# The World Bank and the Middle-Income Countries

*by David de Ferranti*[1]

The World Bank's role in middle income developing countries needs to change. Not to end lending to them, or adopt the other proposals from extremists on the right or left. But rather to *modernize* both what the Bank does and how it does it, so as to respond more effectively to the changed circumstances, needs, and preferences of this group of countries.[2]

Recommendations on how the Bank should modernize are set out below. First, though, the case for it to stay engaged is discussed, since a handful of voices are still trying to argue otherwise.

## The World Bank should remain engaged in the middle-income countries

Arguments for axing World Bank lending to middle-ranking developing countries enjoyed short-lived notoriety a few years ago, with the publication of a report by Prof. Alan Meltzer.[3] Since then, however, that fringe view has been endorsed only by a handful of American conservative academics (primarily those who worked on the report in the first place).

Few know this better than Paul Wolfowitz. Nominated in 2005 as the new President of the Bank by a strongly conservative US administration, of which he had been a key member, Wolfowitz's appointment was initially acclaimed by the critics on the right. ("An inspired choice," wrote Alan Meltzer in The Wall Street Journal on March 18, 2005.) But Wolfowitz didn't fall for their odd theories. In his first Annual Meetings speech in September 2005 he stated unequivocally that "To help the middle income countries grow and prosper, we need to continue to tailor

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our knowledge and financing to their specific needs."[4] Subsequently, on the eve of a visit to Brazil, he was quoted as saying, "I really want to underscore the World Bank's commitment to Brazil and all the other middle income countries in Latin America..."[5]

Nor is Wolfowitz alone. The Bank's 184 shareholder governments—liberal, conservative, and everything in-between—have had numerous opportunities to review and re-decide the Bank's engagement in the middle income countries. Instead of embracing the terminate-lending schemes, they have repeatedly come down firmly, and as a rule unanimously, on the side of continuing the Bank's important development work—analytical, operational and financial—in this critical group of countries.[6]

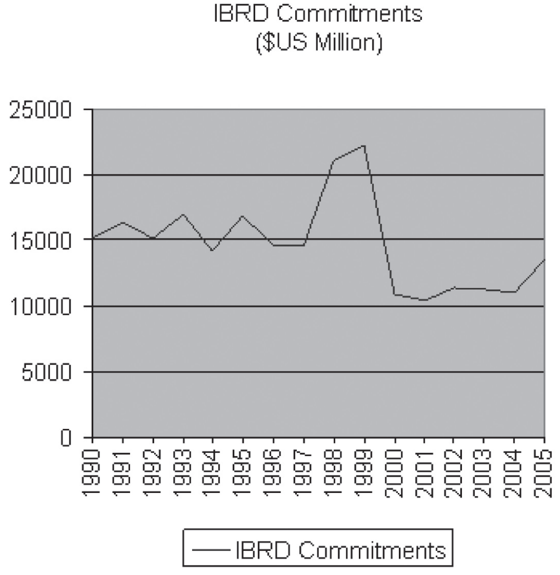
### *Watch out for the spin....*

The tiny band of diehards have not helped their case by "spinning" the facts through the use of carefully selected statistics. Here are a few examples.

They claim that IBRD loan demand has collapsed. The truth is different. Figure I below gives the facts: IBRD lending commitments each year over the past 15 years.

Lending shows significant fluctuation. It shot up during 1998 and 1999, when the Bank participated in several crisis assistance packages. Levels then fell back, and for a while were appreciably below those of the early to mid

**Figure I**



1990s, in considerable part due to a premature cut-back in Bank lending for infrastructure, based on overly optimistic assumptions about the private sector's readiness to pick up this financing responsibility (the infrastructure retrenchment is one the Bank has just recently begun to reverse). The level in the latest completed year (fiscal year 2005) was some 6–7 percent down on that immediately before the 1998–99 crisis. Looking forward, lending in the first half of fiscal 2006 significantly surpassed lending in the same period of fiscal 2005.[7]

How do the spinners transform this rather mundane picture into an Emergency Room? Step one: start the comparison from an atypical base—in this case, kicking off from 1999's record lending. Step two (and more importantly): compare apples and oranges, by mixing up lending with the pre-payment of older IBRD debt. Like many US homeowners, some IBRD borrowers took advantage of recent record low interest rates to refinance their older, higher-interest debt, assuming the opportunity would not last for ever. This is no more an indicator of demand for future IBRD lending than homeowners refinancing their mortgages signals the collapse of the home loan market. In short, if Mark Twain had seen this claim of "collapse", might have been reminded of his remark on hearing that the New York Journal had published his obituary, "An exaggeration."

