India	5.404	2,85	45.045	2,78
Canada	5.404	2,85	45.045	2,78
Saudi Arabia	5.404	2,85	45.045	2,78
Russian Federation	5.404	2,85	45.045	2,78
Total of 11 Countries	105.188	55,42	874.686	53,97
Turkey	1.005	0,53	8.578	0,53
Total of 186 Countries	**189.918**	**100**	**1.620.815**	**100**

Source: IBRD Financial Statements and Internal Control Reports 2009, Pg:55-58

As seen above table; U.S. is the country with the highest share. USA's capital contribution is $ 31,965 Million, and 16.83% of total share capital in kind. After the USA, the most important contributions are provided by Japan, Germany, England and France.

Turkey's total capital contribution is $1,005 million. The contribution of capital commitments to be connected by bonds and just $59.8 million has been paid. Turkey's total number of votes is 8.578 which is 0.53% of total voting power. In terms of capital contribution, Turkey is in the 36th place and in its country group (ECA Region) it is in the 3rd place (Hazine Müsteşarlığı, 2008/c).

A member country's voting power is equal to the sum of the "fixed number of votes" and the "variable number of votes". Each member countries have 250 fixed votes plus one additional vote for each share of stock held. So fundamental issue affecting member countries' voting power in the World Bank is variable vote determined by the share of stock held (Eğilmez, 1996:75).

The number of shares a country has is mainly based on the size of its economy. The USA is the largest single shareholder, with 16.36% of votes, followed by Japan (7.85%), Germany (4.48%), the United Kingdom and France (4.30%) (IBRD, 2009/a:55-58).

If there is no specific condition, matters in the Bank are decided by a majority of votes. The voting power in the Bank, where member countries are the owner, is determined by the capital share. Actually, this capital share is calculated according to each member's relative economic strength. The countries having higher capital share become more effective in the Bank's decision making process for resource allocation and use of funds. As a result of this situation, in the process of fund allocation and uses of funds for related projects or policies, political preferences and decisions become more important than rational criteria such as feasibility of the project or program, the cost-benefit analysis of the projects, fund needs of borrower countries and their priorities.

In recent years, there are serious criticisms from many low-income and developing countries' public opinion for the World Bank and IMF. Their missions also have been discussed. They have responsibility for abating the disastrous affects of "Globalization" on both developing countries and their poor people. The criticisms focus on global economic issues, especially why these organizations can not foresee and prevent economic crises and not have faster and more effective intervention methods on global economic issues.

One of the most important criticisms for these organizations is their capital structure and voting power system. The World Bank, as in IMF, is controlled by the world's richest countries. Members with the greatest financial contributions have the greatest power in the decision-making process of the bank. G-7 rich countries control almost 45% of World Bank votes. The rest of the 55% voting power are shared among the other 179 member countries. This voting system provides Bank to act in the interest of the rich countries, promoting a model of economic growth in which richest countries and their international private companies are benefited from.

G-7[7] countries, especially USA, have benefit from World Bank's current capital structure, its distribution, voting power and so as the decision-making process. As a result of these, G-7 countries' interests and political preferences have become more important in the process of Bank's resources allocation-use and in the process of determining and implementing policies.

However, the actual beneficiary of World Bank resources are both developing countries such as Turkey, China, India, Pakistan and Mexico and low-income counties, most of them in Africa. These countries have been using the largest share of IDA and IBRD resources due to the having low Per Capital Income (PCI) level. For this reason, necessary arrangements must be made for the World Bank's capital structure and voting power system. As a result of these arrangements, there should be given more voting power (more voice, chair and participation) to the low-income and middle-income countries. These countries should have more power in the decision making process for by Bank's resource allocation and uses of funds .

On the other hand, providing large amounts of funds in line with the mission does not eliminate responsibility of the World Bank to developing countries. Economy, efficiency and effectiveness of the funds are more important than its volume. Therefore, there should be serious continuously external performance audit for the bank. The Bank should first set of the standards of accountability and transparency then become a good

7 G-7 Countries: United States of America, Canada, France, Germany, Italy, Japan and United Kingdom

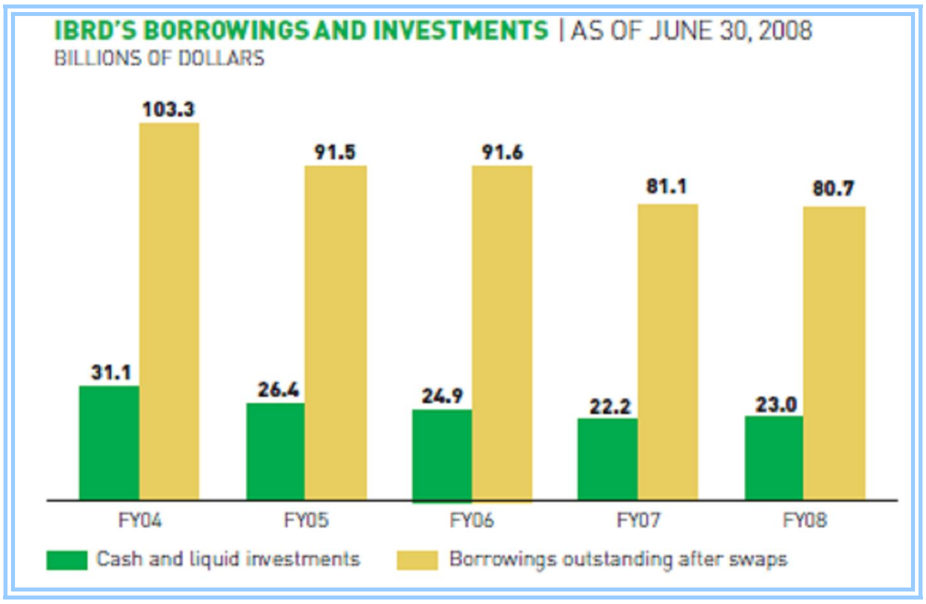
model that it promotes to its borrowers (Lerrick, 2006:1-2).

The world bank should be more customer oriented in their operations. There will be more economic, efficient and effective way in the allocation and use of bank funds, if Bank considers actual beneficiary low-income and developing countries' needs and preferences instead of political decisions and preferences of fund provider developed countries. Increase in performance will also contribute the Bank to achieve its mission: " world free from poverty".

1.3.4. Debt Provided by Bank From Different Sources

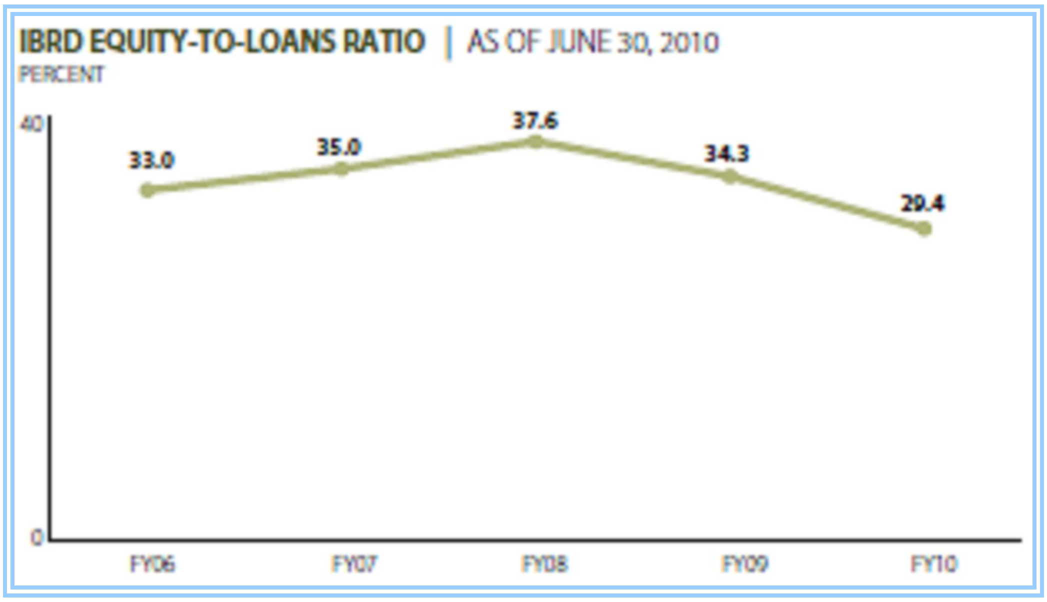
World Bank's primary source of funds is provided by borrowing from financial markets by selling AAA-rated bonds and other debt securities rather than its capital. Bank has high credit rating in the financial market. As a result of its strength financial position, credit rating, capital level, its prudent financial policies and risk controls mechanisms, debt issued by the World Bank has been AAA-rated since 1959. Bank sells its bonds pension funds to insurance companies, corporations, other banks and individuals around the globe in the international financial market (IBRD, 2008/b:21-22 & World Bank About Us, 2009).

High credit rating provides bank to borrow from international financial markets through the use of various financial market instruments with a more appropriate lending terms (long maturities, low interest). World Bank gets most of its funds by selling bonds in international capital markets with high volumes on very favorable conditions. In fiscal 2008, Bank obtains \$19 billion (\$11 billion in FY 2007) debt at medium- to long-term maturities. Thus, countries borrowing from bank can obtain funds with more suitable conditions in terms of both interest and maturity than if they borrow from commercial banks. As seen in the following graph; as the end of the 2008 FY, the amount of Bank debt (borrowings outstanding) is \$80.7 billion. This corresponds to about %43 of its capital. On the other hand, Bank maintained adequate liquidity (\$23 Billion I FY 2008) to ensure its ability to meet its obligations. (World Bank Annual Report, 2008:61)



Graph 4: IBRD'S Borrowings And Investments
Source: The World Bank Annual Report 2008

World Bank meets most of its funds that it provides member countries in a year through borrowing from international capital markets. As seen in the following graph; Although the share of funds provided from bank's equity rises year after year and has an increasing trend, equity/loans ratio became % 29.4 as of June 30, 2010. In other words 70.6% of bank loans that provided to its members are obtained from other sources (borrowing from international capital markets). The ratio of equity to outstanding net loans also measures the Bank's risk profile (World Bank Annual Report, 2008:61).



Graph 5: World Bank's Equity-To-Loans Ratio
Source: The World Bank Annual Report 2010.

On the other hand, Bank obtains some gains through lending funds from its own sources (equity) and borrowing from international capital markets. These are classified under the other income groups and consist of interest, fees and commitments (front end fee and commitment fee), shares, bonds and bills market revenues and its profit from its operations.

1.3.5. Performance Evaluation of World Bank (IBRD) in FY 2009-2010

1.3.5.1. General Information

World Bank's performance assessment in fiscal year 2010 is based on Annual Report of World bank (IBRD and IDA) , which covers the period from July 1, 2009, to June 30, 2010, together with the accompanying Management and Internal Control Reports and audited financial statements by independent auditors.

Annual Report of World Bank has been prepared by the Executive Directors of both the IBRD and the IDA in June 30, 2010 . Robert B. Zoellick, President of IBRD and IDA, and Chairman of the Board of Executive Directors, has submitted this report, together with the accompanying administrative budgets and audited financial statements, to the Board of Governors (World Bank Letter of Transmittal, 2010:1).

1.3.5.2. Funds Provided by Bank and Key Financial Indicators

Since its establishment total cumulative amount of IBRD funds has reached $524 billion dollars at the end of FY 2010. In recent years, annually average over the $11 billion funds have been provided to the member countries where IBRD commitments in fiscal 2010 totaled $44.2 billion (exceeding the historic high levels of commitment in FY 2009), which included loans, credits, guarantees, and grants. Based on the IBRD financial statements, major financial indicators in the 2006-2010 financial years as a comparison are summarized in the following table (World Bank Annual Report, 2010:1-31 & IBRD, 2009/a:44-91 & IBRD, 2009/b:1-41).

Table 7:IBRD 2006-2010 Key Financial Indicators (Million USD)					
IBRD (Millions of Dollars)	FY06	FY07	FY08	FY09	FY10
Commitments	14,135	12,829	13,468	32,911	44,197
Of which development policy lending	4,906	3,635	3,967	15,532	20,588
Gross disbursements	11,833	11,055	10,490	18,564	28,854
Of which development policy lending	5,406	4,096	3,485	9,138	17,425
Principal repayments (including prepayments)	13,600	17,231	12,610	10,217	11,624
Net disbursements	(1,767)	(6,176)	(2,120)	8,347	17,230
Loans outstanding	103,004	97,805	99,050	105,698	120,103
Undisbursed loans	34,938	35,440	38,176	51,125	63,574
Operating income	1,740	1,659	2,271	572	800
Usable capital and reserves	33,339	33,754	36,888	36,328	36,106
Equity-to-loans ratio	33%	35%	38%	34%	29%

The World Bank Annual Report 2010 & http://web.worldbank.org/

As seen in the table above, IBRD has provided totaled $44.2 billion for 164 operations in FY 2010 ($ 32.9 billion for 126 projects in FY 2009) reflecting an increase of $11.3 billion. In response to the global financial crisis, IBRD's commitments have totaled $77,108 million in the last two fiscal years. Latin America and Caribbean received the greatest share of IBRD's commitments with $13,7 billion. This region was followed by ECA with $10,2 billion and South Asia with $6,7 billion. On the other hand, Energy and mining sector received the largest share of commitments with %20. This sector was followed by Finance sector with %19 and Law-Justice and Public Administration with %18 (World Bank Annual Report, 2010:1-9).

