MULTILATERAL DEVELOPMENT BANK CONCESSIONAL LENDING: RATIONALE AND REQUIRED RESOURCES

by
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I THE CASE FOR CONTINUING CONCESSIONAL FINANCE

We argue that the case for continuing concessional finance relates to three categories of need. They are the combination of poverty with macroeconomic fragility, the needs of specific sectors of the economy and a variety of special needs that are neither macron or sectoral. The first category of needs for soft finance turns on the structural **output per capita, external balance and fiscal balance fragility** of recipient countries. These tend to be interrelated. Poverty of households and low/uncertain GDP are correlated with cyclically volatile and secularly stagnant exports. Then, because basic services and basic infrastructure costs per unit do not fall *pari passu* with GDP, they are also correlated with lesser fiscal resilience at any ratio of tax collection to GDP.

The majority of *countries* exhibiting these characteristics are probably tiny island states. However, in terms of numbers of *people* impacted, the *locus classicus* is Sub-Saharan Africa. Not every SSA state exhibits these characteristics, and not all states of over a million in population that do exhibit them are African. South Africa, Botswana, Namibia, with peace Angola, with decent economic management Gabon and Nigeria plus probably Cote d'Ivoire, Cameroon and perhaps Senegal are not in this category. Nor are the island states of Mauritius and the Seychelles, although Madagascar, the Comoros, São Tomé & Principe and Cape Verde are. Vietnam, Bhutan, Laos, Cambodia, Burma, Paraguay, Bolivia, Suriname, Guyana, the Dominican Republic and Haiti do fall into it.

China and India do not exhibit these characteristics. While their GDP per capita (however valued) is as low as or lower than that of some of those in the category, their qualitatively different economic size and structure result in important differences. Their export bases are substantially more diversified and buoyant, increasingly related to their absolutely substantial manufacturing sectors. This in turn results both in less fragile external balances and fiscal positions and in far greater access to external finance and much greater ability to service external debt, as well as to attract external direct and portfolio investment.

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Bangladesh is among the macro fragile and poor economies, as is Sri Lanka (at least pending peace and reconstruction). Pakistan is a borderline case. Indonesia may have formerly fallen into this category as well as Thailand, but both have clearly graduated. On the past four years' record, so has the Philippines.

For the macro fragile and poor economies, soft finance is needed to construct a **transformed economic base**:

a. **basic services/human investment** in health, education and water;

b. **basic infrastructure** in transport, communications and power.

Without (a) the enterprise sector will, in the light of the 1945-95 experience, remain permanently (and increasingly) non-competitive. Without (b) there will be crippling cost barriers both to rural development and to exports.

Because of poverty and fragile fiscal bases, advance to universal basic service access is not feasible purely out of domestic revenue, while infrastructure cannot be financed primarily from domestic borrowing nor (because of external debt service overload) from commercial rate external borrowing. Neither sector, apart from limited exceptions in respect to infrastructure (especially telecommunications), is attractive to private investment when situated in small, poor, external balance constrained economies.

In these cases, a significant proportion of the human investment/infrastructure investment requirements for economic structural transformation will have to come from sources external to the domestic economy and on soft terms. Otherwise rapid transformation and sustainable access to commercial credit and foreign investment will not be attainable.

The second category of needs for soft finance is sectoral. Beneath and beyond the macroeconomic considerations lie a number of others in which specific incentives to reallocate investment by sector, primarily by addition, could be provided. The chief cases under this heading are:

a. reduction of external **debt service burden**/removal of external **debt overhang**;

b. **post conflict rehabilitation** comprising both physical reconstruction and household livelihood re-establishment;

c. **post economic crises restoration** of public service conditions with respect to pay, productivity and professionalism that are consistent with providing adequate basic services and sound public policy more generally;

d. **environmental protection** and **sustainable development,** especially in respect to contributing to global targets (ozone layer, global warming, biodiversity, desertification);

e. **gender oriented programming,** especially in respect to female access to basic services and to livelihoods.

The recent Florence G7 and Bank/Fund Development Committee proposals for **external debt writedown** to levels consistent with 25 per cent of exports as a maximum for external debt service, and domestic growth high enough to be sustainable (i.e. at least 4 but probably 6 per cent per annum) apply to poor, small and fragile economies. But in most cases these proposals will not so much reduce actual present debt service as halt the rolling up of arrears, continual re-scedulings and unserviced dead debt overhangs that block access to prudent use of commercial borrowings and deter external investment.

Post conflict rehabilitation is now severely under financed and frequently not identified as a particular 'sectoral' requirement by development banks or bilateral donors. The only major exception today is Bosnia. This would appear to be particularly true in respect to access to basic service, infrastructure and market restoration and livelihood rehabilitation in rural areas. This is despite the probability that medium term benefit/cost ratios in respect to GDP, competitiveness, fiscal buoyancy and security are high. Certainly the prospect of demobilisation into abject poverty deters combatants from ending domestic conflicts. Its reality can either re-ignite them or result in the privatisation of war into a banditry enterprise sector. Virtually by definition post-war reconstruction - in Chechnya or Rwanda, Mozambique or Georgia, Somaliland or Bosnia, Liberia or Armenia, Cambodia or Angola is beyond domestic fiscal capacity, unattractive to external investors and unable to generate the short term export buoyancy necessary to render commercial rate external borrowing prudent.

Restoration of public services, which have fallen by over a third in per capita terms since 1979 in much of Sub-Saharan Africa, requires restoration of real public service emoluments that are now often under one half of household absolute poverty lines. This must, however, be paralleled by restoration of productivity requirements and professionalism, including systematic career-long training. While the savings on technical assistance personnel would often exceed the costs, and over a 5 to 10 year period the fiscal impact of improved collection and growth should more than cover the costs, no adequate initial source other than soft sectoral programme finance can readily be identified. Peace dividends can in some cases - e.g. Ethiopia, Namibia, potentially Angola - make a substantial start, but are by themselves inadequate.

Environmental protection has high external economies and a long pay-off period. Therefore, poor and even not so poor countries are likely to devote lesser proportions of resources to it than would be globally (and arguably domestically) optimal. This is especially true in respect to global priority areas, but also to more domestic aspects including **sustainable economic utilisation** of environmental resources, whether wild animals, wilderness areas or harvested forests, and to **environmental damage limitation** in enterprises (e.g. thermal power plants, metallurgical establishments, smelters, and tanneries). The external economies and time scales suggest that use- specific soft external finance can have an impact on total (including complementary domestic) resource allocation.

Whether **gender** issues, including the **economic access and livelihood** aspects of gender, are appropriately operated by separate projects (e.g. Grameen Bank) or incorporation into main stream programmes (e.g. Indian special public works, Botswanan basic rural pwd projects, Tanzanian agricultural extension especially in respect to nutrition) or by both is debatable. Appropriate answers may well be contextual. But in any case, both a low initial, and often also a low identifiable direct fiscal pay-off suggest that the leverage impact of external soft funds could be substantial.

In the non-debt programme areas, it is probable that external soft funding would have a **multiplier effect** for at least two reasons. First, there could be an effect by demonstration. If the rehabilitation, environmental protection and sustainable utilisation and gender sensitive service and livelihood access programmes produced economic, social and political results that were perceived as valuable by beneficiaries and the political leadership, more domestic resources would be allocated to them. Second, internationally backed programmes provide enhanced domestic prestige and thus strengthen the hands of their domestic proponents.

The coverage of these sectoral uses for soft finance should arguably be broader than that group of countries for which it is macroeconomically crucial. The ratio of soft finance to total in India or China is quite low. In relation to environment and gender activities, it could be much higher. By the same token, most of today's post-war economies arguably should be blend recipients, even if their nominal GDP's per capita are near or above normal IDA cut-off points (e.g. Angola and Sri Lanka). In this case, the soft external finance should be focused on rehabilitation. The use of soft finance in respect to environmental protection/sustainable use investment could, arguably, be extended to countries such as Brazil, Thailand, Malaysia, Indonesia, Philippines that are at present outside the normal ambit of soft external finance.

In addition to the macroeconomic and sectoral needs for concessional finance already noted, a third category of needs can arise for special reasons. **Emergency aid** to meet humanitarian needs and to minimise the spreading of economic damage from natural disasters is self evidently an appropriate area for external soft finance. It has not to date been a significant

area for multilateral development bank soft lending although some programme loans have been directed to that purpose, for example, to Zimbabwe in 1993 after the great dearth of 1992-93. Limiting multiplier (or divider) damage to the rest of the economy (about 25 per cent in Zimbabwe in 1992 for manufacturing) and facilitating speedy recovery after a natural calamity (e.g. by enabling drought stricken farmers to remain on their farms and by providing livestock loans to pastoralists who have lost core herds) pose recognisable, indeed standard, economic analytical, resource allocation and policy choice questions which are relatively rarely examined as such.

The declining **competitiveness** of SSA relates in large measure to relative (and sometimes absolute) deterioration in quality of labour and quality (including reliability) and quantity of infrastructure. The issue is not the level of wages per day (which may be uneconomically low) but wages per unit of output which are high because poorly educated, unwell, malnourished workers are not very productive. This holds for domestic, regional and global markets. Assuming continued trade liberalisation, there is logic in parallel (or even prior) investment in these sectors to prevent regressive structural change in manufacturing and in exports.

While cost reduction measures, including infrastructure and research in agriculture (both of which are suitable for soft external finance), can increase the competitiveness of existing exports, up to two thirds of non-petroleum exports are comprised by only a handful of commodities, i.e. coffee, tea, cocoa, vegetable oils, tropical timber, copper, cobalt, gold, sugar, tobacco. These commodities have poor medium to long term trend rates of global demand growth, low price elasticities and, for SSA as a whole, export shares above price elasticities. Therefore **export diversification,** which is unlikely to be generally viable without higher labour productivity and lower infrastructure costs, is a crucial element in restructuring which soft external finance can support, even if the areas of production and trade are rarely an appropriate direct use of such funds.

Used as described above, soft external finance is likely to be **complementary and catalysing, not competitive or deterring**. It is **more likely to crowd in than to crowd out other sources of finance**. Enterprise, including household enterprises ranging from small farming families through micro to larger family enterprises, will be made more attractive, if educated, healthy, adequately nourished (and therefore more productive workers) and reliable, reasonable cost power, water, transport and communications are available. External investors are particularly deterred by the absence of such conditions. This is shown by their minute investment in core small, fragile, poor economies and the fact that most of this is focused on specialised projects that generate external currency. The low levels of domestic private savings and investment in Africa, which have unfortunately been influenced only

marginally by restructured economic policies over the past decade, indicate the strength of the same causal links.

Thus in poor, fragile, small economies with grossly underdeveloped human resources and equally weak infrastructure, the crowding out thesis in respect to the public services and infrastructure sector is much less convincing than that of crowding in. This is also true in respect to high external economy, lagged benefit stream sectors. Unsurprisingly, for infrastructure investment and basic services, World Bank prudent early 2000's target levels for SSA (excluding South Africa) are about twice present actuals.

Soft finance can **improve the *ex post* quality of other investment,** if it is used in projects/programmes which have external economies e.g. infrastructure, basic services. The argument that it encourages high risk, low return and poorly evaluated projects is too simple. That outcome is rather the result of poor borrower and lender analysis, and of their use of the assumption that total available funds are not scarce i.e. that opportunity cost is low. The first relationship need not be true and the second assumption is in general false.

The **balance** among the main appropriate uses of soft finance may, however, need more examination. **Post war rehabilitation, post crisis public service restoration** and **post calamity** (natural disaster) recovery do appear significantly underfunded relative to other uses, as well as absolutely. **Technical assistance** and parallel normal **service and emergency support delivery by NGOs** appear grossly overfunded relatively, and in SSA often absolutely. When substituted for support to domestic public service and domestic social sector operations they are cumulatively decapacitating as well as unit cost inefficient.

II MDB CONCESSIONAL FLOW NEEDS FOR SSA: AN ESTIMATE

Estimating MDB concessional flow requirements for SSA is theoretically and empirically as well as economically and politically inexact. The reasons are perhaps most conveniently set out by attempting the exercise on the broad lines used by the World Bank.

The first step is to determine a **target real per capita growth rate**. The Bank has tended to select rates of 2 to 3 per cent per capita or 4½ to 6 per cent overall, given 2½ to 3 per cent typical population growth. Lower rates are judged unsustainable because the need to increase the shares of savings and of basic services (especially health, education) in GDP substantially imply that any overall rate at or below 4 per cent will allow little or no increase in average personal consumption. Further, the limits to redistribution out of constant average per capita consumption (as opposed to redistribution out of enhanced output/personal consumption) suggest that growth rates below 5 per cent to 6 per cent will not in practice be consistent with the rapid reduction of the proportion of households existing in absolute poverty.

The second step is to estimate a plausible **Incremental Capital Output Ratio** (presumably including real circulating as well as fixed investment). Recent past performance is not particularly helpful because very high ratios of unused or unusable capacity (for whatever reason) often raise it to unrealistically high levels, while in the early phase of Structural Adjustment recovery, higher capacity utilisation and rehabilitation/deferred maintenance investment can produce unrealistically low ICORs.