Another example is the assertion that it is "disquieting" that IBRD lending to countries without international ratings has fallen from 40 percent in 1993 to 1 percent in 2001–05. What this misleading statement obscures is that the number of countries without a credit rating has itself shrunk enormously over the period in question, as more and more countries have sought out ratings. So, a country without a rating is today almost an oddball. Among borrowers from IBRD during the past five years, only 7 unrated countries remained (Algeria, Belarus, Uzbekistan, and four small Caribbean island nations)—they incidentally accounted for less than 1 percent of the IBRD poor. A further dozen non-rated countries were non-borrowers from IBRD, due either to the absence of a supportable program or to having been in "non-accrual status"—i.e., not up-to-date in servicing their debts to the Bank—such as Zimbabwe, for example. The critics' disquiet thus looks more than a trifle overdone.

Still another example is the claim that IBRD lending largely by-passes the countries where the poor live. In fact, the top 10 borrowers from IBRD over the past five years, mostly among the largest countries, together accounted for about 84 percent of all the poor people (under $2 a day) living in the MICs as a whole (a further 5 percent of the MIC poverty was accounted for by Pakistan, an important World Bank Group "blend" borrower, but one that largely borrows from IDA). (See Table I.) Even if one cherry-picks the list, as the critics sometimes do, to remove the four big borrowers with the largest numbers of poor (China, India, Russia, and Indonesia), the remaining six countries still accounted for about 22 percent of the IBRD poor living outside the four giants and got just over 50 percent of the lending. Beyond this, there can be good reasons for IBRD support even in countries that are not among those with the most poor people. A country in the midst of a crucial reform program—such as some of the former Soviet bloc countries—might want and need help, and the world (and their poorer country neighbors) might be better off if they got it. Overall, though, IBRD lending comes much closer than the spinners acknowledge to matching concentrations of dire poverty.

Juggling the data also hides something much more important. When the options and their pros and cons are even-handedly examined in balanced, reasoned debate, there are compelling, broad-based reasons why it makes sense for the Bank to stay engaged in the middle income countries. Extensive work has been done examining the reasons.[8] A later section here outlines that terrain, reinforcing the conclusion that the Bank should stay engaged. Prior to that, the real aim of this chapter takes center stage: how should the Bank improve?

## How the Bank should modernize its work in the middle-income countries

### *Modernize Financial Products*

Borrowers report that, while the Bank's traditional loans may have once been appropriate, the institution now needs to realize that new and different instruments may be more responsive to their needs. These arguments need to be listened to.

The Bank has in fact significantly modernized its product offerings. However, many of these new products do not appear, at least until very recently, to have been promoted very actively. Whether one is talking about guarantees, lending in local currency, or insurance products—or the possibility of lending to sub-national levels of government without necessarily requiring sovereign guarantees—more could be done.

The Bank should also look seriously at recent advances in financial markets. This includes "structured finance" approaches where its participation could leverage in far more capital—tapping much more of the huge private sector potential to help development—than is possible through old-style, go-it-alone projects. Proven products take a diversified pool of investments, unpack the risks, and repack them into different tranches matching the risk/reward appetites and capabilities of different classes of investors. The Bank should review whether it should take positions in these areas. In addition, there may be other, perhaps better options out there for vehicles whereby the Bank could leverage greater flows from the private sector.

### *Cutting Down the Hassle*

Many observers—and especially borrowers—feel that the steps and requirements that must be complied with to obtain a Bank loan are still crushingly burdensome, despite recent efforts to lighten the load. The Bank Group needs to take a new look at this "hassle factor."

To some degree, these demands represent a prudent concern to ensure due diligence. "Safeguard" policies, in particular—in areas like a project's environmental impact or effects on local residents such as indigenous people—largely reflect the lessons of experience, and the need to take reasonable precautions. Yet there is also the danger that, under the influence of single-issue pressure groups, agencies like the Bank take refuge in demanding ever-more studies.