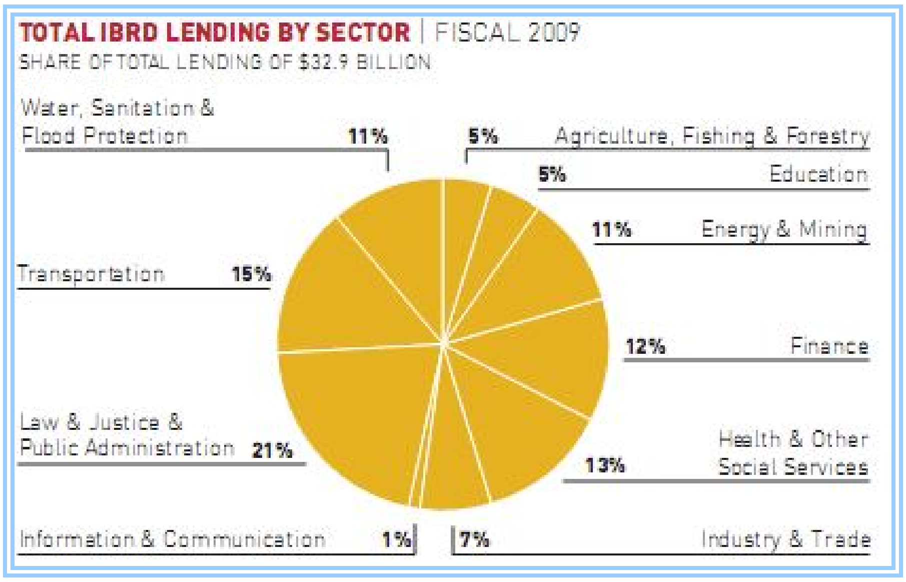
Net disbursement amount before the economic crisis was negative. IBRD has increased its commitments during the crisis period. IBRD has disbursed $18,6 billion in financial year 2009, as a result commitments in 2009 and/or previous years. However, debtor countries made $10.2 billion principal repayments to IBRD because of their disbursements in previous years. Thus, net disbursement amount in fiscal year 2009 has realized as positive ($8,347 billion) after previous 4 financial years' (2004-2008) negative figures. Net disbursement amount has been increasing in fiscal year 2010 and become as $17,230 (Ibid:1-9).

In fact, in the 2004-2008 financial years, net disbursement from IBRD has realized as negative. This means that IBRD has made collection from debtors which are greater than its commitments. In other words, debtor member countries have made more repayment (principal and interest, due to their loan outstanding balance in IBRD) than amount of their disbursement from IBRD in recent years. As a result of this trend, total borrowers obligations to IBRD (loan outstanding of member countries) have decreases year by year. But the current global economic crisis has affected this trend by increasing loan outstanding figure in FY 2010 from $105,968 to $120,103 million.

As expressed in the above paragraph, **if we don't consider the effect of the current global economic crisis**, IBRD loans outstanding balance (claims from debtor countries) has shown a tendency toward decrease since 2003. The loan outstanding figure was $116.2 billion in FY 2003. Then it has started to decrease year by year and became $97,8 billion in FY 2007 ($99 billion for FY 2008). Thus, in recent years, IBRD has become debt collector institution rather than net fund provider. If this trend continues in the subsequent years, fund user member countries should run and find alternative fund sources.

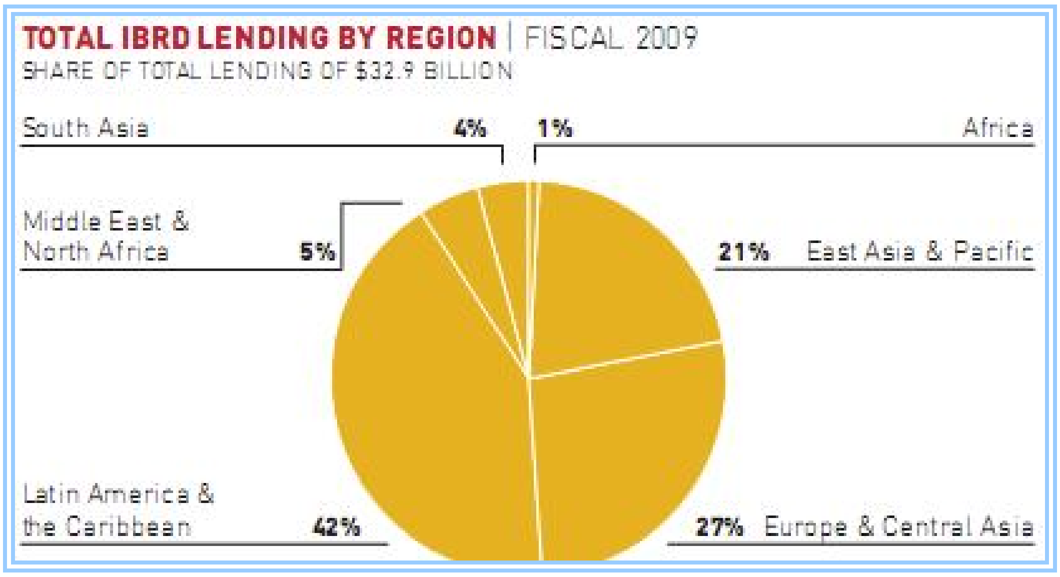
1.3.5.3.Regional and Sectoral Distribution of Funds provided by Bank

The following graph shows sectoral distribution of $32,9 billion IBRD commitments in FY 2009. IBRD committed $32,9 billion for 126 projects in FY 2009 reflecting an increase of $19.5 billion (%144) from the FY 2008 level of $13.4 billion for 99 projects. This amount is the new record of the IBRD exceeding the previous record of $22 billion realizing during Asian financial crisis of 1999. Law-Justice and Public Administration sector received the largest part of IBRD funds with %21 (%18 in FY 2008). This sector was followed by the "Transportation" %15 (%23 in FY 2008), "Health and Other Social Services" %13 (%5 in FY 2008), "Finance" %12 (%8 in FY 2008), "Energy and Mining" with %11 (%20 in FY 2008) and "Water, Sanitation & Flood Protection" sector with %11 (%10 in FY 2008) (World Bank Annual Report, 2009:59-60).



Graph 6: IBRD Lending By Sector in FY 2009
Source: The World Bank Annual Report 2009.

As described in the following graph, once again Latin America and the Caribbean region received the largest part of IBRD funds with %42 in FY 2009 (%32 in FY 2008). This region was followed by Europe and Central Asia (ECA), Turkey is also in this region, with %27 (%28 in FY 2008), East Asia and Pacific region with %21 (%20 in FY 2008). On the other hand, %49 of IBRD funds was provided just for 5 countries. These countries are Brazil, China, Indonesia, Mexico and Poland. This ratio was worse and the countries were Turkey, Azerbaijan, Brazil, China and India in previous financial year. Their combined commitments were higher %53 in financial year 2008 (World Bank Annual Report, 2009:60).



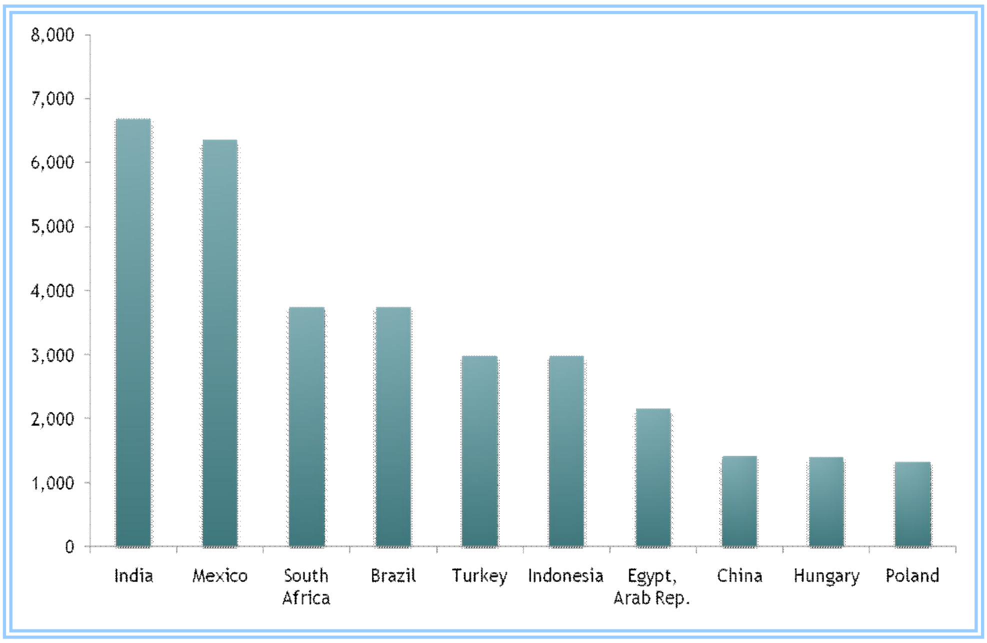
Graph 7: IBRD Lending By Region in FY 2009
Source: The World Bank Annual Report 2009

One point also should be considered; Africa region received the smallest share of IBRD lending with less than %1, as in previous year. That's because most of the countries in this region have very low per capital income level and they are classified as low-income (poor) countries. So they are eligible for using IDA funds in more appropriate conditions (low or no interest-other charges and fees, longer maturity and grace period).

In the 2007, 2008 and 2009 financial years almost half of IDA funds were provided to African countries. Since its establishment total amount of IDA credits and grants has reached $207 billion at the end of FY 2009. In recent years, it provides average annual 10 billion dollars funds where approximately %50 goes to the African countries.

There is serious criticism about distribution of funds among countries: a wide gap exists between the Bank' s mission and its performance and achievements. While Bank claims to provide most of its funds for poor countries that in need of official assistance because of poverty and lack of access to capital markets, Bank has provided largest share of its resources flows to a few countries with access to private capital. Most of these countries are credit- worthy borrowers, that access to private resource flows and international capital markets. Thus, Bank should provide most of its funds, as parallel to its mission, to the poorest countries that lack capital market access (Meltzer Report, 2000:10-11).

Top Ten Borrowers of IBRD funds in fiscal year 2010 are shown in the following table. As in IDA resources, India is the largest recipient of IBRD funding, while Mexico, South Africa, Brazil and Turkey were the largest single recipients of funding.



Graph 8: IBRD Top 10 Borrowers in FY 2010, (Million $)
Source: The World Bank Annual Report 2010

There are serious criticisms for the sectoral distribution of IBRD funds and for beneficiary countries and regions benefited from these funds. Furthermore, in parallel to these, criticism focuses on IBRD's mission of "World free of poverty":

Perkins criticizes current situation of global economy and activities of World Bank. The main current problems according to Perkins are summarized below. He stresses that this situation need to be changed (Perkins, 2007:334-341):

- As a result of economic policies applied in the current global economic world, more than half of the world's population has to live with 2 dollars daily income.
- More than two billion people can not benefit from basic human needs such as electricity, clean water, health services, property rights, communications, police and firefighters.
- %55-%60 World Bank financed projects results with fail.
- The cost of managing the Third World debt becomes more than all of the Third World countries' health or education spending. Third World debt, as increasing year by year, has been by 3 trillion dollars.
- In many countries, 1% of the population has over 90% of private property.
- Every day at least 34,000 children under the age of five die due to starvation or disease that can be prevented.
- Military expenditures are quite high.

The World Bank undertook important missions and a pioneer role as an important actor for the development aid sources in the international monetary system. The Bank has supported important projects and government programmes in order to ensure economical and social improvement of the developing countries since it was founded. Expectations from the World Bank is to use its resources, in accordance with its mission of "“working for a world free of poverty”, more for development-oriented projects and programs and poverty reduction and for mitigating disastrous affects of “Globalization” on both developing countries and their poor people.

Findings and recommendations summarized above paragraphs should be taken into consideration. In the allocation of funds provided by IBRD, the share of transport, industry, education, health and social services sector should be increased. IBRD should give priority to the projects and programs that supports sectors more related with its mission.