Because very few meaningful depreciation estimates based on replacement cost of capital stock exist, the ICORs and investment estimates need to be gross. A reasonable estimate is probably 4.5. At 6 per cent real growth that implies 27 per cent gross investment. From the limited estimates made depreciation is likely to be 10 per cent so that this implies a 17 per cent net level or a net ICOR of 2.8 which, if anything, may be low, especially if infrastructure is a very high proportion of fixed investment.

A third step is to estimate realistic attainable **gross domestic savings** (net of hidden capital flight) as a share of GDP. These have proven remarkably sticky since 1980 - economic policy changes and somewhat enhanced performance have not greatly improved them. While increases are attainable - indeed essential - in the medium term, short term estimates above 16 per cent would appear to be imprudent.

This estimation method assumes that a two gap model is not appropriate. That is, it assumes that output is at least substantially shiftable to exports and that the difference between the import content of fixed investment (well over 50 per cent counting indirect items) and other uses (usually under 20 per cent) is within that margin of shiftability for the levels of savings increases posited. The persistence of external imbalances in even long running, relatively successful structural adjustment programmes would appear to raise doubts about this assumption, at least for economies not yet making substantial progress toward diversification of exports. In that case higher external inflows may be a precondition for increased *ex post* domestic savings.

These steps allow a country - or an SSA - estimate of **net external finance required for investment**. This figure is not directly comparable to net ODA plus net private capital flow. A high proportion of ODA to SSA - in all probability approaching half - consists of emergency/humanitarian assistance and of expatriate personnel costs plus overseas training. However necessary and or desirable these may be, they do not contribute toward incremental fixed investment requirements as calculated here.

Further there is a tacit assumption that **programme aid** is - or can be - all for investment in the sense used here. Given the substantial arguments advanced by the Bank for doubling the share of GDP devoted to health and education - and to agricultural research and extension,

water and sanitation - this is a very strong assumption to make within a 6 per cent growth context. The Bank's case for such expenditure is that it is necessary **investment in labour productivity and its growth**. However it is not encompassed in ICOR ratio estimation.

After estimating needed external financial flows, it is appropriate to attempt a rough **breakdown by appropriate source**. This is necessarily a very approximate and judgmental exercise. The most difficult component is probably foreign (equity) investment whether direct or (less significant in most of SSA in the short to medium term) portfolio. To achieve any realistic balancing of requirements and flows substantially higher foreign direct investment is needed. It is most unlikely that the IFC and its bilateral analogues - e.g. CDC - can make a major direct contribution, although through multi- source ventures they may be more significant indirectly.

The largest potential **external private investment breakthroughs** in many SSA countries in the short run are in **telecommunications, power and some aspects of transport** (e.g. international airports and ports). The Southeast and South Asian experience since 1990 suggests very large increases in such investment are attainable if contractual arrangements, foreign exchange availability for operation and capital service and general private investment climate are such as to engender confidence. These are very capital intensive sectors and ones whose present weakness inhibits other enterprise investment and reduces its productivity. However, to date there are few signs of any general breakthrough although some cases - e.g. power in Zimbabwe - suggest one may be attainable and would be well worth specific facilitation attention.

The World Bank has used two further steps:

1. excluding countries seen as unacceptable either because of their economic strategies/policies (or near total absence thereof) or their political unacceptability to external resource providers;
2. marking down all estimates to "what the donors will wear".

The first procedure is clearly appropriate. It does pose a substantive problem, however, when an apparent shift to better governance and more coherent, sustainable economic strategy takes place. Early support is likely to speed up and to increase sustainability of positive change while a "wait to see" approach may slow or even block them. *Per contra* early resource allocation may be wasted because the changes are too limited and too slow.

The second procedure is more problematic. Because resource providers usually view the Bank's proposals as a ceiling and provide less, there is a strong case for the Bank's starting from a reasoned estimate of requirements. Failure to do so can result in cuts to proposals the

Bank already believes are overspecified as to goals and underprovided as to resources, leaving no contingency margins or dispensable projects.

As this description of the process shows, it is an exercise in approximation, orders of magnitude and best judgement. Further, it can be practised in full only at country level because not all SSA economies are even approximately the same. A sub-continental estimate for SSA is thus necessarily even more approximate, giving many hostages to fortune and future unpredictables. One very real problem is that at present GDP appears to be systematically underestimated in many countries for reasons quite apart from differential purchasing power ones. This is in part the result of massive shifts away from overvaluation of currencies and nominal regulation of prices. Current price GDP (typically calculated from physical estimates blown up by unreliable current price estimates) are in at least many cases probably seriously underestimated. There are a large number of countries in which GDP deflators are so far below CPI data as to be implausible, even when allowance is made for export price sluggishness. An understated current price GDP reduces the calculated, but not the actual, investment needed to achieve any growth rate at any ICOR.

The following box provides a rough calculation for "IDA SSA" (excluding South Africa, Gabon, Namibia, Botswana, Seychelles, Mauritius). Because of the degree of approximation it can be taken as either a 1998 or a 2000 requirement in 1995 prices. The $400 average GDP does take some account of probable underestimation. The 25 per cent markdown for "unsuitable clients" assumes that **one** of Zaire, Sudan, Nigeria is likely to become MDB worthy but not more than one.

The growth element assumes that over 3 to 5 years requirements will rise *pari passu* with GDP even though over the medium and, especially, the longer term gross domestic savings needs to be raised to - say - 25 per cent and gross investment to - say - 30 per cent with a substantially larger share of private investment in the resource inflow total. If one assumes global price inflation of 4 per cent then the nominal annual increase needed for three to five years would be of the order of 10 per cent in current prices.

The calculation is based on net disbursement levels not commitments. However, because the estimates posit increases - especially in MDB concessional lending and in private direct investment - there would necessarily be a lag between attaining the commitment target and approximating disbursements to it and a further one to achieving 6 per cent growth.

IDA Eligible SSA: A Schematic Estimate of Required Flows

Item	Estimate
1. GDP $400/cap	($200,000 million)
2. Population	500 million
3. Population Growth	2½% to 3%
4. Target Real GDP Growth	- say 6%
5. Gross ICOR	4.5
6. Required Gross Investment	$54,000 million
7. Plausibly Attainable Gross Domestic Savings	16% of GDP $32,000 million
8. Required Non-Emergency (Humanitarian) and Non-Technical Assistance (Expatriate Costs plus Overseas Study) Finance	22,000 million
9. Possible Makeup (all net)	
Concessional Bilateral	6,500 million
Concessional MDB	6,500 million
Non Concessional Borrowing	2,500 million
Private Investment	6,500 million
10. Markdown for Countries Unacceptable on Economic Policy or Political Grounds	25%
11. Plausible Net MDB Concessional Credit Target Base Year	4,625
12. Implicit Short Term Annual Growth Required:	
a) Constant Price	6%
b) Current Price if Global Price Trend 4%	10%

The MDB actual base net lending of $4,625 million posited is a combined figure for IDA, ESAF, AF Development Fund and IFAD. A possible breakdown by source as of about 2000 would be: $2,750 to $3,000, $500 to $750, $1,000 and $250 million respectively. This is subject to how rapidly the last two institutions' resource flows and lending/supervision capacity can be rebuilt.

III MDB FINANCE: GOALS FOR 1998-2010

If the case made out in previous sections is accepted, continued per capita reduction in real transfers of concessional external finance cannot be justified. Additional reasons for saying so are that:

a. the small, fragile, poor economy group is tightly defined;

b. the larger, more robust low income economies already receive relatively limited and sector specific concessional transfers;

c. except in the case of some kinds of technical assistance and external NGO operations, resources in excess of capacity to spend efficiently are unusual, except in extreme cases of malgovernance. The large and rising IDA pipeline is not due primarily to such a capacity constraint, but to new donor practices (policy conditionality, closure of automatic contingency finance facilities and changes in the project composition of aid);

d. on the 1980-95 record, no substantial numbers of graduations can be expected over the next decade and a half and those attainable among post-civil conflict rehabilitation blend countries (e.g. Angola, logically South Africa) are likely (with good fortune and political management) to be balanced by new post conflict opportunities e.g. Sudan, Liberia, Sierra Leone, Zaire, Burundi, Rwanda, just as improvement in governance - as in post Mengistu Ethiopia - would raise the number of countries which MDBs - and others - would view as prudently supportable;

e. concessional transfers to other economies than the MDB concessional and blend clients are dominated by technical assistance (traditionally soft) and political interest driven programmes (e.g. to Israel, Egypt in US foreign aid) and are unlikely to be reduced in favour of main stream concessional financing, let alone MDBs.

Therefore, 1998-2010 MDB financing targets should be **perceived within a perspective of at least 2.5 per cent annual real growth in concessional transfers**. It is better to set out an acceptable goal than one that is already imprudently low.

Within the concessional total a case exists for a **higher MDB share**:

a. to enable support for joint ventures with e.g. UNICEF, ILO, IFAD;

b. to enable MDBs to take a lead in co-financing at least the rehabilitation, recovery and initial renewed development aspects of post-war and post natural calamity programmes with particular attention to their macro economic and sustainable livelihood aspects;

c. to restore African Development Bank and IFAD lending capacity;

d. to offset probable falls in bilateral transfers.

This suggests for **IDA**:

a. a **2000-2002** annual target of **$12,500** million annually in 1995 prices;

b. a 10 per cent real increase from 2000 to 2002 to **$15,000** million over **2003-2005** with subsequent constant price growth of at least 2½ per cent a year.

For **IFAD** a reasonable target would be refinancing to allow at least **$1,500 million a year** commitments (1995 prices) **by 2000** and **$2,000 million a year by 2005**, with a minimum of 2½ per cent annual real growth thereafter.

For the **African Development Fund** a rapid phased restoration to **$1,500 million commitments a year by 2000** or as soon as practicable in terms of improved managerial capacity, with subsequent 2½ per cent real annual growth. By 2005 a review of IDA-ADF interaction and appropriate relative shares would be desirable.

In the case of **SAF/ESAF** levels of the order of **$2,000 to $2,500 million** a year through the early 2000's with priority to refinancing older harder term drawings, to financing buy back of written down external debt and to financial sector recapitalisation would seem prudent. By 2005 needs for these purposes would probably have passed their peak and in any event SAF/ESAF would by then be self refinancing.

How to mobilise finance of these orders of magnitude, modest as they are in relation to industrial economy budgets and GDP, requires both strategic rethinking and energetic implementation..

Unless the USA government can credibly commit itself to delivery on pledges of 25 per cent of IDA either:

a. its share should be reduced to - say - 15 per cent to 20 per cent, or

b. the joint and several provisions by which one substantial defaulter short-circuits the entire exercise should be amended.

In respect to **IFAD** a new subscription (and therefore voting) formula should be devised. It would be appropriate to seek to secure substantial participation by graduated developing economies and more modest ones from very large poor ones.

ADB commitments to the African Development Fund should include at least modest pledges by South Africa, Botswana, Mauritius and Seychelles to underline African commitment, as well as more substantial Asian and Latin American ones. Extraregional voting can hardly be increased further. A 50-50 formula between subscribers and users might be used for African Development Fund management. With the proposed African commitments this would give about a 52 per cent to 55 per cent regional majority, but ensure a strong resource provider role in improving monitoring and evaluation.

IADB and **Asian Development Bank** concessional fund flows probably do not need to increase markedly and to a substantial extent can be financed out of repayments plus profit transfers from hard loan operations.

Blend countries' access to concessional finance should be primarily environmental, gender, post war rehabilitation and poverty reduction oriented (including joint UNICEF, ILO, IFAD/MDB financed programmes).

IDA should be a supporter in **UNICEF, ILO, IFAD, ADB initiated cofinanced projects of the order of a tenth of IDA** commitments to improve the quality of aid and to bolster UNICEF-ILO-IFA-ADF fund raising capacity by using the World Bank "seal of approval".

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MULTILATERAL DEVELOPMENT BANK CONCESSIONAL LENDING

Forward Into The Second Half Century?

by
Reginald Herbold Green and John Toye

I 50 YEARS FORWARD: 50 YEARS BACK

Multilateral development banking moves into its second half century in what, depending on the observer, can be viewed as a slow transition to a less central but still crucial economic role, an acute late middle age crisis of self doubt and lack of direction or a terminal lethargy broken only by spasmodic attempts to recreate vanished roles. Perhaps surprisingly, these three different perspectives do not follow normal ideological lines. Conservative, moderate and centre left perspectives include all three strands. Only the remnants of the far left and its populist and ultra-nationalist heirs and analogues are united in a critique of MDB concessional lending that implies its phasing out rather than its reform. Only on the pseudo-liberal, neo-conservative right is there any desire to end MDB's concessional lending. The purist case for no initial investment subsidies, totally privatised basic services and infrastructure and the abandonment of national economic strategies (as opposed to intervention to block market forces) is not in fact a very popular one as the millennium approaches, even among conservative OECD member governments.

What can be sketched out as the broad history of the MDBs, and in particular of the World Bank which has tended to dominate the MDB scene? Multilateral development banking was born as a central element in the then new international financial and trade order to make the world safe from 1930s-style depressions and 1939-style wars. The IMF, the (stillborn) International Trade Organisation and the International Bank for Reconstruction and Development (in that order) were the tripod intended to underpin world political management by the UN Security Council, world political discussion in the General Assembly and specialised service provision by UN agencies under the Economic and Social Council umbrella.