The key point here is to make sure that the substance of key risks is addressed—and suitable risk mitigation strategies adopted. But, especially when dealing with more sophisticated borrowers, the Bank should be more willing to work with countries' own national systems of safeguards, where these achieve substantively comparable protection to the Bank's own procedures, and should focus on "upstream" remedies of root causes rather than downstream fixes to projects that are already well advanced. Resistance to this approach by some shareholder representatives suggests a failure to think the issue through properly.

### *Learning from Differences across Countries*

The Bank should review with some care—and aim to learn from—the variations in its client relationships as between one middle income country and another (and one region and another). Some countries and regions have shown continued strong demand for World Bank products, in others interest appears to have weakened. Are the differences inherent to the countries themselves? May some of the differences reflect alternative strategies the Bank has adopted across different regions and countries?

Experience of working in Latin America, for example, prompts the question of how far the Bank's successful efforts to appoint a substantial number of managers and senior staff from within that region may have helped keep the Bank relevant to borrowers' needs. The ability to identify with borrowers and their culture—and speak their language, literally and figuratively—may be one key to staying relevant.

### *Performance-Based Lending*

The argument for providing more support on a "performance-based" basis is compelling. The basic concept is simple. Rather than financial flows being triggered by a country's "inputs" (such as its own spending on health), the performance model ties funding to "outputs" or performance indicators, such as the number of children immunized.

The main issues are practical, not "ideological": how to set meaningful performance indicators, establish reliable systems for monitoring them, make sure no essential components get missed out (such as focusing so heavily on "new" coverage that one neglects to measure upkeep of existing systems). They are not easy challenges, but they should be tackled.

### *Loan Terms*

Some commentators have proposed considering further differentiation of loan terms for different countries. One line of argument calls for stronger, richer countries to pay more, since they are better able to pay. Another makes the converse argument—that the less creditworthy should pay more because they are a worse risk. Elements of both arguments are in fact embedded in current pricing policies. The difference between IDA terms and IBRD terms applies the first argument—the poorer pay less. The harder-than-normal terms adopted for "special" lending—under emergency conditions—requires riskier lending to carry a higher price.

Both Bank officials and the critics agree that current IBRD lending terms are hardly softer (if at all) than those the best-rated borrowers can obtain from the markets. In addition, IBRD loan spreads over the Bank's cost of borrowing are already reckoned to more-than-cover the direct costs of the Bank's "banking" business and to make a hefty contribution to the cost of such "public goods" functions as research and analysis. One might ask how much more of these overhead costs should reasonably be included directly in loan charges.

The trump card in this debate is that the Bank generally revises its basic policies only on the basis of a broad consensus among the shareholders. And consensus on further change in this area will prove hard to come by. Nevertheless, the shareholders have a responsibility to try their best to overcome differences between them, and thus should ask for a systematic look at the issue.

### *Expanding Intellectual Partnerships*

Finally, while the Bank has definitely come some way in combating the "not invented here" syndrome, there is still a way to go. Experience suggests that the Bank still under-uses intellectual capacities outside the institution. There has been an explosion in the numbers of highly-trained professionals in many borrowing countries, and in the capacity of domestic think-tanks, consulting firms, research institutions, and university departments. There is still room for more analytical work to be done in partnership with local organizations. This can benefit both sides—building local capacity further, and improving the quality of the analysis by incorporating different perspectives. A Bank that partners more with others—in earnest and not just in rhetoric, and draws on (and scales up) ideas developed by others—might also be a Bank that does not need as many staff and as big a budget for them as it would otherwise. Certainly, the composition of the staff would need to change, all the more so if the other recommendations here were adopted, especially the one on financial products.

Other actions too have been widely proposed that would help, including some relating to the composition, role, and budget of the Bank's Board of Executive Directors, and others on improving evaluation of Bank operations. There is not space here to go into all of them,[9] but one overarching point is fundamental.

Modernizing the Bank thoroughly will require contributions by everyone—its President, managers, staff, and external groups, but *especially by its member country governments themselves, both through their positions on the Board and at the higher levels where major global policy choices are decided*. For too long, the vital role of the member countries' leading officials and representatives in determining what the Bank can be and do—and the impossibility of bringing about major change in the Bank without their active leadership—have been greatly under-recognized, especially by those not extensively familiar with the inner workings of the Bank. And for too long too, member countries' leaders have failed to find ways to grapple effectively with some of the biggest and toughest questions about the Bank and its future, including the question of its role in the middle income countries. Piecemeal efforts on selected issues—for example, on the low-income countries and on debt reduction—and through periodic discussions in the G8 and other fora, have achieved notable gains, but also created troublesome inconsistencies. A more thorough grappling with core issues, however hard politically, and however long it may take to be fruitful, is of urgent priority.