II. PROJECTS CYCLES AND COST-BENEFIT ANALYSIS (CBA) OF WORLD BANK FINANCED PROJECTS

2.1. Types of Lending Instruments

World Bank provides 3 kinds of lending instrument to member countries. These are: investment (project) loans, development policy (program-adjustment) loans and the hybrid loans, a combination between a pure investment loan and a development policy loan.

2.1.1. Investment Loans

Investment loans are generally provided for financing goods, works, and services in support of economic and social development projects. They have a long-term focus (5 to 10 years). There are some requirements in the process of Bank's decision process for investment loans such as project should contribute to borrower country's economic development, loans should be used for strong, productive and feasible projects, and the borrower country should have loan repayment capacity (Tünsoy, 2005:14 & World Bank, 2001:5).

Bank Investment loans provided by the Bank for a project do not fully finance the project. Bank partially finance a project, the remaining portion is financed by beneficiary country's internal sources and/or by outside sources (other international organizations, other countries). In other words, investment projects are funded with cofinance method. The purpose of this method is to prevent payments of the tax, fees, etc.. from Bank sources and ensure ownership of the project by member countries (Eğilmez, 1996:75).

The most of the investment loans are either Specific Investment Loan (SIL) or Sector Investment and Maintenance Loan (SIM). Adaptable Program Loan (APL) and Learning and Innovation Loan (LIL) were introduced recently by Bank to provide more innovation and flexibility to borrower countries. Technical Assistance Loan (TAL), Financial Intermediary Loan (FIL) and Emergency Recovery Loan (ERL) are other type of investment loans tailored to borrower countries' specific needs.

2.1.2. Development Policy Loans

Development policy (program-adjustment) loans are generally provided in exchange for commitments by borrowers to support social, structural, and institutional reforms in a sector or support all economy. Policy loans have a short-term focus (1 to 3 years), and provide quick-disbursing external financing. Coordination with the IMF is an important part of the preparation of a policy loan. Like IMF stand-by agreement, funds are disbursed in one or more stages (tranches). Fulfillment of various socio-economic, politic and legal objectives can be a requirement for release of tranches. When the borrower country complies with determined conditions, criteria or benchmarks or achieves socio-economic performance indicators and satisfactory macro-economic environment, then tranches are released by the bank for borrower country (World Bank, 2001:3, 13).

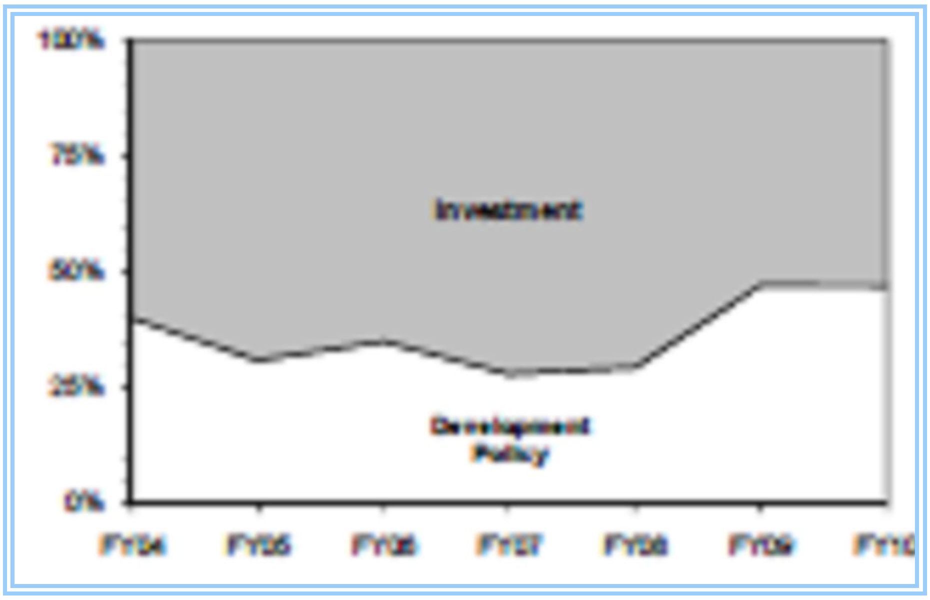
The purpose of development lending is to ensure countries, affected by internal and external shocks and crisis, to capture growth rate of pre-schock period by implementing 4-5 years adjustment policies. It supports countries to prevent crisis or to mitigate adverse economic and social impacts of current crisis (Wolff, 1987:33).

The most commonly used development loans are Structural Adjustment Loan (SAL) and Sector Adjustment Loan (SECAL). Programmatic Structural Adjustment Loan (PSAL), Special Structural Adjustment Loan (SSAL) and Rehabilitation Loan (RIL) are other types of development t loans, designed to respond to specific borrower needs.

2.1.3. Types of Lending Instruments Provided by World Bank

Almost all of IBRD loans are provided to support investment projects or programs in member countries. The following graph shows the percentage of IBRD loans approved for development policy or investment lending between 2003-2009 financial years. We can say that importance of investment loans has been going on. Except in FY 2002, the share of investment loans is higher than policy loans. Because of the global financial crisis in 2001, World Bank's policy loans, having a short-term focus, had a higher share than investment loans in the following financial year.

Mainly because of the current global economic crisis, development-policy lending's share has reached % 41,2 of total IBRD lending in fiscal year of 2009 (it was %29,46 in FY 2008 and %28,34 in FY 2007). That means remain part (58,2% of total IBRD lending) has been committed for the investment projects. But because of the economic crisis staring in 2008, the share of the Development-policy lending has been increasing in FY 2009 and 2010. As seen from the following graph new IBRD commitments to investment and development-policy lending were 53% and 47% which is consistent with FY 2009 levels (IBRD, 2009/b:12 & World Bank Annual Report, 2010:1-9).



Graph 9: IBRD Lending Commitments
Source: The World Bank Annual Report 2010

As described in the following table, IBRD committed $13,4 billion in FY 2008. In that year, new IBRD commitments for development policy lending was 29% of total commitments (28% FY 2007; 35% FY 2006) while remain commitments were provided to support investment loans, (71% FY 2008; 72% FY 2007 and 65%FY 2006). IBRD has provided $ 13.5 billion for 99 projects in fiscal year 2008, reflecting an increase of $0.7 billion (%5) from the FY 2007 level of $12.8 billion for 112 projects. In FY 2008; 83 of total 99 projects (84%) were investment project, while the remaining 16 (16%) were development projects. In FY 2007; 90 of the total 112 projects (80%) were investment projects while the remaining 22 projects (20%) were development projects (World Bank Annual Report, 2008:1-64).

Table 8: Distribution of Lending Instruments Provided by IBRD					
	2004	**2005**	**2006**	**2007**	**2008**
Total Commitments (I=II+III) (Million $)	**11.045**	**13.611**	**14.135**	**12.829**	**13,468**
Development policy lending (II)	4.453	4.264	4.906	3.635	3,967
Investment Lending (III)	6.592	9.347	9.229	9.194	9,501
Number of Projects (A=B+C)	**87**	**118**	**113**	**112**	**99**
Development policy lending (B)	18	23	21	22	16
Investment Lending (C)	69	95	92	90	83

Source: The World Bank Annual Report 2008, Pg:1-64

World Bank, from its foundation until 1980s, concentrated on investment loans which helps and contributes to developing countries achieving their development objectives. But in the last 25 years, it has also started to provide development (adjustment-program-policy) loans to change social structures of developing countries according to its development model. This change in its mission, in practice, has provided to the Bank making agreements with low-income and developing countries on not only traditional investment (project) loan but also Structural Adjustment Loan (SAL) and the more narrow range Sector Adjustment Loan (SECAL) particularly since 1980. In recent years, “Hybrid Loans”, mix of investment and development loans, has also started to apply (Kaya, 2002:19).

Thus, in recent years, World Bank has started to leave its mission related with doing project, supporting investment (long-term focus) for development. It has started focus more on policy lending for macro-stabilization policies (short-term focus) which are very compatible with IMF’s mission of financial stability. Policy lending is mainly the responsibility of the IMF, not the World Bank. This issue is considered as contrary policies to establishment’s mission of the World Bank and has been in serious criticism.

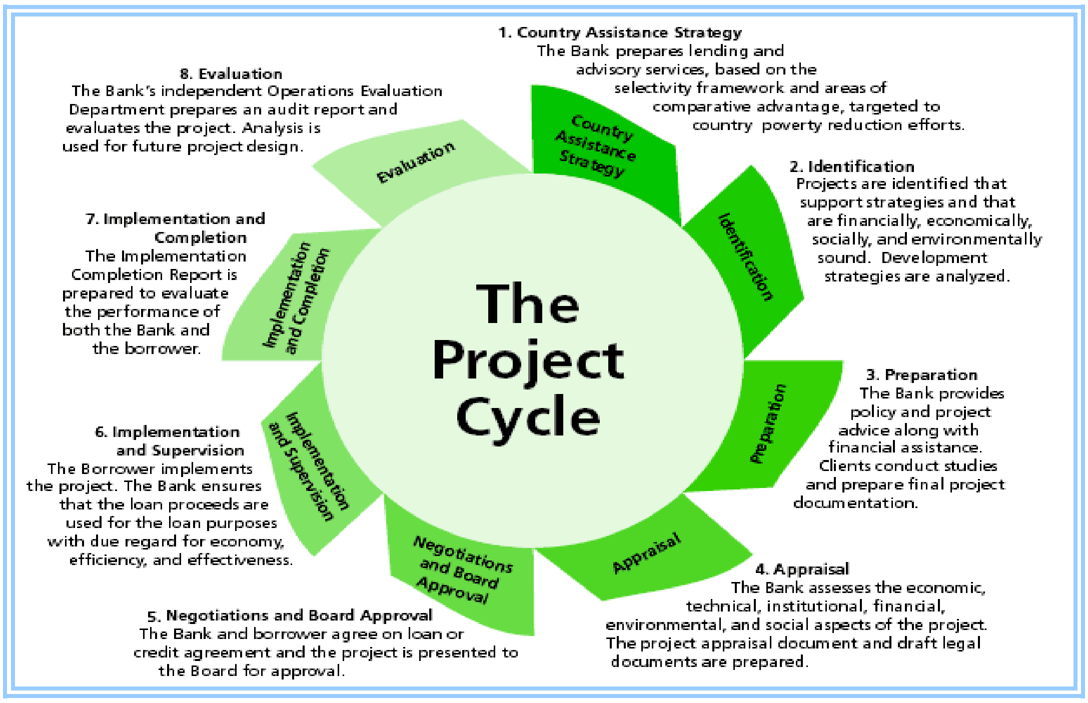
2.2. Phases of Projects Financed By World Bank

2.2.1. Project Cycle

The Bank has supported important projects and government programmes in order to ensure economical and social improvement of the low and middle income countries since it was founded. World Bank gave priority to traditional project (investment) loan agreements until 1980s. These loans are generally provided for financing goods, works, and services in support of economic and social development projects. Projects have a long-term focus and loans provided for the projects are disbursed in 4-5 years period.

Development policy (program-adjustment) loans have provided for 25 years to support social, structural, and institutional reforms in a sector or support all economy. Like IMF stand-by agreement, they have a short-term focus (1 to 3 years), and provide quick-disbursing external financing, and disbursed in one or more stages. The stages of development policy loans, in general, are different than investment loans. But, they have large similarities in the preparation, negotiation, approval and supervision stages.

Each stage in the project cycle shown in the following graph, in fact, is a phase of an investment (project) loan.



Graphic 10 : World Bank Project Cycle
Source: World Bank Web Site.

Before the loan agreement is officially signed between lender (Bank) and borrower, a project has to go through a project cycle procedure. Stages of a project cycle starts with Country Assistance Strategy (CAS) and Project Identification and with the following stages it is completed with the evaluation phase. There are following eight stages in a project cycle.

- Country Assistance Strategy (CAS)
- Project Identification
- The Preparation Phase
- The Appraisal Phase
- The Negotiation and Board Approval Phase
- The Implementation and Supervision Phase
- The Implementation and Completion Phase
- The Evaluation Phase

Country Assistance Strategy (CAS) was accepted as a new policy by Bank in July 1998 and has been implemented since then. It shows the program and support of World Bank Group for a particular country for the next 3-4 years period (World Bank Ülke Destek Stratejisi, 2008).

After the CAS is jointly prepared by the Bank and borrower, as illustrated also in the graph above, following stages are completed by Bank and/or by borrower: (IBRD, 2008/b:11)

- IBRD provides loans to governments, governmental authorities or private enterprises of its member countries to promote the use of funds for effective results.