The years 1945-55 were in retrospect the high noon of foreign aid, although not of North-South official aid flows. This decade focused on problems of rehabilitation.

The only major industrial economy not severely damaged by war, that of the USA, raised its aid transfers to over 3 per cent of its GDP at their peak. The IBRD was then a secondary but significant player. Its initial role was the funding of newly re-created physical infrastructure, by means of large project loans. Import support that was tied to structural policy adjustment toward liberalised trade and payments regimes was operated bilaterally under US auspices. There was, at least in retrospect, a clear distinction between bilateral programme lending (which was softer *ex ante*, and even more so *ex post)* and Bank project lending, which was done basically on commercial terms and was both *ex ante* payable and *ex post* paid on time without rescheduling. The perceived gain from the latter was that the greater credit worthiness of the Bank allowed it to provide finance at lower interest rates and with broader access than individual war damaged economies could have otherwise secured.

As well as the goal of rehabilitation, that of development was also at this time intended to be achieved by means of large project loans on near-commercial terms. This was in the context of an objective of raising the rate of economic growth in the South to 3 per cent per year, an assumption that population growth would allow this to generate per capita growth of 1½ per cent per year, and a perception on the part of policy makers that the lack of investment funding, especially for physical infrastructure, was the crucial bottleneck to be broken. Annual per capita growth of 1½ per cent was thought to be analogous to secular growth trends of 1945 industrial economies during the nineteenth century. This was more accurate for the UK, the USA, the Netherlands and France than it was for the later starting, catch-up economies of reunified Germany and Italy, post Meiji restoration Japan or even Imperial Russia during the Stolypin-Witte era. As its lending for European reconstruction peaked and then tailed off, and as European sovereign borrowers regained their access to private financial markets, the Bank progressively shifted its emphasis to the development goal during the 1950s. Starting with loans to South Africa, Latin America and South and Southeast Asia, the geographical scope of its development lending broadened out in the 1960s on the flooding tide of independence in Africa.

In the 1960s and 1970s the volume of Bank lending grew absolutely and at a rapid rate. But at the same time it also declined rapidly in a relative sense, that is, as a proportion of total global financial flows. This was a result of the Bank phasing itself out of the North-North sector. In these two decades, the staple form of lending remained large project loans, but programme loans that packaged up smaller project loans grew in significance, as did loans for basic services infrastructure (i.e. health, education and water) within the project group.

The Bank's development lending to sub-Saharan Africa (SSA), which began in earnest at this time, still remained a relatively modest proportion of its lending. But it was very important for the countries of SSA: these World Bank loans constituted a large share of sovereign external borrowing by SSA. This was true for some states throughout the period, and for others only until the 1973-74 petroleum price crisis (or, seen in its other aspect, the external dollar deposit crisis). These twin crises pushed the commercial banks into a quantum leap in lending to Latin America and Asia. Much less dramatic increases in commercial bank lending, as seen by the banks, occurred in some of the SSA countries. For them these represented a quantum leap in access, which lessened their dependence on the Bank for external finance.

These two decades witnessed four major changes:

1. IDA was created as a soft loan window for very poor countries on the basis that long term growth required the building up of physical and human infrastructure investment that simply was not serviceable, either fiscally or on foreign balance account, in the initial years. As IDA Credits were then for up to 50 years, it must be assumed the Bank saw the process of graduation as an extended one for many IDA clients.

2. Robert MacNamara at the 1970 Annual Meetings in Copenhagen crystallised concerns that the "bottom 40%" did not benefit from development by issuing a clarion call to "eradicate absolute poverty" by providing universal access to basic services and making programmes that made enhanced productive capacity (especially in agriculture) more easily available to poor households, the latter a goal soon afterwards addressed by the creation of IFAD.

3. MacNamara also sketched a vision of the World Bank as a *de facto* planning commission for the countries of the South, leading the development of its clients' economies like a Platonic Guardian and mediating on their behalf with suppliers of financial resources.

4. During the 1973-75 global economic crisis, the Bank moved heavily into programme lending (especially for IDA clients) to enhance the import and government expenditure capacity of those economies that it viewed as severely impacted by exogenous shocks but also pursuing plausible domestic economic policies. This shift was paralleled by the setting up of the IMF's special facility.

The 1980s saw a sudden, sharp shift in the Banks conception of its role. Given the change in the political climate after 1980 in the US, Germany and the UK, it was not very surprising that such a shift should occur. More surprising perhaps was the

Bank's ability to retain its credibility with those Northern governments that had embraced the doctrines of monetarism, reduced external flows, liberalisation and the shrinking role ot the state. They might have been expected to marginalise it. It would have been vulnerable to such treatment because, apart from the hard core of IDA countries, which grew as SSA countries' outputs per capita fell, the Bank was no longer a quantitatively significant player.

The Bank's success at redesigning and selling itself turned on four major strategic repositionings:

1. it created a new policy mix that combined classic stabilisation with long term supporting finance to adjust macro economic structures (notably but not only by liberalisation), to reduce transitional pains and to allow stabilisation to create a stable platform for renewed growth;
2. it initially promoted this Structural Adjustment (SA) package as a three to five year short term transitional strategy, but subsequently persuaded clients and financial sources to lengthen it (to 17 years in at least one still running case) as SA proved better at stabilisation than at achieving speedy structural shifts especially in external and fiscal balances;
3. it transmuted the "shrinking government" agenda into one of doing fewer things in greater depth and better, particularly in SSA ,where the Bank has advocated greater access to basic services and better infrastructure than all but a handful of states now provide;
4. it co-opted some of its critics by relaunching the war on poverty in 1990, in the softer form of a poverty "alleviation" strategy but broadened out to include safety nets for the poorest, gender issues and policies for a sustainable environment.

The results of this re-positioning by the Bank are hard to assess. A collapse of concessional flows would have produced worse results and no other coherent strategy remotely acceptable to conservative Northern governments was on offer. The APPER/UNPAERD alternative proposals had weak analytical foundations, erratic data and a rhetoric that the Washington-London-Bonn-Tokyo Northern leadership found unacceptable. But, in terms of the Bank's targets of restoring growth rates to 4% within five years and then pressing on with basic services and infrastructure while liberalisation drew in foreign investment and raised domestic savings, SA failed where it was most central, in the small, poor, fragile economies. On the other hand, it probably slowed the fall in transfers and allowed the Bank to take far more of a formal and informal leadership and parameter setting role in respect to bilaterals and most UN

organisations. Only UNICEF was able to conduct, and indeed conducted, an autonomous strategy and policy dialogue on equal terms, because it could and did expand its Northern resource base.

By the 1990s, the SA package had, with respect to both the less poor countries and the very large poor countries, either succeeded or run its course. Their growth had revived and concessional (or even total official) transfers had become relatively unimportant compared with commercial lending and private foreign investment. In the smaller poor economies SA was perceived, by the Bank and by outsiders, perceived as running out of momentum for different and more depressing reasons: These were:

1. the record showed no general success scenario, only modest gains by some countries and the arreas of decline in rather more;
2. Mauritius alone of this group had graduated from SA;
3. the extent of Bank coordination of access to external financial flows, detailed conditionality and general intrusiveness had fostered a dependent, responsive (even where the response was critical) pattern of government behaviour that was consistent neither with true "national ownership" of the policy reforms nor, more crucially, with internalised political sustainability and adequate contextuality in the application of the Bank's parametric propositions;
4. bilaterals aid donors had begun to show not only "aid fatigue" in general but also growing scepticism that the progressive additions to the original lean and clear macro economic core of the refom package would eventually pay off.

Critics now began to argue that the structural adjustment approach resembled the last years of Ptolemaic astronomy, when more and more *ad hoc* amendments had to be made to correct for observed deviations from the predicted results. This was somewhat unfair to the Bank, since the same critics had earlier pointed out the missing components of the original package. Be that as it may, the 1990s did exhibit signs of a growing lack of clarity, of coherence and of an externally compelling intellectual strategic vision within the Bank on the future role of structural adjustment.

Against this broad background, the objectives of the remainder of this paper will be:

a. to sketch the nature, conditions and magnitudes of concessional official finance, both that channelled by MDBs and by other agencies;
b. to review the case for concessional finance, including MDB soft loans, from the standpoint of 1996;

c. to examine its main providers and users, including the question of possible overlaps and opportunies for increased specialisation, as well as the discernible trends;

d. to consider the main issues thc arise in determinig a future strategy for official concessional flows, in addition to questions of the desirable amount;

e. and to suggest a possible MDB sector agenda for the next decade.

II THE MDBs: THEIR SCOPE, SCALE, AND STRUCTURE

The MDB concessional loan sector is dominated financially by IDA. IDA loans are now running over $7,000 million annually. This compares with $3,000 million a year for IADF, Asian Development Fund, IFAD and African Development Fund combined. If one were to include SAF/ESAF loans, on the argument that the IMF acts in part as a *de facto* MDB (albeit one with a distinctly different history, *raison d'être* and governance pattern), the comparable figure would be of the order of $5,000 million. This annual flow of $13,000 to $12,500 million is about one quarter of total official concessional finance, including that of all the bilaterals, the EU, the UN agencies in 1996 adjusting for bilate4al administrative and UN agency overhead costs.

IDA's dominance, however, goes well beyond the size of its market share. The regional development banks (RDBs) were created very much in IDA's image, and they have tended to follow its initiatives with a lag, with one or two recent exceptions. The World Bank has played a role as template for or flotilla leader of RDB's. This role has now been questioned in practice, whether verbally or not, by the growing differentiation shown by the ADB and the IADB.

SAF/ESAF are formally IMF facilities, but they differ from other IMF facilities in that they have very different eligibility criteria (i.e. a combination of poverty, sound economic policies, lack of access to external finance to sustain structural adjustment and/or repay previous IMF drawings). They also have much more generous terms (i.e. soft medium to long term vs. basically commercial short to medium). In practice, these differences mean that SAF/ESAF drawings are effectively budget/import support concessional loans by a multilateral institution. However unlike IDA and the RDBs, SAF/ESAF, as facilities, have no direct source/user country council.

IFAD is unique in three respects. First, it is sectoral - or sub sectoral. Its remits are to enhance the incomes of poor small farming family households by making

concessional loans for supporting services, infrastructure, research and extension. Second, by being sectoral it directly parallels a UN specialised agency, the FAO, with whom, despite having a separate governance structure, it is meant to have a special relationship. The third unique aspect arises because it was set up in the brief high noon of petro dollar surpluses. As a result, it was initially viewed as a model for the then much heralded "New International Economic Order". The model was to have one third/one third/one third shares in governance for Northern governments, Borrowers and Petrol Dollar Suppliers, the first and last of these groups each puttig up half of the funding.

The first uniqueness has worked well. The second has been largely irrelevant. IFAD, like WFP, is demonstrably not dominated by FAO. Indeed, IFAD does not appear uniformly to have had common priorities with it, since FAO's thrust has tended to be agricultural output maximisation while IFAD's thrust has been efficient output growth accessible to/by small, poor farmers. The third uniqueness has in the event proven disastrous. The NIEO proved to be a mirage. The petro dollar surpluses evaporated in short order, like motor spirit exposed in the desert. As a result, Northern countries cut their contributions significantly in response to petroleum exporter cutbacks rather than raising them to preserve IFAD's scale. This was so even after governance restructuring.

This sting in the tail of the "joint and several" approach to financing MDBs has now bitten IDA as well. Technically, the 1996/1997 IDA programme is outside normal IDA operations. The reason is that 1995-98 operations are now blocked because of US non payment of pledged amounts. It is anticipated that in 1997 it will at most catch up and be in a position to pay up in 1997/98, a perspective some observers view as implausible given opposition in the legislative wing of the US government.

The problem of sharing the target levels of MDB's three year soft window tranches is related, but not identical to, that of joint and several obligations with all lapsing if any one (substantial) source goes seriously into arrears. In the past some countries have been willing to increase their share, and usually also to support higher overall funding levels. Recently graduated and large poor economies and Japan are among them. However, sources less willing (or legislatively able) to deliver absolute increases in flows, and here one thinks particularly of the USA, have resisted cuts in their quota shares because of the perceived lessening of influence over strategy and policy.

Eligibility for MDB concessional loans are on roughly similar lines:

a. per capita output at or under $1,000 in 1996 prices;

b. with preference to small fragile economies and

c. blends for longer more robust but poor ones and borderline cases in terms of per capita GDP but special problems of transition (e.g. from one system to another or rehabilitation from war to peace).

This has rather different implications for the three RDBs. IADB has relatively few fund eligible members, who comprise a small proportion of regional population. ADB has a longer - but fallen - membership list (excluding its two massive blend cases). The African Development Bank *per contra* has very few members who would not, using IDA criteria, be concessional or blend cases. Because of its unique focus, IFAD has had a slightly wider clientele. Poor small farming household sectors are not to be found only in poor economies.