## More on why the Bank should stay engaged

Returning now, as promised, to the case for a continuing Bank role in the middle income countries, there are several parts to the story, including the answers to two basic questions:

- Should the larger world community—the Bank's shareholders—care about developments in the middle income countries and try to influence them?
- Assuming they do, should they work through official development agencies like the World Bank, rather than leaving the job to market forces and/or making ad hoc institutional arrangements?

To answer the first question positively—as governments around the world have in fact done resoundingly—involves recognizing that we live in an increasingly interconnected world, where developments on the other side of the globe can affect our economic well-being, our health, our security and the global environment our grandchildren will inherit. Old dreams of isolationism look threadbare in a world of globalized production, finance and trade, international terror threats, pandemics like HIV/AIDS and bird flu, and global environmental challenges like loss of biodiversity and climate change.

Indeed, what happens in the middle income countries matters a lot in the global picture:

- The MICs account for around two thirds of the world's total population. Their economies, meanwhile, provide important and growing sources of export demand for the wider world's producers and of potential investment opportunities for other countries' investors.
- The MICs include roughly three quarters of all the people living in poverty (under $2 a day) around the world.
- The MICs are now big enough to create systemic risk in global financial markets. A high proportion of recent global financial crises have originated in MICs like Mexico, Russia, East Asia, Turkey and Brazil.
- On strategic issues, MICs repeatedly emerge as key players (the aftermath of the break-up of the Soviet empire, the turmoil in the former Yugoslavia, tensions in the Middle East and South Asia, etc., etc.).
- MICs account for an estimated 47 percent of global $CO_2$ emissions.
- MICs account for over half the world's areas protected for their environmental significance.

So, why then work through the Bank? A modernized, well-functioning Bank, as imperfect as it will always be, can be shaped into the best instrument that the world's countries are likely to have in the foreseeable future for helping achieve at least some of their global objectives. Among its relatively unique combination of attributes for this role are:

- broad-based analytical expertise on development policy issues at the global, regional and national levels;

- the ability to combine an appreciation of the broad macro perspective with detailed examination of policy issues at the sectoral and micro levels, and a proven capacity to take on new challenges;
- extensive operational experience in implementing reform and investment programs in different geographical and sectoral contexts; and
- sufficient financial capacity to be able to match its intellectual contribution with resource commitments that reinforce its partnership with members throughout the implementation phase.

At the heart of the critics' case, though, is the relationship between the World Bank and private capital markets. Repeatedly, they come back to this comparison: lending by the Bank, they say, necessarily crowds out lending by the markets, lending by the Bank is pitifully tiny compared to the scale of the markets, the Bank cannot compare with the efficiency of the markets, the Bank should not lend to countries with access to the markets....

None of this is new. Those who know the Bank expect criticism from both ends of the political spectrum. Critics on the far left accuse the Bank of being a tool for the spread of international capitalism. Those on the right complain that it is not. Of the two, the leftists seem to have the better factual grasp of what the Bank actually does.

### *Missing the point on public-private complementarity....*

Missing from the conservative critiques is any sense of the importance of complementarity between public agencies and private markets. To the critics, any public lending to a country with market access must of necessity supplant private lending dollar for dollar—they see a "zero-sum game". Yet most economists today recognize that efficient private markets do not appear magically, but require supporting public infrastructure, institutional as well as physical. And much of what the World Bank actually does directly helps to improve the climate for private investment:

- The Bank has encouraged and supported countries in implementing trade reforms to open up to greater international competition, and in removing restrictive regulations on inward foreign direct investment.