- Identification phase of an investment project financed by IBRD loans is required to meet some IBRD standards such as economic, technical, financial, institutional and environmental. The development strategies are also analyzed in this stage.

- The process of a regular project identification, appraising a project, and approving and disbursing a loan longs over several years. But for emergency situation such as for an earthquake project it has a shorter period.

- Borrower prepares the project by considering technical, institutional, economic, environmental and financial issues. The Bank provides policy and project advice to borrowers during the preparation stage.

- Generally, the appraisal of projects is carried out by IBRD's operational staff (economists, engineers, financial analysts, and other sector and country specialists). They prepare either Project Appraisal Documents (investment projects) or Program Documents (for adjustment operations) for bank management's approval.

- Loan must be approved by IBRD's Executive Directors.

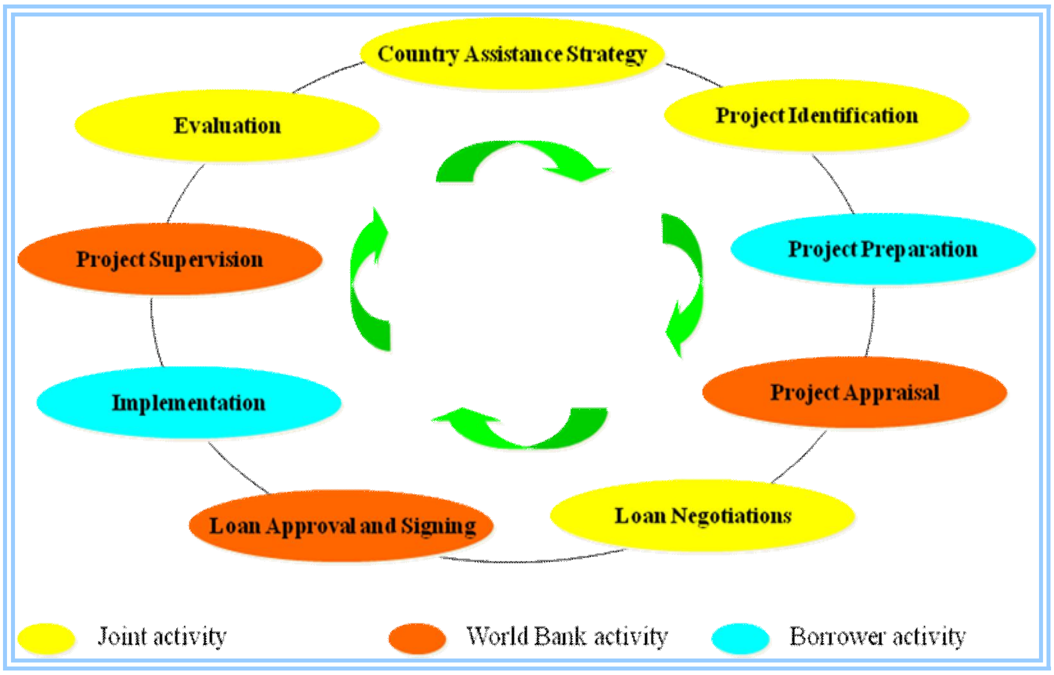
- Borrowing country is responsible for the implementation of the project, while the Bank is responsible for supervision. Borrower implements the projects by considering fulfillment of conditions as set out in the loan agreement. During implementation stage, IBRD's experts review progress, monitor compliance with IBRD policies and assist for problems for ensuring the use of funds more economic, efficient and effective.

- When the loan disbursement period finishes, a completion report is prepared to evaluate the performance of lender and borrower to identify accomplishments, problems, and lessons learned.

- The Independent Evaluation Group prepares an audit report to evaluate the projects and operations in terms of meeting major objectives and for future project design.

2.2.2. Responsibilities of Lender and Borrower During the Project Phases

As seen in the following graph, the World Bank project cycle starts with "Country Assistance Strategy", jointly prepared by the Bank and borrower even before the emergence of the idea of project identification. And it covers all of the main stages until the independent evaluation, which stars after the completion of the project.



Graph 11: Responsibilities of Lender and Borrower during the Project Phases.

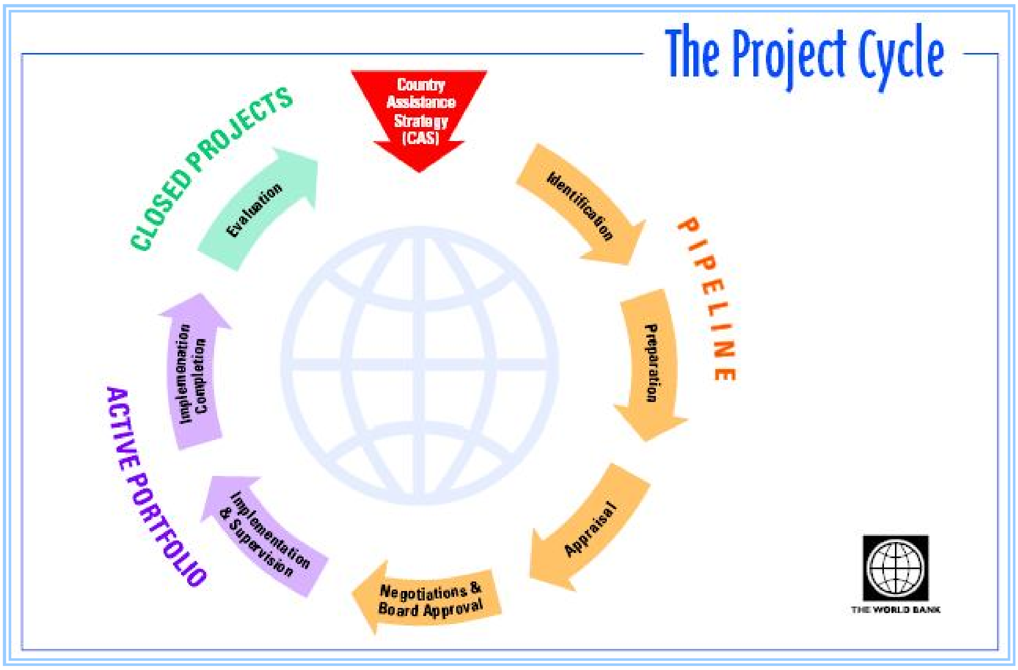
As summarized in the graph above, while for some stages of the project cycle both parties are jointly responsible, for some stages either borrower country or lender (bank) is responsible alone.

While Bank is responsible alone for “Project Appraisal”, “Loan Approval and Signing” and “Project Supervision” stages, Borrower is responsible alone for “Project Preparation” and “Implementation” stages.

Bank and Borrower are jointly responsible for “Country Assistance Strategy”, “Project Identification”, “Loan Negotiations” and “Evaluations” stages.

2.2.3. Status of the Projects During the Project Phases

After the preparation of CAS, as described in the following graph, the status of a project is followed in three categories (Active, Dropped and Closed). Furthermore, some projects are dropped because of variety of reasons. So we should also add dropped category for the project status.



Graphic 12 : Project Status of World Bank Financed Projects
Source: World Bank Web Site

Dropped Projects: These projects are dropped from Bank's project portfolio for various financial, economic and legal reasons and do not get a chance to be implemented.

Pipeline Project: After the preparation of Country Assistance Strategy (CAS), the project is in the pipeline status during the following stages:

- Project Identification
- The Preparation Phase
- The Appraisal Phase
- The Negotiation and Board Approval Phase

Active Project: Projects under implementation are considered as in the active status during the following stages of project cycle:

- The Implementation and Supervision Phase
- The Implementation and Completion Phase

Closed Projects: Project has a closed status when the project results are evaluated after the project completion period. This stage is in "Evaluation Phase" of the project cycle.

The main selection criteria for the World Bank to provide funding in a country are based on level of poverty in that country and the country's performance. While World Bank accomplishes its mission of poverty reduction, it also creates a stable economic situation for development of fund user countries by increasing investment and employment opportunities.

Both World Bank and fund user countries are required to share responsibilities in the project identification, preparation, appraisal and implementation and fund disbursement, supervision and auditing stages. This will provide World Bank to fulfill its objectives and disturbing its resources economically, efficiently. In addition to the borrower country's awareness of its responsibilities during the project cycle, it should also take advantage of World Bank's experience, knowledge, advice and recommendations to operate project cycle effectively and to achieve desired results from the project. As a result of this, while the expected chance of success for the projects or programs increase in that country, World Bank also deservedly increases its probability of accomplishing its task and objectives.

2.3. Findings and Recommendations for Cost-Benefit Analysis of World Bank Financed Projects

2.3.1. General Information About Cost-Benefit Analysis

Cost Benefit Analysis (CBA) is usually used to evaluate the value for money of private and public sector projects. It determines the feasibility of a project by quantifying its all relevant costs and benefits in monetary terms.

There are usually four steps in CBA: (Nas, 1996 :60-64)

- Identification of all relevant cost and benefits including positive and negative externalities,
- Measurement the monetary value of all relevant cost and benefits,
- Comparison of cost and benefit streams occurring during the life time of a project,
- Project Selection: Projects are accepted or ranked by considering at least one of the following three project selection criteria.

- **Benefit-Cost Ratio:** A project is accepted when its present value of benefits is higher than its cost or ratio is more than 1
- **Net Present Value (NPV):** A project is accepted when its NPV is positive (NPV of benefits is higher than NPV of costs)
- **Internal Rate of Return (IRR):** A project is accepted when its IRR is higher than market rate or any socially acceptable rate of return.

2.3.2. Documents Prepared During the Project Cycle

Another lack that I observed in World Bank financed project is related with CBA. There are CBA sections in the main documents that prepared by the World Bank during the different stages of the project Cycle.

These documents are: (World Bank Project Cycle, 2008).

The Project Appraisal Document (PAD): This document is prepared by Bank staff during the preparation stage of the project cycle and presents all the financial and technical information, economic and social evaluation of the project. This is prepared for the Bank Board to approve Bank financing of the project during the Negotiation and Approval Phase.

The Implementation Completion Report (ICR): This report is prepared during the Implementation and Supervision Phase of the project, at the end of the loan disbursement period. This report is also prepared by the Bank staff to evaluate results of a completed project. ICR includes accomplishments and problems during the project implementation period, and lessons learned. This is submitted to the Bank Board for information purposes.

Impact Evaluation Report (IER): This report is prepared after the completion of the project, in the last stage of the project cycle (Evaluation Phase), by Bank's Operations Evaluation Department (OED). OED conducts a performance audit by comparing the project original objectives with the results. They evaluate both the economic worth of a project and the long-term effects of this project on people and the environment. Since for many investment projects, the effects are seen or measured in the long-run (for example for a health or an education project we can not see their positive effects- improve in quality of health-education sectors or increase in individual's health-education level- in a short period), IER is prepared 5-8 years after the close of loan disbursements.

2.3.3. Limitations for Cost-Benefit Analysis

Although there are CBA sections in the document that described above (PAD, ICR and IER), CBAs are not or can not be done for the majority of projects. Since for majority of projects economic or financial analysis is not applicable, it is written as "not applicable (N/ A)" in CBA section. There are many reasons why CBA of Bank financed projects have not been done or can not be done. The following may be the main reasons of this problem, but there can be more:

- Since the impacts and results of an investment project can be observed and measured in the long run, a project's success or failure can be evaluated efficiently a few years after the close of loan disbursements for the project. In parallel to this, the benefits of a project can not be observed and measured in a short time because of time lag between implementation period and evaluating the results and benefits of the project. Investment projects in health and education sector mentioned above in IER section are good example for this lag. So for many project, especially in the preparation stage, accuracy of the CBA is mainly dependent on estimation of costs and benefits figures.
- There are some indirect or external costs related to projects other than direct cost of the project (the amount of loan and funds provided by Bank and other sources for the project and expenditures related with project). Furthermore, negative effects of the projects both on some sectors and on the human is not or can not taken into account as a cost due to moneterize or time lag problem.
- Most of the time just positive (negative) effects of a project on primary markets-sectors or individuals who are directly affected from this project in considered as a benefit (cost). But there are also positive (negative) affects and externalities of a project on secondary markets-sectors or individuals who are indirectly affected from this project. These positive-negative externalities and other relevant costs-benefits should also be considered for doing a CBA well.

- There are big difficulties in expressing money value or in measuring monetary value for these types of costs and/or benefits.
- Comparing and analyzing of the benefits and costs of a project in the same period is difficult due to the fact that costs and benefits occur in different periods. CBA attempts to put all relevant costs and benefits on the same time period to compute all relevant future costs and benefits in present-value terms by using a discount rate.

2.3.4. Possible Cost-Benefit Analysis for World Bank Financed Projects

There may be some difficulties, particularly the reasons outlined above, to do cost-benefit analysis. However, World Bank has employed sufficiently experts with the necessary academic background and experience. In addition to these, advisory services can be obtained from outside when needed.