The determinants of actual allocations are less than fully transparent. Clearly allocations are influenced by perceived neediness, but also by availability of other concessional sources, plausibility (in MDB eyes) of economic policy and performance and ability to attract and make prudent use of non-concessional finance and foreign investment. There has been a clear relative bias against India and China, partly on the above criteria but more pragmatically on the basis that their size is such they would swallow about 75% of IDA (and a higher proportion of ADF and IFAD) were allocation purely on a population formula among all eligible countries. Since China has achieved and sustained very high growth rates over the past decade and India's growth rate, while half as great, has exceeded the world average; and both countries have increased access to/ability to use non-concessional borrowing and external investment (much in contrast to core IDA countries); this bias has become less challenged in the 1990s than it was in the 1970s and 1980s.

At present, all MDBs proper (i.e. excluding the IMF SAF/ESAF facilities) face substantial future resource uncertainties. These are of varied obstinacy and centrality. IDA's problems turn on achieving a standstill or slow growth consistent with either a much lower USA quota share or an abandonment of the 'joint and several', or possibly both. ADB's turn on continued extra regional funding of the ADF versus recycling from repayments streams with in house profits transfers and, perhaps, intra regional funding to top up. The African Development Bank, however, faced a life or death crisis. ADF should - given its membership - be its main window (which is not true of Asia DF in Asian DB nor IDA in World Bank). But donors over 1991-96 remained unwilling to refinance until performance improved markedly, a Catch 22 situation which resulted in ADF commitments falling to a trickle before the 1996-97/1998-99 replenishment. IFAD seems able to attract finance to survive but on a very small

scale, perhaps $250-300 million a year, which is rather inconsistent with achieving a global impact in respect to small farming sector output expansion and input reduction, unless it can become a catalyst for co-financing (which it has rarely been to date).

Beyond this broad sketch it is worth looking at data for IDA, SAF/ESAF, African DB in somewhat more detail. This section does not include recommendations because the case and scope for MDB concessional lending turns on examination of the case for concessional finance - purposes, recipients, sources, interactions, levels - rather more than on recent past flows or present structures. Both may (or may not) be both justifiable and sustainable. But they are now determined more by history, including overlapping and consecutive past consensi and compromises, than present or future poor country development needs, opportunities and obstacles.

IDA A Faltering Flagship?

IDA is now entering its 11th replenishment for Fiscal Years 1997-99 (1996/7-1998/9). However, this $22,000 million package is a composite of an interim year followed by two standard IDA replenishment ones. FY 1997's $7,300 million is an Interim Trust Fund - $3,000 million from donors and $4,300 million from repayments of past IDA credits, World Bank contributions out of overall profits plus payment of arrears from IDA 10. FY 1998 and 1999 will total of the order of $1,000 million with $8,000 new donor funding and $7,000 million repayments and Bank profit transfers. The 1997-2000 level is in constant price terms modestly below recent commitment levels absolutely and in per capita recipient terms (excluding entry and graduation) up to a tenth lower.

The reason for the Interim Trust Fund is that the USA is seriously in arrears (up to $3,000 million) on IDA 10. It proposes to pay this in FY 1997 and then to pay $1,000 million a year (25 per cent of new donor funding) in the subsequent two fiscal years. Because IDA financing is "joint and several", one substantial donor's serious arrears or repudiation halts all payments. The USA's arrears on IDA 10 prevented the normal mode of institution of IDA 11. The ITF (with the USA excluded from procurement payments out of it) is a bridging device. If the USA is unable to clear IDA 10 arrears in FY 1997 and thereafter to pay on time (which depends primarily on its legislative branch, since the executive is committed to doing so) a major crisis will result. The ITF device cannot be extended indefinitely; reconstructing IDA without the USA would pose major practical and demonstration effect problems; the USA is apparently unwilling to agree to a quota under 25 per cent or to being the second largest donor (Japan has become virtually co-equal) for reasons of prestige and influence.

Whether joint and several should remain is now a topic of debate. Its clear value has been to hold donors to their pledges. How much it has increased total pledges in recent years is unclear. IDA Replenishments have increasingly lagged behind Bank proposals and it is primarily the larger donors (except Japan) who have argued for the smaller programmes, as well as for rising reliance on repayments and Bank profits. Thus, IDA lending is likely to reach a plateau at $7,500 million, including repayments and Bank profit transfers, until substantial increases in donor pledges (and payments) are secured. If no renewal of USA payments is secured, an interim fall to perhaps $4,000-$5,000 (Bank profits, repayments, some continuing donors) is an imminent downside risk.

As of 1996 about 25 per cent of IDA credits were in direct support of Structural Adjustment Programmes through sectoral policy support (slightly over half) and general programme (budget/import) support credits. This $1,679 million was in addition to Bank window lending of $2,930 (almost 90 per cent sectoral) which constituted about 20 per cent of Bank lending.

Historically, IDA has focused on Agriculture (31 per cent), Transportation (12 per cent), and Multisectoral (12 per cent - largely SAP support) with Education and Energy (9 per cent each) and Health, Nutrition and Population (totalling 5 per cent) following. The conditions for eligibility are:

a. 1995 per capita GDP of less than $905, that is, approaching $1,000 in 1997 prices);

b. inadequate external and/or fiscal balance robustness to borrow from IBRD on near market terms.

In practice, broad policy agreements are pre conditions for credits. These are almost always macro in SSA and Central/Eastern Europe and Central Asia cases, but usually sectoral in Asia. As of 1996, 79 countries are IDA eligible of which 56 negotiated new credits in Fiscal Year 1996. 19 of the 79 (including Nigeria and Zimbabwe in SSA) are blend countries.

Graduates which have passed the GDP per capita threshold include Costa Rice, Chile, Indonesia, the Philippines, Morocco, Botswana and Mauritius. Graduation works two ways. A fall in GDP per capita leads to 'demotion' to IDA, and a weakening of external balance or fiscal robustness to a shift from blend to pure IDA. Graduation is not, unfortunately, a major general short term problem for IDA. Since 1980, the overall pattern has been one of net 'demotions', as former Bank or blend countries have become IDA or blend eligible because of economic deterioration. Even assuming the

attainment of 4 per cent annual average GDP growth rates and 6 per cent annual export growth rates by 2000 by IDA's core small, poor, fragile economy clients, few of them will graduate to blend status in less than a decade and still fewer to pure Bank window client status. Indeed, assuming restoration of conditions propitious to lending, the re-emergence of Ethiopia will be paralleled by that of *inter alia* the Sudan, Zaire, Rwanda, Burundi, Sierra Leone, Liberia and - presumably as a blend country - Nigeria. This will raise, not reduce, effective demand for IDA.

Blend countries, especially transitional and rehabilitation cases, also appear likely to have, at least until early in the next century, higher effective demand, if IDA can mobilise resources to share in meeting it. In SSA, these cases would include Angola and, despite its higher GDP and somewhat less fragile external finance access, arguably South Africa.

India and China remain unique because of their qualitative differences in economic size and robustness. Politically, it would appear quite impracticable to envisage full compulsory graduation for either and hard to achieve substantial absolute commitment although erosion, the combination of rising repayments and static new credit flows could reduce net lending.

IDA-SAF/ESAF and Structural Adjustment

IDA itself long predates structural adjustment and a substantial proportion of its lending, notably to India and China, is not within formal SA programmes. Nevertheless, IDA has been a key element in Structural Adjustment, especially in SSA, for three reasons:

1. since the Bank has been and still is the main developer, articulator, promoter and coordinator of SA, its only appropriate channel for SA funding is necessarily a key input into the viability of SA packages;
2. this reality was reinforced by the initial lag in bilateral support for several SA programmes, notably the flagship Ghana programme, which forced very high pumpriming proportions of IDA/IMF finance in early years.
3. in addition to the multiplier effect of formal joint ventures with bilaterals, such as the Special Programme for Africa, one offs like the bilateral - bridging finance - IDA solution (*de facto* window to IDA restructuring and rollover plus bilateral new money) to Zambia's massive arrears to the Bank and less formal follow the leader participation in Consultative Group target setting and sharing.

Unlike IDA, SAF/ESAF were born out of Structural Adjustment and in particular out of the longer than anticipated lags between start-up and increases in bilateral flows (let alone private investment) and in reduction of external (and usually domestic fiscal) balance gaps. Before the 1980s, the IMF had always insisted that it was neither a development bank nor a long term lender and that, therefore, it would neither roll over credits nor advance them in support of medium to long term restructuring of policies and, especially, of production structures.

In the 1973-75 crises associated with the emergence of OPEC as an oil price setter, the Fund was able to hold to these principles, or at least to appear to do so and to believe it was doing so. The special facilities and somewhat relaxed conditionalities for economies with a higher petroleum import bill were perceived as being directly related to an exogenous shock, and to be at least in part self-reversing. The relative price explosion of oil was anticipated to be eroded (which it was) and the exacerbating price weaknesses of other primary products to be reversed speedily, following emergence of industrial economies from the "oil shock" recession (which indeed happened in the second half of the 1970s).

The IMF, like most SSA states which had weathered 1973-75 relatively successfully, at first assumed 1979-81 would be a rerun of 1973-75. Indeed until 1982, the Fund and the Bank regularly projected rapid industrial, and therefore global, economic recovery. Unlike UNCTAD, whose early projections on the length and severity of the global recession were much more accurate, the IMF underestimated the shift in political economic strategy in Washington, London and Bonn, which placed almost absolute priority on ending inflation, even at severe opportunity cost in respect to growth. The Fund has never been monetarist in the ideological sense, and apparently was taken by surprise by the resurgence of monetarism as a dominant operational political economic ideology.

Thus even before SA, the Fund's weaker clients had reached drawing levels which were manageable only in the context of rapid global and primary product economy recoveries. This position was compounded in early SA programmes, notably Ghana's:

1. the initial view of SA as a 3-5 year balancing exercise to lay the foundations for rapid recovery (including on external balance) made more 3+3 year credits appear plausibly self liquidating - indeed to be the only way to avert rising default levels on outstanding ones;

2. the initial lag in bilateral participation in funding led the Bank to press the Fund to join with it in pump priming until demonstrated programme payoff pulled in the bilaterals;

3. and the Fund at first continued to stress clearing commercial (including non sovereign import finance) arrears at or near face value, which indeed ate up most of its initial credit to Ghana.

To the extent SAPs succeeded but lagged, the Fund was relatively speedily confronted with dilemmas:

1. it had advanced funds for what had proven to be medium to long term developmental (or redevelopmental) programmes;
2. halting new credits would collapse the programmes and lead to default on existing IMF credits;
3. rolling over (e.g. by back to back repayment and redrawing on a formal basis) might be inadequate for SA sustainability and would be perceived as a high "moral hazard" breach in the IMF's no rollover, no rescheduling principle;
4. this set of parameters was exacerbated by substituting IMF sovereign risk, high profile, low flexibility finance for largely enterprise, less visible, more flexible import credit arrears.

To bail out the Fund, SA and afflicted borrowers (probably in that order), the solution was SAF/ESAF:

1. as a separately funded special facility,s it could to the extent desired be depicted as special with no precedents set for other facilities (and initially also as temporary and medium term at the facility as well as country level);
2. it allowed the elongating of repayment to ten years and reducing interest to 1 per cent, thereby vastly raising concessionality;
3. it also allowed for *de facto* rolling over, and reducing discounted future as well as short term servicing costs on outstanding IMF drawings;
4. it allowed the Fund to provide what the Bank had long extended, a *de facto* commitment to clients in good standing on policy and on performance under their own control to maintain new flows at levels above total servicing of existing obligations. Guaranteeing such a cash flow surplus, if needed and deserved, is impossible within the strict parameters of shock bridging, short term finance. But, in practice, it is not impossible within the parameters of SAF/ESAF.

The downside of this solution was that the Fund had - almost by accident - created a new concessional loan MDB. In practice this has proven to be a low profile problem

and, at least in SSA, one whose technical resource level and use side has been largely side-stepped by acting as a *de facto* budgetary and import support supplement to IDA.

Bank - IDA - Bilateral cross conditionality has been presented as one of the major innovations of SA. It can be seen either as a means to avoid "moral hazard" and to increase leverage behind "good advice" or as a means to eliminating competition and single channelling major funding flows into an quasi monopolist cartel. In practice, cross conditionality is substantial but neither complete, completely formalised nor free from tensions on the suppliers' side.

It is virtually impossible to launch a Structural Adjustment Programme without an agreed Fund programme. Breakdown of a SAF/ESAF programme perceived as basic and long lasting usually results in suspension of IDA programme lending disbursements and certainly a halt to bringing into operation of new commitments and of Bank led fund mobilising Consultative Group Meetings. Temporary programme lapses, or gaps between expiring and new SAF/ESAFs, usually do not have those outcomes because start/stop financial flows are inconsistent with sustained policy reform, basic services and infrastructure rehabilitation and production pattern alternation/market rationalisation, let alone with rapid liberalisation.

SAF/ESAF - Magnitude

As of October 1996 SAF/ESAF (the last SAF expires in December and is fully drawn) commitments totalled SDR's 3,646 million ($5,300 million) to 29 countries of which 19 in SSA. Annual flows are of the order of $1,750 to 2,000 million.

Eligibility is similar to but not identical with that for IDA. In practice all current ESAF drawers are IDA eligible, but India and China are not ESAF clients. Two IDA eligible and one recent IDA graduate countries have Extended Fund Facilities (harder terms) and five traditional Stand-by Arrangements totalling SDR's 1,605 million ($2,335 million) dominated by Pakistan, Egypt and the Philippines.