- In utilities and infrastructure, the Bank has very actively promoted expanding private provision.
- The Bank helps clients strengthen the essential legal and judicial infrastructure for private markets, including the regulatory frameworks that underpin competitive private financial markets  It also helps countries confront corruption, which—among its other evils—distorts the “level playing field” needed by efficient markets.
- The Bank’s work on national regulatory frameworks—including its annual published comparisons of “Doing Business” in some 155 countries—provide powerful advocacy tools in favor of freeing business from harmful and superfluous regulations.
- The Bank works alongside other agencies, like the IMF, to help countries emerge rapidly from macro-financial crises when they have temporarily lost the confidence of the private markets. Complementing the IMF’s focus on rectifying macroeconomic imbalances, the Bank’s emphasis is on promoting crucial structural reforms and protecting vulnerable social groups.
- The Bank’s work in helping countries improve the education and health of their populations, and upgrade basic infrastructure, provides crucial support for future market-driven development.

Even the most committed advocates of market-driven development may find it hard to object to most of these efforts—which may incidentally explain why the critics devote so little of their prolific output to discussing what the Bank actually does.

### *Deconstructing the Bank?*

A fall-back for the critics is to argue that, even if what the Bank does might not be 100 percent objectionable, the institution itself is superfluous. Everything the Bank does, they say, could be picked up by the private sector. Private markets could lend where the Bank lends (or at least in the more creditworthy countries), and consulting firms could provide any technical advice needed.

At the theoretical level, one can argue for breaking up any complex organization. Why not replace our cumbersome universities by independent tutors, as in the middle ages? Private certification bodies could compete to provide qualifications. College football teams could be sold to the NFL....

As with universities, the case against breaking up the World Bank involves recognizing that “the whole is greater than the sum of the parts”. The Bank’s global reach, operational involvement and financial strength enable it to serve an unparalleled “global public goods” function as a respected world center of practical development experience, data and information.

Still, why “bundle” technical inputs with finance? Why not just provide technical advice and let countries go to the markets for resources? Experience points to three factors.

First, for many countries, access to the markets is more problematic and variable than the critics admit. They paint market flows as dwarfing official lending, but most private flows go to private investments—car factories, hotels, Cola bottling plants, etc. In aggregate, average private lending for public (or publicly guaranteed) purposes is roughly comparable in scale to the lending of official agencies, including the Bank. But private lending is far more subject to “sudden stops” in crisis times. And for many borrowers, especially those without investment grade ratings, the effective costs of private borrowing can be steep.

Secondly, even if, in a perfect world, sound advice would sell itself based on quality alone, in the real world, the willingness to back substance with hard resources can often be the price of getting through the door to present one’s ideas in the first place.

Thirdly, the knowledge that the Bank is willing to commit its resources to a program offers re-assurance that it will not walk away from the borrower. We all know jokes about consultants who turn in their report and then respond “I don’t do implementation.” The Bank cannot offer that excuse.

This does not imply that the Bank should never offer advice without funding. Indeed it now provides fee-based advisory services to a number of its clients. But a distinction should be made. Analytical work that is essential for maintaining the Bank’s “public good” role of reporting on key development issues should continue as part of the essential package of client services. Advice in areas of very specific country interest, by contrast, lends itself to being placed on an optional, fee-based basis.

***Who should be able to borrow?***

A key element in the public debate is very different views on who should be eligible to borrow from IBRD. The approach taken by the shareholders is summarized in the Bank's 2005 Annual Report:

"In fiscal 2005 countries with a per capita income of less than $5,295 that were not IDA-only borrowers were eligible to borrow from IBRD. Countries with higher per capita incomes were able to borrow from IBRD under special circumstances, or as part of a graduation strategy."[10]

The Bank's shareholders thus base eligibility primarily on a country's overall state of development (as proxied by per capita income). They apply the approach with some flexibility, allowing for a transition process and for special circumstances, as when Korea temporarily returned to IBRD borrowing status in 1997 (three years after "graduating"), when it lost the confidence of the markets during the wider East Asian crisis.

The critics proposed a very different approach in the report of the majority group within the Meltzer commission:

"All resource transfers to countries that enjoy capital market access (as denoted by an investment grade international bond rating) or with a per capita income in excess of $4000, would be phased out over the next 5 years. Starting at $2500 (per capita income), official assistance would be limited. (Dollar values should be indexed). [For the record, indexation since 2000 would raise the above dollar figures to roughly $4500 and $2800, respectively, in late 2005 terms]."[11]

Meltzer's proposal to arbitrarily limit lending to countries with per capita incomes above $2800, and to apply a rigid phase out of all lending to countries with income per head of over $4500, would knock out or limit development support to most developing and transition countries in Latin America and Eastern Europe. It would convert the Bank from a strong development agency with a global reach into a much-shrunk body dealing primarily with Africa and a few low-income Asian countries.