Therefore, the following CBAs may be done during the different periods of the project cycle.

Ex ante CBA (Prior the Implementation of the project): This CPA is performed in the "Project Appraisal Document (PAD) prepared by Bank staff during the preparation stage of the project cycle for the Bank Board approval. In this stage the project is still under consideration. Bank Board should take into consideration the results of CBA during the Negotiation and Approval Phase. Project is accepted or not by Bank by considering at least one of the three project selection criteria that mentioned above (Benefit-Cost Ratio, NPV, and IRR).

In this stage CBA is based on forecasted over the life of the project. Accuracy of the CBA will be mainly depending on estimation of costs and benefits figures. So in this stage, instead of finding exact figure, the following 3 different scenarios-cases can be used for CBA and the results can be evaluated by Bank according to each of the three cases in decision making process for the projects.

- Best-case (most-desirable, optimistic) values: Benefit/Cost ratio and NPV is highest.

- Worst-case (least-desirable, pessimistic) values: Benefit/Cost ratio and NPV is lowest.

- Most-likely (expected) values: Benefit/Cost ratio and NPV is between the best and worst cases.

In media res CBA (during the project implementation period): This CPA may be performed during the “Implementation and Supervision Phase” of the project. It can be done during the life of a project and it provides Bank to make a decision about future of the project. A feasible project in the preparation stage can be not feasible and useful in the next stages of the project because of many reasons such as changing in economic conditions, emergency situations, and performance of borrower countries.

Ex post CBA (After the project’s completion period)**:** This CPA is performed both in the Implementation Completion Report (ICR) and in Impact Evaluation Report (IER). While ICR is prepared during the “Implementation and Supervision Phase” of the project (at the end of the project), IER is prepared a few years after the completion of the project, in the “Evaluation Phase” of the project. These CBA enables lender (Bank) and borrower countries to evaluate their performance in the project and compares the results of CBA in this stage with previous stages. This CBA may also help both sides in decision-making and analysis for the next possible projects and for future project design.

So CBA should be done during the preparation, implementation of the project and after the completion of the project. This analysis will give a tool to the Bank during the decision process of supporting a project. CBA will prevent the waste of Bank resources by enhancing selectivity of the projects during the preparation and approval stage of the project cycle. Performing CBAs of the same project at different periods will increase accuracy of the analyses and also provide both the lender (bank) and the borrower countries to compare the results.

In addition, the World Bank and borrower countries will have a chance to evaluate and measure their performance during the project cycles and CBA provides opportunities for both sides to compare the project results after the completion of the project with the objective in the planning stage. So the results of the CBA will be good indicators to evaluate the performance of both the Bank and borrower.

This analysis will also provide a support for both sides to measure whether they received expected results from the project or not. Furthermore, It will provide the both sides lesson learned (positive and negative) from the project. This CBA may help both sides in decision-making and analysis for future project design. It will improve Bank’s systems for project evaluation, performance evaluation and project selection methods of both sides. Thus, the project's partners (banks and the people, institutions and organizations in borrower countries and implementing agencies) will have a better performance for the next projects and they will able to obtain more efficient and effective implementation and results with more economic projects.

III. WORLD BANK - TURKEY RELATIONS EFFECTS OF WORLD BANK FUNDS ON TURKISH ECONOMY

3.1. General Information About Turkey-World Bank Relations

Turkey became a member of The World Bank in the 1947 and the relationship has reached up today by solidifying. Various applications, notably, within the framework of “Liberalization Programme of Turkish Economy”, disclosed in 24th January 1980, have been implemented in the direction of liberalization in commodity, exchange, capital and labor markets. Parallel to these improvements, as with other international organizations, relationship between Turkey and World Bank has started to be stronger and Turkey’s credit portfolio in World Bank continued increasingly.

In Turkey’s participation process to European Union, The Bank’s aids has continued and coordinated works with both IMF and EU to provide economic stability has accelerated. While World Bank-IMF coordination in Turkey has mainly focused on restructuring of the public sector, improving the competitive environment, social security reform and financial sector reform, EU’ financial support with pre-accession assistance has become important. World Bank usually provides supports for social security, public sector management, public health, water supply and sewage, the environment, agriculture, construction, legal reform, energy sector reform issues in Turkey (Hazine Müsteşarlığı, 2008/c).

Turkey’s credit portfolio in World Bank has increased after the 1999 Marmara earthquake. Funds that have been taken from Bank by Turkey are usually focused on macroeconomic stability, growth, increasing in productivity and major on competitive environment in markets.

In addition to funds provided by Bank, Turkey has benefit from Bank’s positive externalities. The Bank transfers its experience and knowledge by providing partially or fully financed projects and programs in Turkey. Bank also adds value for the development of Turkish economy with its useful suggestions (World Bank Projects & Operations, 2009).

The IBRD Board is comprised of 24 Executive Directors. Each Board of Directors is responsible for conducting general operations and each exercises all the powers delegated by the Board of Governors under the Articles of Agreement. Five of the 24 IBRD Executive Directors are appointed by the largest shareholders of the Bank: the United States, Japan, Germany, France and the United Kingdom. In addition to these; China, Saudi Arabia and Russia is represented with an elected executive director at the board. There are 16 country groups for remain 177 member states and one executive director is elected within each group (IBRD,1989:10-11 & Tünsoy, 2005:9).

Turkey is represented in European Central Asia (ECA) region together with Albania, Armenia, Azerbaijan, Belarus, Bosnia & Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, FYR Macedonia, Georgia, Hungary, Kazakhstan, Kosovo, Kyrgyz Republic, Latvia, Lithuania, Moldova, Montenegro, Poland, Romania, Russian Federation, Serbia, Slovak Republic, Slovenia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan in Board of Executive Directors (World Bank SOPE, 2007:3).

Turkey has been a member of IBRD since 1947 and has 0,53% voting power. It has been also a member of IDA since 1960 and has 0,64% voting power. The countries which have more than $1,065 PCI in 2008 FY are considered graduated from IDA. After graduation, they are supported by IBRD funds due to the fact that they are not eligible for IDA funds. Turkey graduated from IDA in 1973 and has become active donor since 1987.

3.2. Active Credit Portfolio and Distribution of Bank Funds in Turkey

As illustrated in the following table, the number of projects (active, closed, dropped and pipeline projects) financed by World Bank in Turkey have been 198. While 170 of these projects (%86) have been financed by investments loans, remain 28 projects (%14) have been financed by policy loans. The number of active projects is 26 where 22 of them are financed by investment loans. The remain 4 projects are financed by policy loans and basically used for financing the budget (World Bank Projects & Operations, 2009).

Table 9: Number of Projects and Their Status Financed by Bank In Turkey (As of March 4, 2009)					
Type of Lending	Status of Projects				
	Active	Closed	Drop	Pipeline	TOTAL
Development Policy Loans	4	22	1	1	28
Investment Loans	22	138	8	2	170

Source: World Bank Web Site, World Bank Projects & Operations

In addition, Country Partnership Strategy (CPS) was approved by the Bank's Board of Executive Directors on February 28, 2008. CPS is the framework and projections of the Bank's financial and technical support to Turkey for the next four years. The bank will provide $ 6.2 billion to Turkey between 2008-2011 financial years ($1,8 billion in FY 2008, $1,8 billion in FY 2009 and remain $2,6 billon in FY 2010-2011). Both development policy loans and investment loans have equal share (both 50%) in total fundings. Turkey is the largest borrower in its region (ECA). In terms of new commitments, it has been also third World Bank borrower of over US$1.5 billion during the last three years (Hazine Müsteşarlığı, 2008/a:1 & Turkey CPS, 2008:1-45).

As illustrated in the following table, There are 22 active projects (projects under implementations) financed by Bank's investment loans: 4 of them have been financed by Adaptable Program Loan (APL), 1 by Emergency Recovery Loan (ERL), 4 by Financial Intermediary Loan (FIL) and remain 13 by Specific Investment Loan (SIL) (World Bank Projects & Operations, 2009).

Table 10: Active Projects Financed by Bank's Investment Loans In Turkey (As of March 4, 2009)					
PROJECT NAME	LENDING INSTRUMENT	APPROVAL DATE	CLOSING DATE	PROJECT COST (Million $)	MAJOR SECTOR
Anatolia Watershed Rehabilitation	SIL	1-Jun-04	30-Jun-12	38.11	Agriculture, fishing, and forestry
Renewable Energy	SIL	25-Mar-04	30-Jun-10	502.03	Energy and mining
Electricity Distribution Rehabilitation	SIL	19-Apr-07	31-Dec-12	344.4	Energy and mining
Municipal Services	SIL	23-Jun-05	30-Jun-10	305.2	Water, sanitation and flood protection
Turkey Land Registration and Cadastre Modernization	SIL	1-May-08	30-Sep-13	210.1	Public Administration, Law, and Justice
Access to Finance for SMEs	FIL	19-Jun-07	N/A	66.7	Finance
Istanbul Municipal Infrastructure	SIL	28-Jun-07	31-Dec-11	336.3	Water, sanitation and flood protection

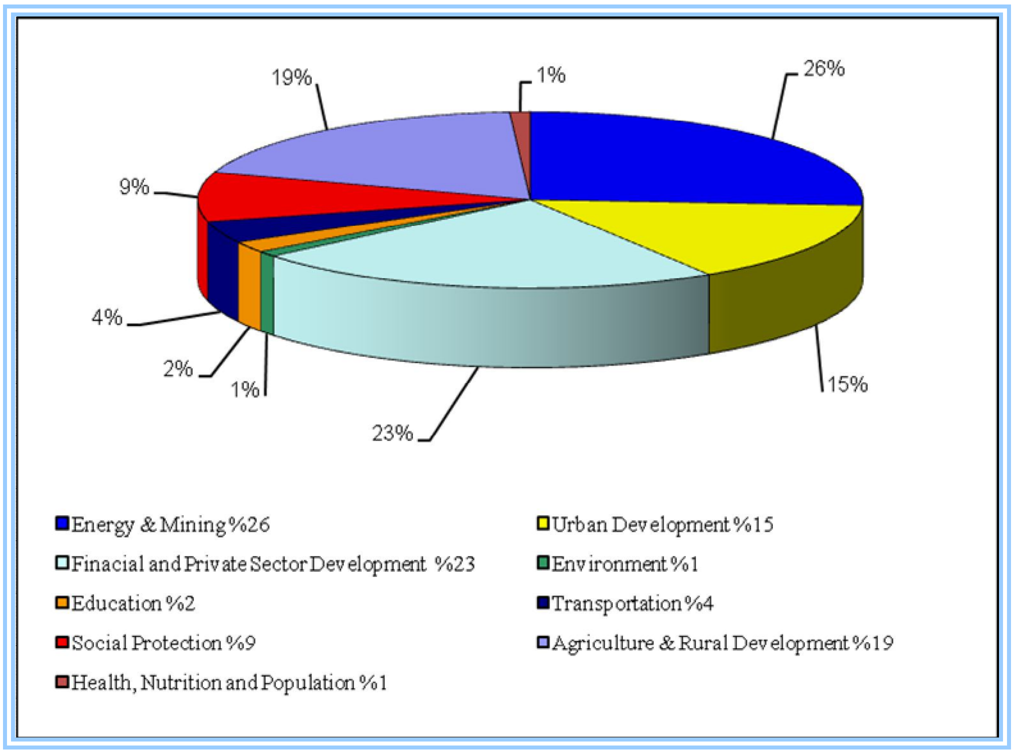
Access to Finance for SMEs - Additional Financing	FIL	9-Dec-08	N/A	200	Finance
Export Finance Intermediation Loan 3 (EFIL 3)	FIL	17-May-05	30-Jun-10	305	Finance
Privatization Social Support Project 2	SIL	14-Jun-05	30-Jun-09	581.75	Public Administration, Law, and Justice
Energy Community of South East Europe (APL #2) (Turkey)	AP L	4-Apr-05	31-Dec-10	78	Energy and mining
Gas sector development	SIL	29-Nov-05	31-Dec-12	538	Energy and mining
Electricity Generation Rehabilitation and Restructuring	SIL	6-Jun-06	31-Dec-11	480.92	Energy and mining
Access to Finance for SMEs	FIL	8-Jun-06	30-Apr-12	180.21	Finance
Railways Restructuring	APL	9-Jun-05	30-Sep-09	221	Transportation
Seismic Risk Mitigation	SIL	26-May-05	30-Sep-10	400	Public Administration, Law, and Justice
Secondary Education	SIL	15-Mar-05	31-Dec-10	104	Education
Energy Community of South East Europe APL 3	APL	24-Mar-06	30-Jun-11	195.1	Energy and mining
Fourth Export Finance Intermediation Loan (EFIL IV)	SIL	22-May-08	30-Jun-13	600	Industry and trade
Avian Influenza & Human Pandemic Preparedness & Response APL 2	ERL	24-Apr-06	30-Nov-10	55.19	Public Administration, Law, and Justice
Health Transition	APL	20-May-04	30-Jun-09	75.16	Public Administration, Law, and Justice
Anatolia Watershed Rehabilitation GEF Project	SIL	1-Jun-04	30-Jun-12	7	Agriculture, fishing, and forestry

Source: World Bank Web Site, World Bank Projects & Operations

Investment loans are generally provided for financing goods, works, and services in support of economic and social development projects. They have a long-term focus (5 to 10 years). Turkey's heavily used Specific Investment Loan (SIL). These loans are flexible and used for many projects. SILs are usually provided to support creation, rehabilitation, and maintenance of economic, social, and institutional infrastructure. Moreover, they provide technical, financial, economic, environmental and institutional support for a specific investment during the implementation period (World Bank, 2001:6).