ADB and IFAD: Geographic and Sectoral Specialists

The African Development Bank's concessional loan window, the African Development Fund, and the International Fund for Agricultural Development date back to the mid 1970's. ADF is a geographically specialised IDA for Africa and IFAD one for the small farming family sector in poor countries.

IFAD's commitments have fallen to under $500 million a year because of shrinking funding. The ADF's had threatened to disappear when negotiations for a seventh replenishment broke down over funder concern at ADB loan arrears and loan management competence. However, following a three year gap, recent ADB reforms led to the June 1996 replenishment for 1996/98 of $3,000 million (below 1991/93's $3,420 million and in real terms also below 1989/91's $2,670 million).

Total commitments by ADF at the end of 1995 stood at $10,200 million. Because of ADB and recipient financial constraints $3,860 million remained undisbursed. Including relending, commitments can now recover to the $1,100 million a year levels of the late 1980s, equivalent to somewhat over a third of recent past IDA annual commitments to SSA.

Eligibility, terms and conditions are broadly similar to IDA's. In the ADF case, they are more or less overtly copies of them. In the IFAD case, its financing is virtually all on these terms, with no parallel "Bank window", whereas ADB has historically had a dominant bank window even after the Bank had switched all but a handful SSA clients to IDA.

The ADB's problems in many respects relate to its historically greater ability to mobilise Bank window than Development Fund resources and to its clear tendency to follow Bank initiatives with a lag. They have been accentuated by relatively weak loan management, the protracted distraction of debates over the role of external members and the relatively large number of ADB/ADF loans made to complete ongoing projects instituted with other lenders in danger of being aborted by otherwise unfinanceable cost overruns.

To serve as many members as possible in the context of a relatively small ADF, the ADB has made bank window loans to countries for whom only ADF credits would have been prudent. This is, of course, much truer in retrospect than it appeared up to the early 1980s. With ADF resources drying up and low levels of profit flows and loan repayments, it has not been able to emulate Bank/IDA practice of shifting clients to pure ADF sourcing, to *de facto* roll over ADB loans into ADF credits or to do substantial in house funding of ADF. Because it has neither the clout with other lenders of the Bank nor the ability to guarantee a positive balance between new flows and servicing for good (including paying up) clients it has not been a priority in servicing for many of its hard pressed borrowers. That created a downward spiral, which over 1993-1995 virtually paralysed ADB. How rapidly 1996-99 ADF refinancing and 1995-96 management reforms can turn ADF/ADB around is problematic.

IFAD's problems are almost totally ones of funding. On balance, its projects are effective in respect to small farming family agriculture and its expertise in identifying problems and means to overcoming them in this sector are substantial. However, its present scale of operation means it is in practice a large scale pilot and demonstration project operator with no one to take up positive results and broaden them into longer programmes.

THE CONCESSIONAL FINANCE UNIVERSE

Total official development assistant (concessional finance) in 1994 totalled $59,152 million - nearly a tenth below its real 1991 level in absolute and a sixth lower in per capita recipient terms. 1996 outturn is likely to be somewhat lower absolutely than 1994.

This figure is not strictly comparable to concessional flows to developing countries because it includes administrative costs and non-development UN expenditures of the order of $4,000 million. On the other hand non governmental organisation (NGO) grants of $5,636 million complement/supplement official transfers. Further UN family, EU, IDA and RDB transfers are calculated on a bilateral to multilateral basis which introduces a lag as well as excluding lending out of own resources (repayments and intra institutional transfers) which are significant for IDA, Asian Development Fund and IADF.

Of the adjusted total of $55,000 million official transfers, UN development items can be estimated at $2,800 million, IDA and RDB's totalled $10,000 million or just under a fifth. Total IDA, RDB, IFAD commitments were of the order of somewhat under $11,000 million including own resources or $12,500 million including SAF/ESAF.

The dominant component was bilateral giants (net of administration) of $32,700 million. These were just under two fifths technical assistance, a sixth food aid and emergency assistance and slightly over a tenth debt writedown and write-off ("forgiveness").

III CONCESSIONAL FINANCE: WHAT CASE?

WHY SOFT FINANCE? - MACROECONOMIC FRAGILITY AND POVERTY

One cluster of reasons (and cases) for soft finance turns on the structural overall **output per capita, external balance and fiscal balance fragility** of recipient

countries. These tend to be interrelated. Poverty of households and low/uncertain GDP are correlated with cyclically volatile and secularly stagnant exports. Then, because basic services and basic infrastructure costs per unit do not fall *pari passu* with GDP, they are also correlated with lesser fiscal resilience at any ratio of tax collection to GDP.

The majority of *countries* exhibiting these characteristics are probably tiny island states. However, in terms of numbers of *people* impacted, the *locus classicus* is Sub-Saharan Africa. Not every SSA state exhibits these characteristics, and not all states of over a million in population that do exhibit them are African. South Africa, Botswana, Namibia, with peace Angola, with decent economic management Gabon and Nigeria plus probably Cote d'Ivoire, Cameroon and perhaps Senegal are not in this category. Nor are the island states of Mauritius and the Seychelles, although Madagascar, the Comoros, São Tomé & Principe and Cape Verde are. Vietnam, Bhutan, Laos, Cambodia, Burma, Paraguay, Bolivia, Suriname, Guyana, perhaps Belize and, the Dominican Republic and Haiti do fall into it.

China and India do not exhibit these characteristics. While their GDP per capita (however valued) is as low as or lower than that of some of those in the category, their qualitatively different economic size and structure result in important differences. Their export bases are substantially more diversified and buoyant, increasingly related to their absolutely substantial manufacturing sectors. This in turn results both in less fragile external balances and fiscal positions and in far greater access to external finance and much greater ability to service external debt, as well as to attract external direct and portfolio investment.

Bangladesh is among the macro fragile and poor economies, as is Sri Lanka (at least pending peace and reconstruction). Pakistan is a borderline case. Indonesia may have formerly fallen into this category as well as Thailand, but both have clearly graduated. On the past four years' record, so has the Philippines.

For the macro fragile and poor economies, soft finance is needed to construct a **transformed economic base**:

a. **basic services/human investment** in health, education and water;

b. **basic infrastructure** in transport, communications and power.

Without (a) the enterprise sector will, in the light of the1945-95 experience, remain permanently (and increasingly) non-competitive. Without (b) there will be crippling cost barriers both to rural development and to exports.

Because of poverty and fragile fiscal bases, advance to universal basic service access is not feasible purely out of domestic revenue, while infrastructure cannot be financed primarily from domestic borrowing nor (because of debt service overload) from commercial rate external borrowing. Neither sector, apart from limited exceptions in respect to infrastructure (especially telecommunications), is attractive to private investment when situated in small, poor, external balance constrained economies.

In these cases, a significant proportion of the human investment/infrastructure investment requirements for economic structural transformation will have to come from sources external to the domestic economy on soft terms. Otherwise rapid transformation and sustainable access to commercial credit and foreign investment will not be attainable.

WHY SOFT FINANCE? - SECTORAL CONSIDERATIONS

Beneath and beyond the macroeconomic considerations lie a number of others in which specific incentives to reallocate investment by sector, primarily by addition, are sought to be facilitated.

The chief cases under this heading are:

a. reduction of external **debt service burden**/removal of external **debt overhang**;
b. **post conflict rehabilitation** comprising both physical reconstruction and household livelihood re-establishment;
c. **post economic crises restoration** of public service conditions with respect to pay, productivity and professionalism that are consistent with providing adequate basic services and sound public policy more generally;
d. **environmental protection** and **sustainable development** especially in respect to contributing to global targets (ozone layer, global warming, biodiversity, desertification);
e. **gender oriented programming** especially in respect to female access to basic services and to livelihoods.

Emergency aid to meet humanitarian needs and to minimise the spreading of economic damage from natural disasters is self evidently an appropriate area for external soft finance. It has not to date been a significant area for multilateral development bank soft lending. Some programme loans have been directed to that

purpose, for example, to Zimbabwe in 1993 after the great dearth of 1992-93 - provided for that purpose. The sector is not very well conceptualised from a macro, or even a household, economic perspective. Saving life and sustaining health and nutrition are minimum, and basically humanitarian, goals. But limiting multiplier (or divider) damage to the rest of the economy about (25 per cent in Zimbabwe in 1992 for manufacturing) and facilitating speedy recovery after a natural calamity (e.g. by enabling drought stricken farmers to remain on their farms and by providing livestock loans to pastoralists who have lost core herds) pose recognisable, indeed standard, economic analytical, resource allocation and policy choice questions which are relatively rarely examined as such, perhaps least of all by MDBs.

Soft finance can **improve *ex post* quality of other investment,** if it is used in projects/programmes which have external economies e.g. infrastructure, basic services. The argument that it encourages high risk, low return and poorly evaluated projects is too simple. That outcome is rather the result of poor borrower and lender analysis, and of their use of the assumption that total available funds are not scarce i.e. that opportunity cost is low. The first relationship need not be true and the second assumption is in general false.

Indeed one could make the opposite case. The absence of soft loan funds can lead an MDB into imprudent and inappropriate substitution of hard loans to keep up lending levels and to maintain some access for a majority of its members. The results of this tactic, illustrated by the African Development Bank experience, include both massaged analysis (to justify the use of hard loans) and high default rates (because, even *ex ante*, only soft loans would have been prudent).

The declining **competitiveness** of SSA relates in large measure to relative (and sometimes absolute) deterioration in quality of labour and quality (including reliability) and quantity of infrastructure. The issue is not the level of wages per day (which may be uneconomically low) but wages per unit of output which are high because poorly educated, unwell, malnourished workers are not very productive. This holds for domestic regional and global markets. Assuming continued trade liberalisation, there is logic in parallel (or even prior) investment in these sectors to prevent backward structural change in manufacturing and in exports.

While cost reduction measures, including infrastructure and research in agriculture (both of which are suitable for soft external finance), can increase the competitiveness of existing exports, up to two thirds of non-petroleum exports are comprised by only a handful of commodities, i.e. coffee, tea, cocoa, vegetable oils, tropical timber, copper, cobalt, gold, sugar, tobacco. These commodities have poor medium to long term

trend rates of global demand growth, low price elasticities and, for SSA as a whole, export shares above price elasticities. Therefore **export diversification,** which is unlikely to be generally viable without higher labour productivity and lower infrastructure costs, is a crucial element in restructuring which soft external finance can put in, even if the areas of production and trade are rarely an appropriate direct use of such funds.

Arguably a seventh area is investment to create alternative livelihoods to **replace drug growing and manufacturing** and to inhibit traffickers. However, this sector raises security and political issues rather different from those relevant to others and is clearly not likely to be a significant target for multilateral soft loans, except to the extent enhanced capacity for small family farming oriented rural development has a spin-off impact.

The recent Florence 67 and Bank/Fund Development Committee proposals for **external debt writedown** to levels consistent with 25 per cent of exports as a maximum for external debt service, and domestic growth high enough to be sustainable (at least 4 per cent and probably 6 per cent), apply to poor, small, fragile economies. In most cases they will not so much reduce actual present debt service as halt rolling up of arrears, continual reschedulings and unserviced (because unserviceable) dead debt overhangs which block access to even prudent use of commercial borrowings and significantly deter external investment.

Post conflict rehabilitation was the chief focus of the Marshall Plan and one of the initial goals of the International Bank for Reconstruction and Development, but is now severely under financed and frequently not identified as a particular 'sectoral' requirement by development banks or bilateral donors. The only major exception today is Bosnia. This would appear to be particularly true in respect to access to basic service, infrastructure and market restoration and livelihood rehabilitation in rural areas. This is despite the probability that medium term benefit/cost ratios in respect to GDP, competitiveness, fiscal buoyancy and security are high. Certainly the prospect of demobilisation into abject poverty deters combatants from ending domestic conflicts. Its reality can either re-ignite them or result in the privatisation of war into a banditry enterprise sector. Virtually by definition post-war reconstruction - in Chechnya or Rwanda, Mozambique or Georgia, Somaliland or Bosnia, Liberia or Armenia, Cambodia or Angola is beyond domestic fiscal capacity, unattractive to external investors and unable to generate the short term export buoyancy necessary to render commercial rate external borrowing prudent.

Restoration of public services in much of Sub-Saharan Africa, which have fallen by over a third in per capita terms since 1979, requires restoration of real public service emoluments that are now often under one half of household absolute poverty lines. This must, however, be paralleled by restoration of productivity requirements and professionalism, including systematic career-long training. While the savings on technical assistance personnel would often exceed the costs, and over a 5 to 10 year period the fiscal impact of improved collection and growth should more than cover the costs, no adequate initial source other than soft sectoral programme finance can readily be identified. Peace dividends can in some cases - e.g. Ethiopia, Namibia, potentially Angola - make a substantial start, but are by themselves inadequate.