Meltzer's addition of "market access" as a further reason for withdrawing eligibility to borrow would be an even more radical departure.[12] A borrower's access to private lending, as measured by agencies' credit ratings, does not reflect its level of development, so much as its prudence in borrowing and servicing its debts. India undoubtedly deserves credit for the policy reforms that recently lifted it to an "investment" rating. But with 850 million Indians (four in five of the population) surviving on less than $2 a day, one may question whether the international community truly wants its congratulatory card to India to read, as the critics would draft it, "You're on your own now!"

### *The heart of the matter?*

The critics have concentrated their fire on the World Bank. But their central objections to IBRD lending to MICs apply with comparable logic to any official development lending to these countries—whether from regional banks, bilateral development agencies or wherever. Their real objection is evidently not to the specifics of the Bank's lending programs or its policy advice—subjects they barely begin to discuss. Nor have they seriously tried to prove the Bank less competent than its peers. Rather, the core of their case—even if generally camouflaged beneath the quibbling over this or that detail about the Bank—implies hostility to public development work in and of itself. Like left-wing activists who mobilize against McDonalds rather than its less-conspicuous competitors, the critics have identified the World Bank as the most visible symbol of public development assistance—and opposition to IBRD's work in the middle income countries as the thin edge of a larger ideological wedge.

## Table I
## The Middle Income Countries

| IBRD Eligible Countries[1] | Protected Areas (Thousands of Hectares)[2] | $CO_2$ Emissions (Thousands of Metric Tons)[2] | Population[3] | % under $2/day[4] | Estimated Population under $2/day |
|---|---|---|---|---|---|
| Algeria | 11,864 | 74,176 | 32,531,853 | 15.10 | 4,912,310 |
| Antigua and Barbuda | 0 | 359 | 68,722 | NA | NA |
| Argentina | 5,911 | 138,983 | 39,537,943 | 14.31 | 5,657,880 |
| Azerbaijan | 394 | 29,490 | 7,911,974 | 9.10 | 719,990 |
| Barbados | 0 | 1,334 | 279,254 | NA | NA |
| Belarus | 1,304 | 59,561 | 10,300,483 | 0.68 | 70,043 |
| Belize | 633 | 827 | 279,457 | NA | NA |

# Table I (continued)
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|---|---|---|---|---|---|
| Bolivia | 12,082 | 11,714 | 8,857,870 | 34.30 | 3,038,249 |
| Bosnia and Herzegovina | 27 | 14,269 | 4,025,476 | NA | NA |
| Botswana | 10,499 | 4,033 | 1,640,115 | 50.10 | 821,698 |
| Brazil | 32,866 | 327,858 | 186,112,794 | 22.43 | 41,745,100 |
| Bulgaria | 594 | 44,731 | 7,450,349 | 16.20 | 1,206,957 |
| Chile | 2,650 | 54,790 | 15,980,912 | 9.58 | 1,530,971 |
| China | 105,527 | 3,473,597 | 1,306,313,812 | 46.70 | 610,048,550 |
| Colombia | 9,786 | 63,998 | 42,954,279 | 22.56 | 9,690,485 |
| Costa Rica | 477 | 5,223 | 4,016,173 | 9.45 | 379,528 |
| Croatia | 339 | 19,191 | 4,495,904 | 0.53 | 23,828 |
| Czech Republic | 196 | 124,069 | 10,241,138 | 0.23 | 23,555 |
| Dominica | 10 | 76 | 69,029 | NA | NA |
| Dominican Republic | 1,113 | 19,887 | 8,950,034 | 0.76 | 68,020 |
| Ecuador | 2,308 | 20,705 | 13,363,593 | 36.09 | 4,822,921 |
| Egypt, Arab Rep. | 4,536 | 127,131 | 77,505,756 | 43.90 | 34,025,027 |
| El Salvador | NA | 6,598 | 6,704,932 | 58.02 | 3,890,202 |
| Equatorial Guinea | 455 | 716 | 535,881 | NA | NA |
| Estonia | 350 | 14,884 | 1,332,893 | 4.69 | 62,513 |
| Fiji | 16 | 701 | 893,354 | NA | NA |
| Gabon | 80 | 1,455 | 1,389,201 | NA | NA |
| Grenada | NA | 79 | 89,502 | NA | NA |
| Guatemala | 594 | 10,097 | 14,655,189 | 37.36 | 5,475,179 |
| Hungary | 821 | 56,850 | 10,006,835 | 1.52 | 152,104 |
| India | 15,291 | 1,007,979 | 1,080,264,388 | 79.90 | 863,131,246 |
| Indonesia | 8,607 | 286,027 | 241,973,879 | 52.42 | 126,842,707 |
| Iran, Islamic Rep. | 10,376 | 297,930 | 68,017,860 | 7.30 | 4,965,304 |
| Iraq | 1 | 78,507 | 26,074,906 | NA | NA |
| Jamaica | 0 | 10,320 | 2,731,832 | 13.30 | 363,334 |
| Jordan | 913 | 15,535 | 5,759,732 | 7.40 | 426,220 |
| Kazakhstan | 7,742 | 123,686 | 15,185,844 | 8.45 | 1,283,204 |