Development policy loans are generally provided to support social, structural, and institutional reforms in a sector or support all economy for a short-term focus (1 to 3 years). As of March 4, 2009 there are 4 development projects. All of them are financed by Sector Adjustment Loan (SECAL). SECALs are usually provided for a specific sector to support private sector development, institutional capability, sector policy changes, institutional reforms and expenditure programs. Active SECALs in Turkey financed by World Bank are basically used for financing the budget (World Bank, 2001: 13,15).

The following graph shows active portfolio of Turkey by sector as of Sept 11, 2008. “Energy & Mining” sector has the largest part of IBRD funds with %26 and it is followed by “Financial and Private Sector Development” sector with %23. Other important sectors are: “Agriculture & Rural Development” (%19), “Urban Development” (%15) and “Social Protection” (%9) (World Bank Country Brief, 2009).



Graph 13: Sectoral Distribution of Active Projects
Source: World Bank Web Site, Turkey Overview, Country Brief 2009

3.3. Disbursement and Repayment of World Bank Funds

World Bank (IBRD and IDA) has provided total of $28.7 billion funds (investment and development loans) between 1950-2008 financial years. As seen in the following table, $3.7 billion has been canceled for various reasons and net financing has realized as $25 billion. While $21.7 billion part of net financing has disbursed as of Dec 31, 2008, the remain $3.2 billion undisbursed portion will be used by Turkey in the subsequent periods. Turkey has paid back $13.2 billion to the World Bank for its obligations. Turkey has still $8.3 billion borrower obligation to the World Bank, a very small part of this due to exchange rate adjustment (World Bank Country Lending Summaries, 2009).

Table 11: Country Lending Summaries - Turkey			
As of Dec 31, 2009	**IBRD**	**IDA**	**TOTAL**
Original Principal	28,540,686,000	178,500,000	28,719,186,000
Cancellations	3,700,791,914	1,091,049	3,701,882,963
Disbursed	21,471,238,558	196,148,397	21,667,386,955
Undisbursed	3,177,009,275	0	3,177,009,275
Repaid	13,089,944,731	143,041,958	13,232,986,689
Due (I)	8,397,542,309	53,106,439	8,450,648,748
Exchange Adjustment (II)	-158,977,889	0	-158,977,889
Borrower Obligation (III=I-II)	8,238,564,420	53,106,439	8,291,670,859

Source: World Bank Web Site, Projects and Operations**:** Country Lending Summaries (02.05.2009)

3.4. Country Assistance Strategy-CAS Programs

3.4.1. General Information About CAS Programs of Turkey

Country Assistance Strategy (CAS) was accepted as a new policy by Bank in July 1998 and has been implemented since then. It shows the program and support of World Bank Group for a particular country. The strategy is jointly prepared by the Bank and borrower (developed by Bank staff in meetings with government officials, in consultation with country authorities, civil society organizations, development partners and other stakeholders). CAS includes all planned activities of Bank in a country such as providing funds (loan, credit, grant, quarantine), analysis-technical assistance and consultancy services for 3-4 years period (World Bank Ülke Destek Stratejisi, 2008).

CAS considers the country's own long-term vision for development by taking into account the Bank Group's comparative advantages. CAS is designed to promote collaboration and coordination among funding organization in a beneficiary country to make funds more efficient and effective. Negotiations are carried out by Undersecretariat of Treasury on behalf of Turkey. Treasury cooperates with State Planning Organization and relevant ministries on technical issues and takes into account general economic policies, macro-economic objectives and Turkey priorities such as EU membership in this process (World Bank Ülke Destek Stratejisi, 2008).

3.4.2. Previous CAS Programs

3.4.2.1. FY 2000-2003 CAS Program

The World Bank arranges the flow of credit by Country Assistance Strategy (CAS) which composes the outline of financial and technical support of The World Bank in Turkey since 2000.

Turkey's first Country Assistance Strategy (CAS) was prepared for the period FY01-03. CAS bases on careful analysis of economic reforms, living standards, and social welfare to help Turkey in reducing its economic vulnerability. I. CAS Program aims the following 5 objectives (Turkey CAS, 2000:1-36):

- Implement reforms for growth and employment generation
- Improve public management, and accountability
- Expand social protection, and services
- Strengthen environmental management, and disaster mitigation
- Accelerate connectivity, and technological capabilities

CAS was planned to be implemented with a high case program, in parallel with the IMF's Stand-By arrangements, which should assist Turkey's economic reforms and macro economic stability (Kayıkçı, 2004:4).

It was scheduled to provide total $5 billion ($2.6 investment loans and $2.4 billion development loans) during 2001-2003 FYs under the High Performance Scenario. After the revisions due to the 2001 economic crises, total amount of funds provided by Bank to Turkey was realized as $6.2 billion (Hakimoğlu, 2003:61-62).

3.4.2.2. FY 2004-2007 CAS Program

The objective of the Country Assistance Strategy (CAS) for FY04-06 is to support Turkey mainly for the implementation of following issues: fundamental reforms to reduce economic vulnerability, achieve high and stable growth, and continue the process of addressing long neglected social and environmental problems. Built on these 3 goals, the CAS program for FY04-06 is centered on the following four development themes in line with the Government's priorities (Turkey CAS, 2003:1-128).

- Sound Macroeconomics and Governance
- Equitable Human and Social Development
- Attractive Business Climate and Knowledge
- Strong Environmental Management and Disaster Prevention

The basic development themes and related key outcomes are summarized in the following table (Turkey CAS, 2003:21).

Table 12: II. CAS Development Themes and Key Outcomes

Development Themes	Key Outcomes
Sound Macroeconomics and Governance	▪ Stabilization of public creditworthiness indicators at sustainable levels ▪ Less volatile economic growth in the range of 5 % ▪ Single digit inflation
Equitable Human and Social Development	▪ Low extreme poverty (1.8%) maintained and vulnerability reduced from 15% in 2001 to 12% in 2006 ▪ Net enrollment rate in basic education maintained at not less than 99%; girls' enrollment increased, especially in secondary education: male/female ratio improved from 1.20 to 1.15 by 2006 ▪ Child mortality reduced and maternal health improved to make progress towards the MDGs
Attractive Business Climate and Knowledge	▪ Exports growth rate exceeds GNP growth rate ▪ FDI reaches US$1.5 billion on average during the CAS period ▪ Stability of financial markets improved
Strong Environmental Management and Disaster Prevention	▪ Significant convergence with EU environmental standards ▪ Disaster prevention and management system improved

Source: Memorandum of the President of the IBRD and the IFC to the Executive Directors On a Country Assistance Strategy of the World Bank Group For The Republic of Turkey

The Bank has two lending scenarios in CAS. One is optimistic (high performance scenario) and the other is pessimistic (low performance scenario). They are different in terms of both size and composition.

II. CAS was originally scheduled to implement in the period of July 2003-June 2006. It was estimated to provide total $4.5 billion under the High Performance Scenario and $1.5 billion under the Low Performance Scenario. Also, in the case of any large-scale natural disasters, additional $500 was allocated for Turkey (Hakimoğlu, 2003:62).

During implementation of the CAS, implementation period and total funding amount has been revised due to unforeseen issues. As a result, II. CAS program was implemented between the dates of July 2003-June 2007 and the total amount of funds was realized as $6.6 billion (World Bank Ülke Destek Stratejisi, 2008).

3.4.3. Assessment of the results of Previous CAS Programs

3.4.3.1.Assessment of The results of 1993-2004 Period

During this period, the World Bank has provided $10.6 billion, of which $5.4 billion were for investment loans and $5.2 billion for development loans. Four themes (pillars) were the main strategy of the Bank in Turkey. These themes and their share in total funding are illustrated below. (Independent Evaluation Group, 2006:11).

- Macroeconomic Stability (%50),
- Growth, Competitiveness, and Productivity (%21),
- Poverty Reduction and Social Development (%15)
- Environment and Natural Resource Management (%14)

The Independent Evaluation Group (IEG) assessed the outcomes of the World Bank's assistance to Turkey from July 1993 to June 2004. In this evaluation IEG focused on the objectives (pillars) of that assistance and rated Turkey Country Assistance Evaluation according to the outcomes related with these pillars.

Bank financed projects are rated on three measures: outcome, institutional development impact and sustainability. These measures have different weight in the overall evaluation. Results are measured after the final disbursement of funds. The overall outcome in the four pillars supported by the Bank's strategy is evaluated as "moderately satisfactory" by IEG since basis and objectives show progress and there is no material weakness. While institutional development is rated "substantial" thanks to improvement in financial sector and infrastructure, Sustainability is rated "likely" provided by the negotiations for EU membership. Results related with four pillars are summarized in the following table (Independent Evaluation Group, 2006:55-56).

Table 13: Rating the Overall Outcomes

Pillars	Outcomes	Institutional development impact	Sustainability
Macroeconomic stability	Moderately satisfactory	Substantial	Likely
Growth, productivity, and competitiveness	Moderately satisfactory	Substantial	Likely
Poverty reduction and social development	Moderately satisfactory	Modest	Likely
Environment and natural resource management	Moderately unsatisfactory	Modest	Likely
All Pillars	**Moderately satisfactory**	**Substantial**	**Likely**

Source: Independent Evaluation Group (IEG), (2006), "The World Bank in Turkey: 1993-2004: An IEG Country Assistance Evaluation, s:56

3.4.3.2.Assessment of The results of the 2004-2007 CAS Program

Effectiveness of the FY04-07 CAS for Turkey has been assessed in The Country Assistance Strategy Completion Report. This report analyzes achievement of the expected results, and highlights key lessons learned by comparing objectives in planning stage with actual results. Although CAS was originally planned for FY04-06 period, the assessment covers FY04-07 period in order to make the Turkey CAS in line parallel to the other CASs covering four years (Turkey CPS Annex 4, 2008:1-59).

It was initially planned to provide $4.5 billion to Turkey between the years of 2004-2006. But then, both the implementation period of program and the amount of total fundings was revised. As a result, II. CAS program was implemented between 2004-2007 period. While the funding amount was revised as $6.6 billion, it was realized as $6.1 billion ($1.6 billion in FY 2004, $1.8 billion in FY 2005, $1.5 billion in FY 2006 and $1.2 billion in FY 2007) at the end of the program period. (Turkey CPS Annex 4, 2008:49).

CAS Development Themes Results has been evaluated and rated in terms of achievement. In this evaluation, relevance of the CAS main development objectives in the context of Turkey's development agenda and relevance of the CAS key outcomes and World Bank benchmarks have been taken into account to measure achievements. Overall, significant progresses are done for the Turkey's strategic objectives and the results were achieved in the CAS period. Evaluation results are summarized in the following table (Turkey CPS Annex 4, 2008:8).