Environmental protection has high external economies and a long pay-off period. Therefore, poor and even not so poor countries are likely to devote lesser proportions of resources to it than would be globally (and arguably domestically) optimal. This is especially true in respect to global priority areas, but also to more domestic aspects including **sustainable economic utilisation** of environmental resources, whether wild animals, wilderness areas or harvested forests, and to **environmental damage limitation** in enterprises (e.g. thermal power plants, metallurgical establishments, smelters, and tanneries). The external economies and time scales suggest that use-specific soft external finance can have an impact on total (including complementary domestic) resource allocation.

Whether **gender** issues, including the **economic access and livelihood** aspects of gender, are appropriately operated by separate projects (e.g. Grameen Bank) or incorporation into main stream programmes (e.g. Indian special public works, Botswanan basic rural pwd projects, Tanzanian agricultural extension especially in respect to nutrition) or by both is debatable. Appropriate answers may well be contextual. But in any case, both a low initial, and often also a low identifiable direct fiscal pay-off suggest that the leverage impact of external soft funds could be substantial.

In the non-debt programme areas, it is probable that external soft funding would have a **multiplier effect** for at least two reasons. First, there could be an effect by demonstration. If the rehabilitation, environmental protection and sustainable utilisation and gender sensitive service and livelihood access programmes produced economic, social and political results that were perceived as valuable by beneficiaries and the political leadership, more domestic resources would be allocated to them. Second, internationally backed programmes have for better or worse enhanced domestic prestige and thus strengthen the hands of their domestic proponents.

The coverage of these sectoral uses for soft finance should arguably be broader than that group of countries for which it is macroeconomically crucial. The ratio of soft finance to total in India or China is quite low. In relation to environment and gender activities, it could be much higher. By the same token, most of today's post-war economies arguably should be blend recipients, even if their nominal GDP's per capita is above normal IDA cut-off points (e.g. Angola and Sri Lanka). In this case, the soft external finance should be focused on rehabilitation.

The use of soft finance in respect to environmental protection/sustainable use investment could, arguably, be extended to countries such as Brazil, Thailand, Malaysia, Indonesia, Philippines that are at present outside the normal ambit of soft external finance. The providers of soft finance are in practice seeking to buy global benefits, of which a substantial proportion will flow back to themselves. However, unless a special environmental development bank (or at least fund reservoir channelled via existing development banks) is set up, the likely sources of such soft funding are bilateral and UN agency.

SOFT EXTERNAL FINANCE INTERACTIONS

Used as described above, soft external finance is likely to be **complementary and catalysing, but not competitive or deterring**. It is **more likely to pull in than to crowd out other sources of finance**.

Enterprise, including household enterprises ranging from small farming families through micro to larger family enterprises, will be made more attractive, if educated, healthy, adequately nourished (and therefore more productive workers) and reliable, reasonable cost power, water, transport and communications are available. External investors are particularly deterred by the absence of such conditions. This is shown by their minute investment in core small, fragile, poor economies and the fact that most of this is focused on specialised projects that generate external currency. The low levels of domestic private savings and investment in Africa, which have unfortunately been influenced only marginally by restructured economic policies over the past decade, indicate the strength of the same causal links.

Viable external balance positions, including external debt service, are preconditions for access to (or prudent seeking of) external commercial loans and for the ability to attract foreign investment. The partial exceptions to this statement are export generating projects whose debt service and dividends (as well as maintenance and operating inputs) can be protected by *de jure* or *de facto* escrow accounts. The probable multiplier impact, especially in respect to environment and gender, but also

to post war rehabilitation and post crisis public service restoration, through demonstration and prestige enhancement have been noted above.

In poor, fragile, small economies with grossly underdeveloped human resources and equally weak infrastructure, the crowding out case in respect to the public services and infrastructure sector is much less convincing than is the 'pulling in' case. This is also true in respect to high external economy, lagged benefit stream sectors. It is not at all surprising that, in respect to infrastructure investment and basic services, World Bank prudent target levels for SSA (excluding South Africa) are about twice present actuals.

SOURCES, USES AND TRENDS

Soft external finance has five significant sources:

1. Multilateral Development Banks;
2. The IMF (SAF, ESAF);
3. Bilateral development/aid agencies;
4. United Nations Agencies other than the Bank and Fund;
5. Northern Non-Governmental Organisations (predominantly as a channel for 3, but partly out of own resource mobilisation).

While there is substantial overlap in uses there is a certain set of differences in emphasis among these sources. MDBs initially focused soft loans on **large infrastructure projects**, for reconstruction (to the early 1950s) and development. This focus was broadened in the 1960s and especially 1970s to include health, education, water and agricultural services, or at least their physical capital component. Reconstruction dropped out with the conclusion of post World War II activities in Europe.

In the 1980s and 1990s an increasing proportion of IDA (and of IMF) funding has been **programme support,** which is often channelled as budget and import capacity support tied to policy shifts in specified macro or sectoral areas. This may (e.g. financial sector reconstruction) or may not (e.g. liberalisation of marketing) actually use the resources provided through the loan. In practice, this means that IDF and IMF (Regional Development Banks much less) do **finance some recurrent expenditure, particularly in basic services**. This fact is, however, played down, especially by treating rehabilitation and maintenance as capital investment and embedding expatriate provision cost (technical assistance) in project or sectoral capital items.

The **IMF**'s SAF and ESAF are normally used only to augment **budget and import capacity.** To date Bank and Fund involvement in **external debt burden writedown** has been limited (and low profile) though not negligible:

a. *de facto* conversion of Fund drawings to SAF/ESAF credits and *de facto* or *de jure* conversion of Bank loans into IDA credits to reduce the present value of future repayments by 50 per cent to 80 per cent;

b. the Bank (and to a lesser degree the Fund within SAF/ESAF credits) has financed discounted buybacks of external debt at prices ranging from under 10 per cent to 50 per cent of face value, both by IDA type and by Bank loan facilities. The likely impact of this on future payment streams is hard to calculate, because in the under 25 per cent of face value paid IDA cases that were frequently co-financed formally or *de facto* with bilateral donors, the debt was not being serviced and had a near to nil probability of being serviced in full in the foreseeable future.

c. where significant Bank and Fund arrears inhibit new Bank/Fund supported Structural Adjustment Programmes, a variety of devices including bridging loans retired out of new (softer) Bank/Fund facilities and or bilateral grants have *de facto* provided debt writedown.

The **new debt writedown initiatives** of the Bank and Fund would result in more substantial allocations of their funds to this purpose, frequently in the form of soft loans/credits to buy back harder ones at less than face value. Presumably, the Bank and Fund are also likely to speed up Paris and London Club writedowns and to finance the latter in the case of old lenders opting for a total or partial exit.

Bilateral soft funding has since the late 1970s become **almost entirely grant.** The Japanese and the Italians were among the last to make the **switch away from soft loans**. Before the 1970s, the basis for making the division was rather opaque. Very poor countries received a higher grant share, technical assistance was (except for the Soviet Union and other CMEA states) almost universally grant, and most capital projects were either development loan or soft export credits.

The shift has had several causes. Recognition that basic services were, in a meaningful and rigorous sense, human investment, while many bricks and mortar items either were not or failed to generate direct income streams, undermined the old commandments to finance bricks and mortar by soft loan except for the very poor and technical assistance by grant, but only exceptionally to touch recurrent budget expenditure. The older exceptions to that rule of thumb usually related to catalytic

interventions to launch new sectors (e.g. Sweden in adult education) or to trigger altered programme emphasis (e.g. UNICEF and bilaterals on vaccines and basic drugs). This trend was also furthered by the realisation that **rehabilitation** of infrastructure was often a highly cost efficient investment and that not building maintenance into capital grants or loans had led to heavy underfunding, or in extreme cases the toothpaste tube approach to investment - build on soft loan, use without maintenance until destroyed, procure new soft loan to rebuild, then default on loans. With the **blurring of dividing line between the productive versus consumption expenditure** and the realisation that it did not coincide with the **recurrent/capital division,** the moral hazard argument that loans would be more prudently used became less convincing.

Perhaps most important in the case of a majority of soft bilateral finance recipients was **pragmatic reality**. By the early 1980s past soft loans were going into default and most new ones would clearly go the same route. Since Treasuries had never set much store, simply because of relative size, on these repayment flows, avoiding renegotiation and allowing attempts at debt recovery to focus on a narrower range of items was often not resisted by Finance Ministries, when they were pushed by aid agencies.

On **environmental soft finance,** the Bank has had a high profile and, at least in the case of sustainable forestry, a long track record. In fact, however, most of the rather limited flows have been bilateral and/or environmental NGO sourced. This is even more true of **gender** related financial flows, which are virtually all soft.

As noted, **MDBs have not been very active in emergency assistance** or in the demobilisation and livelihood rehabilitation aspects of post conflict recovery. This may well be because the broader sectoral and macro economic implications have rarely been analysed systematically. The same tunnel vision holds true of reintegration of ex-combatants into productive livelihoods. It limits bilaterals and financial flows via NGOs as well as those from MDBs, despite the clear macro economic, humanitarian and security implications. The largest funders have been bilaterals (directly and via NGOs and UNHCR/WFP/UNICEF, with NGOs own resources third and MDBs/IMF last.

UN agencies have historically specialised in **technical assistance,** sometimes rather broadly defined, or **relief** (UNHCR) plus development oriented **food aid**. The picture has become blurred as agencies such as WFP, UNDP and UNICEF have become heavily involved in **emergency crisis containment** and, less uniformly, **post crisis rehabilitation**. In addition, IFAD (the only one dominantly in the soft loan business)

and UNICEF have attempted to formulate **strategic policy initiatives**, popularise them and achieve external and domestic multiplier effects from the catalytic use of their own funds, strategy, public discourse and mobilisation of other external soft resource flows.

NGOs until the 1980s were primarily **users of self mobilised funds** for general or specific **developmental projects** usually at local to regional level. Over the 1980s three **dramatic structural changes** took place. First **emergency relief** became the dominant use of funds for all but a handful of NGOs. In parallel government funds channelled (usually for specified purposes) through them became dominant, uniformly in the case of relief and sometimes for more narrowly defined developmental ones. Third governments and to a degree MDBs came to perceive NGOs as autonomous (or funder accountable) **alternatives to weak or corrupt central governments rather than as supplements** or complements, gap fillers and catalysts. With their quantum leap in size many NGOs have become harder to differentiate from bilateral donors, although they tend to be more operationally involved; or from domestic government departments, although they tend to have higher unit costs, a much higher proportion of expatriate personnel and negligible effective domestic accountability in recipient countries.

These source distinctions have become blurred with the rise of **cofinancing** (e.g. the World Bank's Special Programmes for Africa) and Consultative Groups and UNDP Roundtables, which seek to coordinate all external finance flows other than (usually) emergency assistance and NGO own (as distinct from bilateral channelled) resources.

The **case for focusing soft external finance on certain economies and sectors** set out above does not automatically imply any particular division of labour among different groups of suppliers. It does suggest the need for coordination among them on their initiative globally, and between them and recipient governments and social sectors nationally.

The distinction between **loan and grant** has **little relevance to use**. If the appropriate uses of soft finance are as has been argued above, then 80 per cent to 90 per cent grant element loans and pure grants differ only in degree. For psychological and statutory reasons MDBs and the IMF are unlikely to be in a position to make grants, because a very concessional Xth Loan Window is perceived as different in kind from a grant one. Attempting to overcome that perception, especially in the IMF case, would hardly be a useful investment of capacity to build support for soft external finance.

But the **balance** among the main appropriate uses of soft finance may need more examination. **Post war rehabilitation, post crisis public service restoration** and **post calamity** (natural disaster) recovery do appear significantly underfunded relative to other uses, as well as absolutely. **Technical assistance** and parallel normal **service and emergency support delivery by NGOs** appear grossly overfunded relatively, and in SSA often absolutely. When substituted for support to domestic public service and domestic social sector operations they are cumulatively decapacitating as well as unit cost inefficient.

What about the balance between appropriate sources? The **Fund** has little sectoral or general analysis and policy expertise, therefore general programme support for budget/import capacity plus debt writedown (discounted buyback) and financial sector recapitalisation probably do represent its comparative advantage as SAF/ESAF drawing uses. However, the most important issue in respect to IMF facilities in respect to the needs of small, fragile low income economies is that it is in practice **out** of the business of providing quick first line liquidity to meet genuine exogenous shocks (to weather self reversing and to bridge to fuller response to others). This - not macro economic medium term structural adjustment or long term developmental transformation) is the Fund's unique and primary duty, as set out in its articles.

In principle, an array of special "shock" facilities both general and specific (e.g. food grain import bill, export earnings) have been set up since 1970. In practice (and under present procedures probably even in principle) these are not accessible to SAF/ESAF borrowers. Because SAF and ESAF are programmed into overall macro economic and external balance packages which do not provide any contingency margins or access to additional finance for unprojected exogenous shocks, small, fragile, poor economies are excluded from securing IMF support for the very purposes it was established to cater for.

This is **not a case against SAF/ESAF**, which serve quite different purposes. Even if it is argued that SAF/ESAF as a 'mini IDA' are a non-optimal duplication, their historic rationale (to avoid debacles in respect to IMF drawings for medium term macro and external balance non-cyclical or shock structural adjustment) and the principle "keep tight hold of nurse for fear of something worse" (i.e. no SAF/ESAF **and** no augmentation of IDA or RDB soft window resources) would render such criticism irrelevant and/or imprudent in relation to policy. SAF/ESAF are useful complements, to but poor substitutes for, reopening of access to quick disbursing, first line, shock-absorbing facilities.