## Table I (continued)
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|---|---|---|---|---|---|
| Korea, Republic of | 350 | 470,020 | 48,422,644 | 1.00 | 484,226 |
| Latvia | 818 | 6,490 | 2,290,237 | 8.30 | 190,090 |
| Lebanon | 4 | 15,569 | 3,826,018 | NA | NA |
| Libya | 122 | 42,275 | 7,765,563 | NA | NA |
| Lithuania | 592 | 11,574 | 3,596,617 | 6.90 | 248,167 |
| Macedonia, FYR | 180 | 8,862 | 2,071,210 | 4.00 | 82,848 |
| Malaysia | 1,366 | 123,603 | 23,953,136 | 9.30 | 2,227,642 |
| Marshall Islands | NA | NA | 59,071 | NA | NA |
| Mauritius | 7 | 2,796 | 1,230,602 | NA | NA |
| Mexico | 1,205 | 385,075 | 106,202,903 | 24.30 | 25,807,305 |
| Micronesia | 5 | NA | 108,105 | NA | NA |
| Morocco | 326 | 33,236 | 32,725,847 | 14.30 | 4,679,796 |
| Namibia | 3,214 | 1,945 | 2,030,692 | 55.80 | 1,133,126 |
| Pakistan | 3,509 | 105,983 | 162,419,946 | 65.60 | 106,547,485 |
| Palau | 0 | 242 | 20,303 | NA | NA |
| Panama | 483 | 5,709 | 3,039,150 | 17.90 | 544,008 |
| Papua New Guinea | 7 | 2,445 | 5,545,268 | NA | NA |
| Paraguay | 1,391 | 3,659 | 6,347,884 | 30.29 | 1,922,774 |
| Peru | 4,010 | 28,194 | 27,925,628 | 37.71 | 10,530,754 |
| Philippines | 1,513 | 75,299 | 87,857,973 | 47.48 | 41,714,966 |
| Poland | 3,417 | 303,777 | 38,635,144 | 1.18 | 455,895 |
| Romania | 476 | 90,729 | 22,329,977 | 20.50 | 4,577,645 |
| Russian Federation | 90,223 | 1,540,365 | 143,420,309 | 23.80 | 34,134,034 |
| Serbia and Montenegro | 327 | 44,355 | 10,829,175 | NA | NA |
| Seychelles | 4 | 224 | 81,188 | NA | NA |
| Slovak Republic | 357 | 36,927 | 5,431,363 | 2.40 | 130,353 |
| South Africa | 6,461 | 344,590 | 44,344,136 | 34.07 | 15,108,047 |
| St. Lucia | 2 | 446 | 166,312 | NA | NA |