Table 14: The Evaluations of CAS Development Themes Results in the framework of Turkey's Strategic Goals

Turkey's Strategic Goals	CAS Development Themes	Expected CAS Key Outcomes	Outcome Status
Transform economic and social structure	Sound Macroeconomics and Governance	Stabilization of public creditworthiness indicators at sustainable levels. The net public debt to GNP ratio has declined from about 79% in 2002 to about 45% in 2006.	Achieved
		Less volatile economic growth in the range of 5%. GNP growth has been strong, 5.9% in 2003, 9.9% in 2004, 7.6% in 2005 and 6% in 2006.	Achieved
		Single digit inflation. End-year CPI was reduced to 9.3% in 2004, reaching single digits the first time for more than 30 years. In 2005, inflation further declined to 7.7% but it accelerated again in 2006 due to higher oil prices and emerging markets volatility.	Achieved

Raise level of health and education, improve income distribution	Equitable Human and Social Development	Low extreme poverty (1.8%) maintained and vulnerability reduced from 15% in 2001 to 12% in 2006	Partially Achieved
		Net enrollment rate in basic education maintained at not less than 99%; girls' enrollment increased, especially in secondary education: male/female ratio improved from 1.20 to 1.15 by 2006	Largely Achieved
		Child mortality reduced and maternal health improved	Largely Achieved
Strengthen scientific and technological capacity, enhance infrastructure	Attractive Business Climate and Knowledge	Exports growth rate exceeds GNP growth rate	Achieved
		Foreign Direct Investment reaches US$1.5 billion on average during the CAS period	Achieved
		Stability of financial markets improved	Achieved
Protect the environment	Strong Environmental Management and Disaster Prevention	Significant convergence with EU environmental standards	Partially Achieved
		Disaster prevention and management system improved	Partially Achieved

Source: Turkey Country Assistance Strategy FY 04-07 Completion Report, Pg:8-34

The Evaluations of CAS Development Themes Results in the framework of Turkey's Strategic Goals is based on the World Bank's own assessment. Both the basis of Bank's objectives and progresses of them in Turkey, and the evaluations of CAS Key Outcomes are based on the assessment of Independent Evaluation Group (IEG) and Operation Evaluation Department (OED). Generally, as a result of these assessments, both the member countries and related to this the World Bank are evaluated as successful in their operations. For this reason, there has been serious criticism against this evaluation method. The criticism focus on: whether assessment of activities of bank in a borrower country, the performance of the borrower and Bank related with a program or a project have based on objective criteria and carried out by independent agencies.

Independent normally means freedom from control or influence. Independence evaluation should be carried out freely and in an objective manner without affected from parties. However, both IEG and OED are World Bank departments, staffed by Bank employees on a rotating tour. They are functionally dependent to the bank, therefore it is very difficult for them to be independent.

Bank boasts of 71% satisfactory outcomes in the 1996-99 periods. However, the assessments are made by World Bank staff, not by external independent auditor. Additionally, assessments are done and measured before the emergence of results and impact of projects. Therefore, the comparison becomes incorrect and outcomes and evaluation based on the biased (selectively chosen) samples set may become not reliable and reflects actual results. Samples set used to measure performance can be easily manipulated. For example, Bank may focus on performance by numbers of projects in some financial years such as 1998-1999, while in other years by lending volume such as in 2000, whichever is a better performance indicator for the bank. Therefore, independent evaluation considering objective criteria is needed to measure effectiveness of donor countries' contributions. Performance of finished projects (when the impact and results are measurable) rather than specific routine assessments should be evaluated in this process (Lerrick, 2002:1-4).

World Bank has continuously criticized and emphasized the concepts of the transparency, financial discipline and accountability in borrower countries. These concepts are important not only for the fund user countries including Turkey, but also for the bank. They should be a performance indicator for both parties.

Although World Bank's financial audit is conducted by independent audit firms, performance audit related with its uses and sources of funds is not conducted. Member countries, donor countries and organizations, civil society organizations, Non-profit organizations should investigate the amount and results of their contributions. They should be periodically informed by the Bank about this issue. In this regard, they should request Bank to be accountable and transparent in its activities. These can be achieved as a result of performance audit of Bank conducted by independent institutions/organizations or by auditors.

Performance audit will inform public whether World Bank manages its sources in accordance with the principles of economic, efficiency and effectiveness. It will also add value to the Bank's transparency and accountability. Moreover, World Bank will improve its performance in subsequent periods by using findings-recomendatitions and lesson learned described in the performance audits.

Providing large amounts of funds in line with the mission does not eliminate responsibility of the World Bank to developing countries. Economy, efficiency and effectiveness of the funds are more important than its volume. Therefore, there should be serious continuously external performance audit for the bank. The Bank should first set of the standards of accountability and transparency then become a good model that it promotes to its borrowers (Lerrick, 2006:1-2).

3.5.CPS Country Partnership Strategy

3.5.1. General Information about CPS

Country Partnership Strategy (CPS) is a work plan of the World Bank for the member countries. After discussed and approved by the Bank’s Board of Executive Directors, CPS sets the framework of the Bank’s financial and technical support and activities for the 3-4 years period.

CPS is prepared to promote collaboration and coordination among development partners in member country by considering country’s main development problems, social-economic performance, government’s development strategy and Bank Group’s comparative advantage in the context of other donor operations. CPS shows the program and support of World Bank Group for a particular country. It is jointly prepared by the Bank and borrower after negotiated between parties. Bank staff meets with government officials, country authorities, civil society organizations, development partners and other stakeholders during the negotiation stage. After this cooperation and partnership between parties, Bank implements its strategy and provides funds and other support activities (analysis-technical assistance and consultancy services) to member country by taking into account country's development program and priorities (World Bank Country Partnership Strategy, 2008).

3.5.2. Basic Areas and Agreements related with Current CPS

World Bank’s projects-programs supporting in Turkey under the previous country assistance strategy (CAS) for 2003-2007 FY have yielded positive results. In Bank-Turkey relations, assistance strategy has been replaced by the partnership strategy in the new period. New strategy (CPS) is based on the Turkey's vision for development highlighted in its Ninth Development Plan 2007-2013. It emphasizes partnership between parties instead of assistance of bank by considering Turkey's own structural and sectoral priorities.

World Bank will provides $6.2 billion financial instruments (development policy loans 50% and investment loans 50%), analytic, advisory and technical support to Turkey for the fiscal years 2008-2011. CPS, framework of the Bank support, was approved by the Bank’s Board of Executive Directors on February 28, 2008 and publicly announced by with news release in the same day (Hazine Müsteşarlığı, 2008/a:1).

CPS's aim is to contribute to improving the quality of lives and opportunities for all Turkish citizens. As a result of this, over time, it is planned to help Turkey to be closer to the standards in EU and OECD countries in terms of levels of income and development. CPS is built on Turkey's Ninth Development Plan and the Government's Program. It will focus on the following 3 components:

- Improved Competitiveness and Employment Opportunities;
- Equitable Human and Social Development;
- Efficient Provision of High Quality Public Services,

These components are parallel to the 9th Development Plan and Turkey's strong macro-economic framework. CPS was jointly prepared by the Bank and borrower in close partnership. While preparing the document, Bank met Turkish authorities, and in consultations with the private sector, civil society organizations, development partners and other stakeholders (World Bank News Release, 2008:1-2).

In addition to the within the framework of the Long Term Strategy of Turkey (2001-2023), Turkey's 9th Development Plan 2007-2013, which shapes the World Bank Group CPS, was prepared with the vision of "Turkey, a country of information society, growing in stability, sharing more equitably, globally competitive and fully completed her coherence with the European Union" (State Planning Organization, 2006:1).

CPS, the framework of the Bank strategy in Turkey for the fiscal years 2008-2011, is based on Turkey's own development goals and country indicators such as Turkey's vision for development highlighted in its 9th Development Plan 2007-2013, Government Action Plan and Program for Harmonization with EU Aquis. CPS has focused on three pillars. These pillars, related objectives and related five economic and social development axes in 9th Development Plan are summarized in the following table. (Turkey CPS, 2008:27):

Table 15: Turkey's Ninth Development Plan Shapes the World Bank Group CPS		
CPS Three Pillars	**Objectives Related with CPS three Pillars**	**Ninth Development Plan Five Economic and Social Development Axes**
Pillar I: Improved Competitiveness and Employment Opportunities	▪ Sustained Economic Stability and Sustained Economic Growth ▪ Increased Private Investment, Improved Financial Intermediation, Deeper and Broader Financial Sector ▪ Increased Employment ▪ Reliable and Efficient Energy Supply and Improved Transportation Infrastructure	**Increasing Competitiveness & Increasing Employment**
Pillar II: Equitable Human and Social Development	▪ Increasing Effectiveness and Sustainability of the Social Security System ▪ Health Care System has Improved Governance, Efficiency, User and Provider Satisfaction, and Long-Term Sustainability ▪ Enhancing the Educational System and Increasing the Sensitivity of Education to Labor Demand	**Strengthening Human Development and Social Solidarity**
Pillar III: Efficient Provision of High Quality Public Services	▪ Public Expenditures Rationalized and Well Structured ▪ Public Sector Governance Strengthened ▪ Improved Local Service Delivery and Disaster Preparedness	**Ensuring Regional Development & Increasing Quality and Effectiveness in Public Services**

The CPS, $6.2 billion strategy of World Bank in Turkey for 2008-2011 financial years, consists of a main report and five annexes:

- IBRD IFC MIGA Country Partnership Strategy with the Republic of Turkey for the Period FY 2008-2011 (Turkey CPS, 2008:1-45).
- Annex 1: Results Matrix (Turkey CPS Annex 1, 2008:1-7).
- Annex 2: Major Development Partners (Turkey CPS Annex 2, 2008:1-2).
- Annex 3: World Bank Group Private Sector Strategy (FY08-11) (Turkey CPS Annex 3, 2008:1-7).
- Annex 4: Turkey Country Assistance Strategy FY 04-07 Completion Report" (Turkey CPS Annex 4, 2008:1-14).
- Technical Annexes: Turkey at a glance and CAS Annex B1, B2, B3, B4, B5, B6, B7 and B8 (Turkey CPS Technical Annexes, 2008:1-14).

CPS should be more customer (borrower) oriented by taking into account borrower countries development strategy, priorities and specific conditions. Countries are usually not willing to implement reforms unless they select and they rarely sustain reforms if they are imposed by some funding organizations such as Bank and IMF. CPS should be also poverty and development oriented by taking into account strategic selectivity. Moreover, in the development of this strategy, the macroeconomic and external environment, the capacity of the implementing agencies and lesson learned from past experience should be taken into account. Moreover, CPS should be based on a strong coordination and cooperation with stakeholders (IMF, EU, UN, multilateral development banks, private sector, NGOs, etc..) (Kayıkçı, 2004:2-3).

The institutions in World Bank Group have different missions and specialize in different aspects of development, but they use their comparative advantages to work collaboratively for development. In Turkey, in addition to the IBRD activities, a strong International Finance Corporation (IFC) program and Multilateral Investment Guarantee Agency (MIGA) contributes to the achievement of the CAS objectives. So while preparing CPS, collaboration and cooperation among these institutions should also be taken into account.

It is also essential for the bank to have standard, understandable, measurable and monitorable indicators to assess the efficiency and effectiveness of bank program for development. There may be some potential risks for both lender (bank) and beneficiary countries (borrower countries benefit from projects and programs). Therefore, a risk assessment should be done for both borrower countries and lender by analyzing the likelihood and impact of possible risks (economic-financial, internal-external, social-political, technical-environmental, etc…). This will likely improve performance of both the effectiveness of CPS and the implementing agencies (countries, institutions and related organizations, the World Bank).

3.6.The Cooperation Points of World Bank With Other International Organizations And Countries On Turkey

CPS aims contributing Turkey to access EU and OECD countries' income and development level by improving the quality of lives and opportunities in Turkey. While World Bank has planned to provide $6.2 billion financial instruments analytic, advisory and technical support to Turkey for the fiscal years 2008-2011, in this context Bank has also considered some international organizations and countries' supports and working with other development partners in Turkey.

International funding organizations, together with some countries, have financial supports in many countries. They have supported policies and projects in these countries for many political, social and economic issues. For example, While EU has provided funds to support economic and social reforms, sustainable development and good governance projects-programs, the World Bank has provided total of $40 billion funds to support more than 269 projects in China (Halisçelik, 2006:1-3).

Like China many countries, including Turkey, have been supported by both international funding organizations' and some countries' activities and funds. They have assisted macroeconomic stability, sustainable development, EU integration, political, social and economic issues in Turkey by supporting projects-programs and providing funds and other services (analytic, advisory and technical support). Most of the projects-programs, funds and other services have been provided by IMF, World Bank and EU which are vital for Turkey.

CPS has been prepared to promote collaboration and coordination among development partners in Turkey. In this context Working with other development partners and the following points have been emphaziesed in the CPS for the fiscal years 2008-2011: Collaboration with the IMF on public sector and financial sector reforms, macroeconomic monitoring, in the context of the EU's Instrument of Pre- Accession Assistance (IPA), EU and EIB financial assistances, engaged with the members of the United Nations (UN) system, World Bank Group institutions (especially IFC and MIGA), the Islamic Development Bank and the Montreal Protocol provide significant development support to Turkey, many countries' support (France, Germany, Japan, Korea, the Netherlands, Spain, Switzerland, the United Arab Emirates, the United Kingdom, and the United States) on a bilateral basis for infrastructure and for sustainable social and environmental development (Turkey CPS, 2008:37-38).