The case is for a new 'shock facility', accessible to SAF/ESAF users speedily and at levels related to exogenous impact, scale and 'recipient' vulnerability as well as quota size. The IMF is engaged in dialogue and analysis toward such a facility which falls outside the scope of this paper, except that it should be concessional when extended to borrowers who were even pre shock in need of concessional transfers.

Bilaterals are certain to engage in soft finance provision across the spectrum of priority areas sketched. Indeed because of the particular concerns of some agencies, more foci will doubtless be added. The resultant coordination problem is at both global and national levels. Consultation among donors, possibly leading to some specialisation and division of labour, but - more important - to a certain rationale about totals and makeup of concessional finance available to recipients globally, regionally and nationally can manage the first. An overlord agency is not necessary, luckily, as it would not be accepted. A *de facto* secretariat exists with the World Bank now performing that role, but UNDP or ECOSOC would be alternatives if a less directly involved party were to be desired and acceptable to main resource providers. The national coordination level, and possibly the sub regional as illustrated by SADC, is logically managed by the recipient with advice from the Regional Development Bank and IDA/World Bank.

UN agencies fall into five categories: UNHCR, WFP, IFAD, UNDP - financed specialised agencies, and own mobilisation driven agencies. UNHCR and, in respect to food, WFP have refugee and/or displaced person survival remits with some inadequate post-conflict rehabilitation and reconciliation extensions. If UNHCR's past conflict roles are not to be enhanced, together with economic and sectoral capacity to utilise resources for them effectively, a handover to either MDBs or a UNDP-led consortium would appear prudent. Bosnia may become a test case of this.

UNDP also has domestic displaced person and calamity response roles largely by mobilising and, to a degree, coordinating bilateral responsibilities. This may well be appropriate, but is often unclearly linked to its more general technical assistance provision and coordination role.

IFAD is in fact an MDB albeit one set up at a particular historic conjuncture and, therefore, gravely hampered by subsequent declines in petroleum exporter surpluses. It may well be the most effective agency in the field of small farming family production enhancement support programming. The cases for it to continue to specialise and to seek to expand its effective resource base either directly or by IFAD led co-financing is high.

UNDP is both a provider of technical assistance and a mobiliser of resources for/rationer of supplies via a number of specialised agencies. While possibly useful in giving clout to its coordinating role in technical assistance and, in Roundtable countries, all concessional finance, these two roles have inherent conflicts with each other and with the need to be seen as a disinterested coordinator. The largely own mobilisation agencies, notably UNICEF, tend to have clear specialised agendas and, in general, are relatively expert, adept at raising joint project finance and perceived as user friendly.

NGOs pose problems to the extent they are channels for bilateral or MDB resources. As parallel delivery channels they are by their nature high cost (because of high expatriate to volume of programme ratio and small scale), domestically unaccountable (because of overriding home base and funder accountability), uncoordinatable (because of their, in some respects admirable, will to autonomy) resulting in gaps and overlaps. If the NGOs are domestic with real links to the community and civil society, these weaknesses will be reduced. The apparent comparative advantage of external NGOs in respect to basic services, emergencies and post war rehabilitation would be as junior partners in support of domestic social sector organisations (churches, mosques, women's groups, some coops and trade unions and community based local governmental units) within a nationally coordinated framework. This approach has not been fully attempted. Initial efforts in the health sector in Mozambique have demonstrated serious non-disclosure and territorial defence reservations on the NGO side. However, a growing number of church or Christian community based NGOs are moving toward it.

Trends in soft external finance are flat or slightly downward in overall real terms and therefore declining about 3 per cent per capita a year. With some fluctuations this appears to have been the case for a decade and a half especially with respect to poor countries. In SSA the real per capita decline from 1979 exceeds 40 per cent. Within that trend of absolute stagnation and *per capita* decline, there are shifts in makeup by use and by supplier.

Emergency, displaced person and refugee support has risen sharply, to about a quarter of bilateral finance plus UNHCR expenditures in SSA. So has **technical assistance,** defined for this purpose as expatriate costs forming a mandated element in projects or programmes plus external study costs which together stand at least another quarter of bilateral and of overall (including NGO, UN agency and MDB) flows to SSA.

Programme lending has risen and now equals or exceeds **project,** at about one quarter each in respect to SSA. However, taken together they have declined over 50 per cent on a real per capita basis since 1979.

The **MDB** share of soft finance has stagnated with an initial rise offset by more recent declines. The reasons are partly contextual, but the dominant element is declining USA support - partly in pledges, but more particularly in payments. The Asian Development Fund has declined as a proportion of Asian Development Bank financial flows with graduations plus a shift toward bank (not fund) lending (except in special sectoral cases) to its blend countries: India and China. The **African Development Fund** dried up over 1993 - 1995 though it is now beginning to recover at commitment level. This led to a non-recovery crisis, alienating extra-continental directors and their governments. **IFAD** has become trapped in the initial Northwest/Petroleum Exporter co-financing structure and, therefore, suffered vertiginous cutbacks largely independent of evaluation of its track record.

If this trend is to be halted or reversed, three inputs are necessary:

1. a USA contribution which is in fact paid, and which, even if cut initially, does rise absolutely parallel to inflation and recipient population growth;
2. a restructuring of IFAD's anachronistic subscription base, perhaps by increasing middle or upper middle income graduates' contributions;
3. refinancing ADB's Development Fund at substantial levels (say $1,500 million a year by 2000 growing to $2,500 million a year) as an integral part of, not a sequel to, restructuring and recapacitation.

Unless at least two of these three inputs are achieved, the MDB soft loan disbursement total will continue to contract.

UNHCR, WFP, UNICEF and UNDP emergency and programmatic financial flows have risen absolutely and per capita. But those of **other UN** agencies have stagnated or declined. **NGO**-channelled emergency operation resources have risen very sharply, more narrowly defined developmental activities moderately. **Bilateral** flows have been absolutely stagnant but, led by the USA, now appear on a definitely downward trend. The declining trend is being fuelled by disillusion with aid especially in the USA, and budget balancing concerns more generally.

There is no reason to expect an imminent reversal of the per capita decline which is basically driven by internal political economic dynamics of source countries. Indeed, there is reason to anticipate *ceteris paribus* absolute and accelerating per capita

declines, unless a clearer, more focused, more market linked perspective of MDB finance (and concessional finance more broadly) can be presented convincingly to Northern publics and political decision takers as well as to foreign affairs and development intellectuals and officials.

IV SOME ISSUES IN CONCESSIONAL FLOW STRUCTURING

A series of issues of a somewhat varied nature have arisen in respect to concessional flows, which are largely independent of estimation of optimum (or optimum attainable) amounts. These include:

1. competition vs. single channelling;
2. coordination and joint ventures;
3. technical assistance and catalytic, parametric goal-related projects;
4. the roles of external NGOs and domestic social sectors;
5. integrating survival, rehabilitation and renewed development phases of emergencies (whether natural calamities or man-made catastrophes, e.g. war and drought) with each other and with macro economic frameworks;
6. integration of household poverty reduction/economic security enhancement goals into macro frameworks and sectoral programmes;
7. relationship/interaction with recipient regionalism;
8. the relative importance of and interactions among IDA, the Regional Development Banks and IFAD.

COMPETITION, SINGLE CHANNELLING, COORDINATION, JOINT VENTURES

Competition among sources is not particularly fashionable. Both UNDP and the World Bank combine advocacy of liberalisation for their clients with a clear will to become the bottlenecks through which all technical assistance and all human and physical investment concessional transfers respectively shall pass, whether by consequence of formal ownership or of hegemonic parameter setting. Some bilateral sources, the EU, most UN organisations passively and UNICEF actively and both Regional Development Banks plus IFAD clearly prefer in practice to operate on a multi channel, quasi competitive basis. Except for those who have adopted a totally dependent and responsive approach, recipients predictably prefer multi channel, quasi competitive approaches.

The case for single channelling is not self evident. Concessional flows do not appear to be a natural monopoly or oligopoly sector. The gains from partial specialisations (by sector or by context) would appear (judging by IFAD, UNICEF, the Asian Development Bank and, to a degree, the ILO) to be significant, as would those from alternative approaches to a number of sectoral, micro and contextual issues (as illustrated by the ILO in respect to labour intensive investment and some NGO's in respect to social sector and local government based programming).

Coordination, as opposed to hegemonic leadership, has stronger claims to be accepted in the following forms:

a. broad agreement on global soft finance levels, sources, specialisations/ makeup and destinations;

b. frames for relating to recipient-led strategic coordination initiatives nationally and sub-regionally;

c. development of joint ventures among agencies able to develop articulated targets and parameters, plus catalytic projects but without the financial weight to be broad based operational programme suppliers (e.g. ILO, IFAD, UNICEF, potentially African Development Bank) and bilateral/EU funding sources with limited analytical and programmatic expertise as well as IDA.

Country-led and MDB assisted **consultative groups** were attempted with indifferent success by Zimbabwe and Namibia and with better results (more coherent focus, recipient strategy protection and reallocating external flows sectorally) by SADC regionally. But the issue is contentious. Assuming MDBs are serious about country ownership and capacitation, it is hard to see why resource providers should resist dialogue in the framework of national agendas. They can certainly disagree, negotiate changes, say no. If they also unilaterally set the parameters for the consultative and negotiating process, that is excessive influence over outcome and negative in respect to building sustainable domestic analytical and policy capacity or a feeling of ownership of and responsibility for whatever is agreed.

Technical assistance at present does appear to be oversupplied, partly because it is viewed (wrongly) by recipients, as having near nil (or even negative) fungilibility/opportunity cost , partly because of its growing use as a cost inefficient substitute for budget support to enable payment of minimum efficient emoluments to citizen basic service delivery and higher level professionals and partly because of lack of capacity to utilise advice or analytical findings (often already available from domestic staff) because of general fiscal and personnel constraints.

This is not primarily an MDB problem, although over-capacity in analysis and design compared to operational fiscal and personnel levels has been a feature of some World Bank Poverty Alleviation and Civil Service Reform exercises. However, the analysis of minimum efficiency pay for professionals down to primary school teachers, constables, field level tax collectors and the implications for optimal concessional finance allocation (initially begun by UNDP/UNICEF) is an area in which MDB analysis linked to its basic service sector strategies could influence bilateral allocations.

Catalytic programming based on strategic articulated, phased goals plus the provision of concrete means toward them has been a hallmark of UNICEF, IFAD, ILO. To date the quality of results appears to be above that of overall concessional flows or of overall MDB soft loan performance. But quantity is constrained by limitations on fiscal and operational personnel in all three bodies.

These three agencies have built up substantial analytical and pilot operational expertise, including contextual knowledge of the educational and domestic internalisation/long term sustainability aspects. This expertise includes enhancing health, nutrition and (necessarily) household income levels for poor children and their families, small family farming livelihood capacity building systemic interventions (technical, training, infrastructure) and cost efficient, livelihood intensive public works, especially but not only, small to medium scale rural, small town and peri urban. They lack the fiscal muscle to make full use of it even with designated bilateral contributions. Three possibilities exist:

1. raising their direct financial flows - especially in respect to IFAD which is a mini MDB;
2. co-financed programmes with bilaterals to generalise from pilot successes;
3. bilateral taking up of sub-national programming even though this risks the loss of a clear national strategic focus and requires bilateral replication of analytical and contextual capacity and learning experiences.

To date, MDBs have been pioneers in initiating joint programmes led by themselves (e.g. WB's Special Programme for Africa). In 1996 IDA-bilateral cofinanced projects in SSA generated $3,210 million co-finance to accompany $1,618 million IDA. They have been less ready to use their funding in programmes capitalising on the expertise of others. A two way street perspective might be more desirable than this situation.

As already noted, the shift of **external NGOs** to bilateral donor, parallel to government, emergency and basic service distributions requires reassessment.

Multiple, expatriate-intensive operations seem likely to inhibit any coherent strategy raise unit costs and demobilise domestic capacity. As presently practised they tend to compete with domestic social sector programming (much more readily coordinated within a national strategy), rather than complement or support it, the notable exception being several SSA Christian Medical Services consortia.

This approach was originally built up in contexts of no perceived effective state or local social sector capacity during crisis or war and of that of saving lives while disabling the state in which they were saved (e.g. Mengistu's Ethiopia). Continuation of the same approach during domestic rehabilitation under radically altered governance, let alone generalisation, requires priority reassessment.

The nexus between Survival, Rehabilitation and Development contains forward and backward interlinkages. This nexus is now accepted verbally as an area for action, especially by some bilaterals and some UN agencies. Actual analysis and programming still remain limited. Macro-economic (output, food security, fiscal, livelihood, poverty) implications have to date rarely been treated seriously. Given the contractionist impact of major drought shocks, the security implications of non-rehabilitation of post war livelihoods (especially former combatants) and the 1945-55 European and Japanese experience of reconstruction as having a high payoff, that gap deserves priority attention particularly by MDBs who have more macro economic analytical capacity than other resource providers.