# Table I (continued)
# The Middle Income Countries

| IBRD Eligible Countries[1] | Protected Areas (Thousands of Hectares)[2] | $CO_2$ Emissions (Thousands of Metric Tons)[2] | Population[3] | % under \$2/day[4] | Estimated Population under \$2/day |
|---|---|---|---|---|---|
| St. Vincent and the Grenadines | 4 | 165 | 117,534 | NA | NA |
| Suriname | 1,846 | 2,244 | 438,144 | NA | NA |
| Swaziland | 35 | 388 | 1,173,900 | 22.55 | 264,714 |
| Syrian Arab Republic | NA | 51,347 | 18,448,752 | NA | NA |
| Thailand | 6,516 | 171,697 | 65,444,371 | 32.50 | 21,269,421 |
| Trinidad and Tobago | 24 | 18,090 | 1,088,644 | 39.00 | 424,571 |
| Tunisia | 28 | 20,179 | 10,074,951 | 10.00 | 1,007,495 |
| Turkey | 571 | 223,862 | 69,660,559 | 10.30 | 7,175,038 |
| Turkmeni-stan | 1,883 | 34,584 | 4,952,081 | 44.00 | 2,178,916 |
| Ukraine | 1,937 | 348,357 | 47,425,336 | 45.70 | 21,673,379 |
| Uruguay | 30 | 6,409 | 3,415,920 | 1.00 | 34,159 |
| Uzbekistan | 2,050 | 121,045 | 26,851,195 | 44.20 | 11,868,228 |
| Venezuela, RB | 31,358 | 136,686 | 25,275,281 | 32.00 | 8,088,090 |
| Zimbabwe | 3,103 | 14,098 | 12,746,990 | 64.20 | 8,183,568 |
| **MIC Totals** | **418,112** | **11,360,906** | **4,338,293,207** | | **2,058,063,861** |
| **World Totals** | **806,722** | **23,895,742** | **6,482,257,297** | | **2,706,036,650** |
| **% of World Total** | **51.83** | **47.54** | **66.93** | | **76.05** |

[1]Countries are those eligible to borrow from the IBRD as of December, 2005.
[2]Source: World Resources Institute EarthTrends (http://earthtrends.wri.org/).
[3]Source: United Nations World Population Prospects Database (http://esa.un.org/unpp/).
[4]Source: World Bank/WDI, supplemented by PovCalNet.

## Notes

1. The author is grateful for the invaluable contribution of Anthony Ody to the overall preparation of this chapter, and for research assistance from William Gee.

2. The term "middle-income countries" refers here to those eligible to borrow from the World Bank's non-concessional IBRD (International Bank for Reconstruction and Development) window, which lends at interest rates slightly above the World Bank's own cost of borrowing in the international capital markets. By contrast, "low income countries" mostly borrow from the Bank's concessional IDA (International Development Association) window at substantially softer terms, with the flows funded largely from periodic "replenishments" voted by the Bank's more affluent shareholder countries (supplemented by internal transfers from IBRD earnings). A few countries borrow simultaneously from IDA and IBRD: these "blend" countries are for most purposes counted within the "middle income" classification.

3. Allan H. Meltzer, chairman, *Report of the International Financial Institutions Advisory Commission* (Washington, D.C., 2000), available at http://www.house.gov/jec/imf/ifiac.htm.

4. "Charting a Way Ahead: the Results Agenda" Address to the 2005 Annual Meetings by Paul Wolfowitz. September 24, 2005. World Bank.

5. World Bank News Release No. 2006/205/S (December 13, 2005).

6. The strategic importance of the middle income countries for the realization of many international goals—and for donor countries supporting these goals—are addressed in greater detail in a later section of the chapter.

7. Data for fiscal year 2006, released just before publication of this volume, confirmed the continued recovery of IBRD approvals—up another 4 percent above fiscal 2005, to the highest level in seven years ($14.1 billion). Data available at: http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:21016240~pagePK:64257043~piPK:437376~theSitePK:4607,00.html.

8. See especially *The Role of the Multilateral Development Banks in Emerging Market Economies*, the report of a commission co-chaired by José Angel Gurria and Paul Volcker (Washington, D. C.: Carnegie Endowment for International Peace, 2001), and *The Hardest Job in the World: Five Crucial Tasks for the New President of the World Bank*, report of a Center for Global Development working group co-chaired by Nancy Birdsall and Devesh Kapur, in this volume.

9. See *The Hardest Job in the World*, Birdsall and Kapur (2006) for more.

10. *The World Bank Annual Report 2005*, (Washington, D. C.: The World Bank, 2005).

11. Meltzer, *Report of the International Financial Institutions Advisory Commission*.

12. Note, too, that while the commission's text refers only to cutting off countries with "investment grade," some of Prof. Lerrick's comments in the present debate implicitly question the rationale for support even to countries with below-investment grade ratings (more commonly known as "junk" ratings).