International funding organizations, especially the IMF and the EU, having important financial support in Turkey have common strategies, activities and cooperation points with World Bank on Turkey. Main cooperation points of Bank with other international funding organizations are summarized in the following table (Turkey CPS Annex 2, 2008:1).

Table 16: Cooperation Points Of Bank With Other International Funding Organizations			
International Financial Institution	**Strategy and Operations**	**Financing/Official Development Assistance**	**Areas of Collaboration with the Bank**
Council of Europe Development Bank	Focus on strengthening social integration, managing the environment and developing human capital.	Approximately Euro 1.5 billion for 2008-2011	Education, social loans, health, urban development, judicial development, ecological and natural disasters.
European Investment Bank	Support for enterprise development, infrastructure development, energy sector and work in partnership with local banks and financial institutions to increase the availability and diversity of financing and improve the investment climate.	At least Euro 2 billion per annum between 2008-10	Energy, earthquake risk mitigation, support to SMEs, transport and environment and infrastructure.
European Union	Ongoing support through MEDA and Pre-Accession Assistance for Turkey. New support through the instruction for Pre-Accession. Focus on institution building, regional and cross border cooperation,regional development (transport, environment, regional competitiveness),human resources development (employment, education, social inclusion) and rural development.	Euro 1.759 billion for 2008 to 2010 expected.	Education, agriculture and rural development, transport, financial and public sector reforms, irrigation, environment and Avian Flu
IMF	Fiscal adjustment, including incomes policy, urgent revenue and expenditure measures and budget monitoring	Three year stand by arrangement between 2005- 2008: US$10 billion	Social security reform, financial sector including strengthening of banking supervision and privatization of public banks.
Islamic Development Bank	Focuses on the economic development and social progress of its member countries and Muslim communities in nonmember countries.	Targets a lending volume of US$150-200 million annually	Trade and Project Finance
UN Group	Focuses on governance, poverty reduction, environment & sustainable development, capacity development for democratic governance, gender & youth, private sector partnership and information technology.	UNDP: US$33 million delivered between 2006 and 2007, and estimated programmatic delivery of US$75-90 million between 2008 and 2010. UNHCR: Gross ODA (2004- 05) average of US$6 million.	Social sectors with focus on poverty reduction, youth inclusion, and technical assistance at the local government level.

Source: Turkey Country Assistance Strategy Annex 2, Pg:1

Moreover, in line with the World Bank financed projects, $4.4 million has been provided between 2004-07 under the Montreal Protocol Ozone Depleting Substances grant for elimination of the production and consumption of ozone-depleting chemicals. OPEC funds have been provided in Infrastructure and transport sectors to assist World Bank financed projects for disaster management, transport and infrastructure. In this context, $60 million OPEC funds was disbursed for Antalya Light Railways System and Samsun Light Railways System projects in 2006 (Turkey CPS Annex 2, 2008:1).

As summarized in the table above, There are projects-programs and funds provided by different international organizations to assist stabilization policies, political and social-economic issues in Turkey. Most of them have been provided by IMF, Bank and EU. The Bank collaborates closely with Turkey's development partners. Among these partners, the EU and IMF are particularly important. While IMF supports Turkey's stabilization policies by assisting public sector and financial markets, EU helps candidate countries with The Instrument for Pre-Accession Assistance (IPA) to make necessary economic, political and social reforms. IPA is a new funding mechanism to support Turkey's participation process to EU.

In Turkey's participation process to EU, The World Bank aids have continued and coordinated works with IMF to provide economic stability has accelerated. IMF and EU's supports have similarities with the development (policy) and investment (projects) loans which are financed by Bank, especially in social security, financial markets, and public sector and socio-economic issues.

While rapid change in the global economy has brought many benefits, it has also caused some problems. As international financial institutions, World Bank and IMF have an important role helping countries to benefit from globalization and to mitigate negative effects it creates. EU has also important role on these issues. Close collaboration between Bank and IMF is vital, but there can be more effective coordination together with other development partners (international funding organizations), especially with EU in Turkey. Because, macroeconomic stability (a major IMF's objective) will not be sustained unless improved quality of public spending, poverty reduction and on overall development prospects, major Bank objectives, and without achieving transition assistance and institution building (a major EU objective in candidate countries). Macroeconomic stability in Turkey will also not be sustained unless achieving millennium development goals (Bank and IMF objective), and achieving Copenhagen criteria (one of EU objective) (Malan Report, 2007:5).

International Organizations and countries, which are giving important financial supports to Turkey, have common strategies and cooperative efforts with the World Bank on Turkey. Although these organizations have different missions, structures, procedures cultures, and different activities and priorities in Turkey, they have also common concerns. These differences may provide also the strengths and complementarities for the international funding organizations. They may complement each others mission and activities in Turkey. Since they have similar concerns and want their activities and funds to be successful in Turkey, they should have common strategies and cooperative efforts to be more economic, efficient and effective in their activities. Collaboration will enhance efficiency of both international funding organizations and Turkey as a fund user. To benefit from these supports, Turkey should also ensure the necessary coordination among the international funding organizations.

CONCLUSION AND RECOMENDATIONS

The World Bank undertook important missions and a pioneer role as an important actor for the development aid sources in the international monetary system. The Bank has supported important projects and government programmes in order to ensure economical and social improvement of the developing countries since it was founded. The Bank's support has become more important with the current financial and economic crisis, the most serious problem that the world has been dealing with since World War II. International organizations, especially the World Bank, have responsibility for abating the disastrous affects of "Globalization" on both developing countries and their poor people. Nowadays, there are serious criticisms for the World Bank that has a mission of "working for a world free of poverty".

This mission of the bank is a long-term goal, but it is not easy to measure and achieve ending or reducing poverty. Bank should determine more achievable and measurable goals such as improving quality of life, living standards and achieving millennium development goals, especially for people in the low and middle income countries. Bank should implement policies and programs to balance and reduce the negative effect of globalization. By coordinating with other international organizations, Bank should implement policies that makes phenomenon of globalization more humane, more efficient and more equitable.

Member States' voting power in IBRD plays an important role in the allocation of funds. In the process of determining each member's voting power, the share capital of member which is calculated according to the relative economic strength of each member is taken into account. Therefore, countries with a high capital share in the Bank become more effective and active in the decision making process of allocation and uses of funds. While G-7 rich countries control almost 45% of World Bank votes, the rest of the 65 %voting power are shared among the other 178 member countries. As a result of this, G-7 countries' interests and political preferences become more important in the process of Bank's resources allocation and uses, determining and implementing Bank's policies. In the process of fund allocation and uses of funds for related projects or policies, political preferences and decisions become more important than rational criteria such as feasibility of the project or program, the cost-benefit analysis of the projects, fund needs of borrower countries and their priorities.

However, the actual beneficiary of World Bank resources are both developing countries such as Turkey, China, India, Pakistan and Mexico and low-income counties that located mostly in Africa. For this reason, necessary arrangements in the Article of Agreement" must be made for the World Bank's capital structure and voting power system. As a result of these arrangements, there should be given more voting power (more voice, chair and participation) to the low-income and middle-income countries. These countries should have more power in the decision making process for Bank's resource allocation and uses of funds.

The World Bank should be more customer (borrower country) oriented in their operations. There will be more economic, efficient and effective way in the allocation and use of bank funds, if Bank considers actual beneficiary low-income and developing countries' needs, priorities and preferences instead of political decisions and preferences of fund provider developed countries. This will also contribute the Bank to achieve its mission of " world free from poverty".

In recent years, World Bank has started to leave its mission related with doing project, supporting investment (long-term focus) for development. It has started focus more on policy lending for macro-economic stabilization policies (short-term focus) which are very compatible with IMF's mission of financial stability. The share of the policy lending has been getting increasing with the global financial and economic crisis. Policy lending is mainly the responsibility of the IMF, not the World Bank. This issue is considered as contrary policies to establishment's mission of the World Bank and has been in serious criticism.

A wide gap exists between the Bank' s mission and its performance and achievements. While Bank claims to provide most of its funds for poor countries that in need of official assistance because of poverty and lack of access to capital markets, Bank has provided largest share of its resources flows to a few countries with access to private capital. Most of these countries are credit- worthy borrowers, that access to private resource flows and international capital markets. Thus, Bank should provide most of its funds, as parallel to its mission, to the poorest countries that lack capital market access.

Expectations from the World Bank are to use its resources, in accordance with its mission of "“working for a world free of poverty”, more for development-oriented projects-programs, poverty reduction and for mitigating disastrous affects of globalization on both developing countries and their poor people.

Although there are Cost Benefit Analysis (CBA) sections in the main document (PAD, ICR and IER) prepared by Bank, CBA are not or can not be done for the majority of the projects due to the fact that economic or financial analysis is not applicable. However, World Bank has employed sufficiently experts with the necessary academic background and experience. Moreover, advisory services can be obtained from outside when it is needed.

CBA should be done during the preparation (Ex ante CBA), implementation of the project (In media res CBA) and after the completion of the project (Ex post CBA). This analysis will give a tool to the Bank during the decision process of supporting (approval) a project. CBA will prevent the waste of Bank resources by enhancing selectivity of the projects during the preparation and approval stage of the project cycle. Performing CBAs of the same project at different periods will increase accuracy of the analyses and also provide both the lender (bank) and the borrower countries to compare the results of the projects in different stages. It will be a good indicator to evaluate the performance of both the Bank and borrower. Furthermore, it will provide the both sides lesson learned (positive and negative) from the project. Both Bank and borrower will have a better performance for the next projects and they will able to obtain more efficient and effective implementation and results with more economic projects.

Turkey became a member of The World Bank in the 1947 and the relationship has reached up today by solidifying. In Turkey’s participation process to European Union, The Bank’s aids continued and coordinated works with both IMF and EU to provide economic stability has accelerated. While World Bank-IMF coordination in Turkey has mainly focused on restructuring of the public sector, improving the competitive environment, social security reform and financial sector reform, EU’ financial support with pre-accession assistance has become important. World Bank usually provides supports for social security, public sector management, public health, water supply and sewage, the environment, agriculture, construction, legal reform, energy sector reform issues in Turkey.

World Bank has continuously criticized and emphasized the concepts of the transparency, financial discipline and accountability in borrower countries. These concepts are important not only for the fund user countries including Turkey, but also for the Bank. These issues should be a performance indicator for both parties. Although World Bank's financial and compliance audits are conducted by independent audit firms, performance audit related with its uses and sources of funds is not conducted. Performance audit is not conducted for the Bank financed projects in fund user countries, either. Member countries, donor countries and organizations, civil society organizations and non-profit organizations should investigate how the Bank uses its resources, the amount and results of their contributions. In this regard, they should request Bank to be more accountable and transparent in its activities by conducting performance audit for both World Bank itself and projects financed by Bank in borrower countries.

Performance audit will inform public whether World Bank manages its sources in accordance with the principles of economic, efficiency and effectiveness. It will also add value to the Bank's transparency and accountability. Moreover, World Bank will improve its performance in subsequent periods by using findings-recomendatitions and lesson learned described in the performance audits. Providing large amounts of funds in line with the mission does not eliminate responsibility of the World Bank to developing countries. Economy, efficiency and effectiveness of the funds are more important than its volume. The Bank should first set of the standards of accountability and transparency then become a good model that it promotes to its borrowers.

It is also essential for the bank to have standard, understandable, measurable and monitorable indicators to assess the efficiency and effectiveness of bank program for development. There may be some potential risks for both lender (bank) and beneficiary countries (borrower countries benefit from projects and programs). Therefore, a risk assessment should be done for both borrower countries and lender by analyzing the likelihood and impact of possible risks (economic-financial, internal-external, social-political, technical-environmental, etc.). This will likely improve performance of both the effectiveness of Country Partnership Strategy (CPS) and the implementing agencies (countries, institutions and related organizations, the World Bank).

International organizations and countries, which are giving important financial supports to Turkey, have common strategies and cooperative efforts with the World Bank on Turkey. Although these organizations have different missions, structures, procedures cultures, and different activities and priorities in Turkey, they have also common concerns. These differences may provide also the strengths and complementarities for the international funding organizations. They may complement each others mission and activities in Turkey. Since they have similar concerns and want their activities and funds to be successful in Turkey, they should have common strategies and cooperative efforts to be more economic, efficient and effective in their activities. Collaboration will enhance efficiency of both international funding organizations and Turkey as a fund user. To benefit from these supports, Turkey should also ensure the necessary coordination among the international funding organizations.

The institutions in World Bank Group have different missions and specialize in different aspects of development, but they use their comparative advantages to work collaboratively for development. In Turkey, in addition to the IBRD activities, a strong International Finance Corporation (IFC) program and Multilateral Investment Guarantee Agency (MIGA) contributes to the achievement of the CPS objectives. So while preparing CPS, collaboration and cooperation among these institutions should also be taken into account.

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