Household poverty reduction is now a consensus goal. The World Bank has played a major role in its re-emergence. But, as its Operations Evaluation Department has warned, the less than adequate assessment base, somewhat peripheral programming and failure to build poverty reduction into main line allocations continue to raise questions as to seriousness and effectiveness. Part of the reason for this relates to the way Structural Adjustment and Poverty Reduction have interacted. In its initial 3 to 5 year strategy perspective, SA could treat short term poverty impact as secondary and reversible by renewed growth fairly rapidly. However, from 1985 Social Dimensions of Adjustment (SDA) approaches to buying out losers who might block measures and actions to alleviate direct SA impact on other identifiable groups were added. By 1990 SA had become medium to long term, and so needed to factor in poverty reduction. But adding substantive goals (e.g. poverty reduction) to SA's macro flow rebalancing and macro institutional restructuring/restoration core has proven difficult in respect to all sectoral programme design, including basic services and infrastructure as well as poverty, environment and gender.

Several issues arise:

a. the type of data required and the possibility of starting with incomplete assessments and building data, experience, programme size and results in parallel;

b. how to enable universal access, to livelihood enhancement (e.g. agricultural extension, public works employment), basic services, basic infrastructure and markets (with a reasonable degree of competitiveness as to purchases, as well as sales).

c. how to build quick poverty impact assessments, targets and ongoing evaluation of outcomes into main stream programmes, in a way allowing monitorable features to influence ongoing operations as well as next stage forward planning.

What has been the relationship of concessional financial sources to **regional/sub-regional** initiatives? To date a guarded endorsement, combined with lack of applied analysis to build up functional interaction, has been the dominant mode of response, especially by MDBs. The partial exception of SADC, which whatever its additionality impact, has coordinated member proposals for projects of major multi-country impact and increased the proportion of domestic and external financial flows allocated to them, has turned on regional initiatives and agenda setting to which funders have responded. Nonetheless, the resource suppliers' own strategic formulations remain superficial and fragmentary and MDBs in particular have very low actual resource allocations to multinational or linked national projects (probably well under 5% for the WB and ADB, even including linked national infrastructure components of regional programmes).

Finally, the appropriate balance among **IDA, Regional Development Funds and IFAD** is, at least in principle, an important question. To date IDA has been able to mobilise. Regional Banks have found it harder and the African Development Bank impossible from 1990 until 1996. IFAD has been crippled by its now irrelevant petro dollar historic element and the Inter American and Asian Development Banks have relatively limited Development Fund constituencies, especially as the ADB largely routes China and India to its 'hard' loan window. As a result IDA now comprises up to three quarters of MDB credits, or over two thirds if SAF-ESAF are treated as *de facto* MDB programme lending.

There is a case that a degree of multi channelling, of more context specific institutions and of sectoral specialisations would be preferable to dominance by one global institution. If a shift to greater diversity is to be attained, the key institutions are the African Development Bank and IFAD. In the latter case, the problem is restructuring

the funding package, perhaps by raising recently 'graduated' developing economy contributions, to allow significant expansion. No major operational difficulties are perceived. The ADB's problems are more systemic. Lack of ADF soft funds and domestic member pressure to serve all have resulted in excessive hard lending to soft economies with consequential arrears and cash flow problems. That has meant ADB lacks the profits and cash flow either to self-finance part of the ADF or to participate in debt writedown initiatives.

Feeble imitation of World Bank practice has both reduced potential geographic contextuality gains (despite a relatively innovative research and analysis department) and compounded the unsatisfactory lending pattern. Solutions to enhanced operational efficiency, contextuality, prudent lending and significant concessional flows would need to be taken together. Without tighter evaluation and monitoring ADF mobilisation is impossible, but without ADF the ADB will (or ought to be) irrelevant to three quarters of its SSA members for up to a decade. Economies of scale and learning suggest an ADF below $1,250 million a year is unlikely to be innovative, contextual or cost efficient and that one of $2,500 million a year might well be optimal once capacity was enhanced. The core of the small, poor, fragile, fiscal/forex constrained economy problem is, and will continue to be, in SSA..

SAF/ESAF as noted above are the IMF's solution to medium term structural change enabling finance to poor countries which was initially advanced as short term, non-concessional drawings early on in SSA Structural Adjustment Programmes. It averted collapsing programmes regarded as on track but with lagged payoff (especially in respect to external balance) and averted pressure on the IMF to accept quasi automatic rollover of standard drawings. That is a sound set of reasons for its existence. The reality that its phasing out might well, in the present Northern political economic context, reduce total concessional flows, not increase MDB ones means that it cannot readily be phased out in favour of expanding IDA, ADB or other MDB flows. The case for limiting it to *ex post* conversion of medium term restructuring support to a soft, long facility to contributing to debt buyback as part of a debt burden writedown strategy and to financial sector restructuring (*de facto* deposit insurance) is stronger. The IMF makes no claim to being a development institution *per se* nor to sectoral expertise beyond the financial sector.

A rather different set of issues relate to the World Bank's perceived style. While variously phrased and expressed with divergent degrees of passion and/or intellectual rigour, their substance is that:

a. the Bank gives the impression of using funding leverage to enforce its views in dialogue;

b. because of inadequate contextual knowledge, it has failed to apply general principles or instruments effectively in particular African situations;

c. borrowers' political or intellectual commitment/sense of ownership (presumably a requisite for sustainability) has been poor;

d. the Bank acts as prosecutor, judge and jury in cases of disputes with its borrower members and with stakeholder groups (whether Northern environmentalist or Southern "development displacees").

These are not unimportant issues. However they lie in part outside the scope of this paper. They arise subsequent to a positive decision on the future of MDB concessional finance. To the extent ownership - dialogue - agenda setting are involved the subsequent recommendations do relate to them. In respect to disputes, the Bank has taken steps toward an initial quasi arbitral forum for dissatisfied stakeholders and - presumably - borrowers.

V MDB FINANCE: GOALS FOR 1998-2010

If the case made out in previous sections is accepted, continued per capita reduction in real transfers of concessional external finance cannot be justified. Additional reasons for saying so are that:

a. the small, fragile, poor economy group is tightly defined;

b. the larger, more robust low income economies already receive relatively limited and sector specific concessional transfers;

c. except in the case of some kinds of technical assistance and external NGO operations, resources in excess of utilisation capacity are most unusual, except in extreme cases of malgovernance. Basic service expansion and increased contractor implemented infrastructure provision are, at present, limited almost totally by lack of adequate fiscal and foreign exchange flows in most MDB clients;

d. on the 1980-95 record, no substantial numbers of graduations can be expected over the next decade and a half and those attainable among post-civil conflict rehabilitation blend countries (e.g. Angola, South Africa) are likely (with good fortune and political management) to be balanced by new

post conflict opportunities e.g. Sudan, Liberia, Sierra Leone, Zaire, Burundi, Rwanda, just as improvement in governance - as in post Mengistu Ethiopia - would raise the number of countries which MDBs - and others - would view as prudently supportable;

e. concessional transfers to other economies than the MDB concessional and blend clients are dominated by technical assistance (traditionally soft) and political interest driven programmes (e.g. to Israel, Egypt in US foreign aid) and are unlikely to be reduced in favour of main stream concessional financing, let alone MDBs.

Therefore, 1998-2010 MDB financing targets should be **perceived within a perspective of at least 2.5 per cent annual real growth in concessional transfers**. Given the recent record and the Northern political context, that may well be a realistic maximum goal as well.

Within the concessional total a case exists for a **higher MDB share**:

a. to enable support for joint ventures with e.g. UNICEF, ILO, IFAD;
b. to enable MDBs to take a lead in co-financing at least the rehabilitation, recovery and initial renewed development aspects of post-war and post natural calamity programmes with particular attention to their macro economic and sustainable livelihood aspects;
c. to restore African Development Bank and IFAD lending capacity;
d. to offset probable falls in bilateral transfers.

This suggests for **IDA**:

a. a **2000-2002** annual target of **$2,500** million annually in 1995 prices;
b. a 10 per cent increase to **$15,000** million over **2003-2005** with subsequent constant price growth of at least 2½ per cent a year.

For **IFAD** a reasonable target would be refinancing to allow at least **$1,500 million a year** (1995 prices) **by 2000** and **$2,000 million a year by 2005**, with a minimum of 2½ per cent annual real growth thereafter.

For the **African Development Fund** a rapid phased restoration to **$1,500 million a year by 2000 $2,000 million by 2005 and $2,500-3,000 million by 2010** with subsequent 2½ per cent growth.

In the case of **SAF/ESAF** levels of the order of **$2,000 to $2,500 million** a year through the early 2000's with priority to refinancing older harder term drawings, to financing buy back of written down external debt and to financial sector recapitalisation would seem prudent. By 2005 needs for these purposes would probably have passed their peak and in any event SAF/ESAF would by then be self refinancing.

How to mobilise finance of these orders of magnitude, modest as they are in relation to industrial economy budgets and GDP, requires both strategic rethinking and energetic implementation..

Unless the USA government can credibly commit itself to continuing to deliver on pledges of 25 per cent of IDA either:

a. its share should be reduced to - say - 15 per cent to 20 per cent, or

b. the joint and several provisions by which one substantial defaulter short-circuits the entire exercise should be amended.

In respect to **IFAD** a new subscription (and therefore voting) formula should be devised. It would be appropriate to seek to secure substantial participation by graduated developing economies and more modest ones from very large poor ones.

ADB commitments should include at least modest pledges by South Africa, Botswana, Mauritius and Seychelles to underline African commitment, as well as more substantial Asian and Latin American ones. In the ADB case extra regional voting can hardly be increased further but a 50-50 formula between subscribers and users might be used for African Development Fund management. With the proposed African commitments this would give about a 52 per cent to 55 per cent regional majority, but ensure a strong resource provider role in improving monitoring and evaluation.

IADB and **Asian Development Bank** concessional fund flows probably do not need to increase markedly and to a substantial extent can be financed out of repayments plus profit transfers from hard loan operation profits.

Blend countries' access to concessional finance should be primarily environmental, gender, post war rehabilitation and poverty reduction oriented (including joint UNICEF, ILO, IFAD/MDB financed programmes).

IDA should be a supporter in **UNICEF, ILO, IFAD, ADB initiated cofinanced projects oF the order of a tenth of IDA** commitments. This implies a target for the year 2000 of UNICEF/ILO, IFAD, ADF $2,500 million, to improve the quality of aid

and to bolster UNICEF-ILO-IFA-ADF fund raising capacity by using the World Bank "seal of approval".

VI CONCLUDING REFLECTIONS

The **basic case for concessional MDB finance remains at least as convincing as when IDA was established**. It is that poor, fragile, fiscally and external balance constrained economies require initial basic service access and infrastructure investment beyond their short and medium term capacity to raise domestically or to finance from abroad on non-concessional terms.

For small poor economies - which tend to be exceptionally fragile and external balance (export) constrained - concessional finance is even more crucial now than 20 years ago, because most have fallen behind absolutely or, at the best, in comparison to other developing economies. For them until a more productive and lower cost economic structure can be built through basic service and infrastructure enhancement, competitiveness, fiscal and export buoyancy, prudent access to substantial non-concessional external borrowing and ability to attract foreign direct and portfolio investment will remain out of reach. Analysis, and the experience of graduated (ex poor) middle income countries since IDA's creation, bears out this case.

New or re-emerging specific objectives, such as rehabilitation after conflict, environmental sustainability, gender equity, absolute poverty reduction, reinforce this case. They also justify equity blend country access to concessional MDB loans in respect of these themes for large, less fragile poor economies and some, especially post-conflict, lower middle income ones.

These changes in MDB concessional lending and concessional finance more generally, are neither revolutionary nor inherently unattainable in the last years of the 20th century. It will nonetheless require substantial effort to achieve them. This is particularly so when it comes to:

1. **halting the decline** in per capita real concessional finance;
2. in particular **restoring African Development Fund and IFAD lending capacity** and achieving sustained **moderate per capita real increases in IDA's lending capacity**;
3. **improving coordination among concessional finance providers** (including jointly financed programmes) and **between them and users**;

4. relating the **'new' themes more systematically to macro economic strategy and goals** rather than treating them as either secondary to or parallel to growth which is indeed necessary to sustain them and build a domestic resource base for doing so but can also be enhanced by them.

The main obstacles to achieving these changes are Northern economy budget balancing pressures and doubts of northern policymakers that the hard core stagnating or deteriorating economies (especially in SSA) can develop. However, the sums involved are marginal to these economies. A restatement of the case for concessional finance, as is presented here, along with examples of successes and a frank indication that graduation is likely to take from 10 to 20 years after a conflict free, plausible governance, post structural adjustment position is attained, could overcome or at least reduce these obstacles. It is important to emphasise once again that, in 1960, the mainline consensus of economic analysts of Singapore's and South Korea's economy was almost as negative as is the current consensus on the future economic prospects of SSA. It may be even more important to point to the reality that very poor and stagnant countries are poor buyers, poor suppliers, poor payers but also potentially dangerous reservoirs of conflict and of undesired flows of immigrants (economic refugees), drugs, arms and conflict which have rather higher recent past and probable future costs for Northern economies than the additional concessional finance flows proposed.

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ANNEX 1
IDA Eligible Borrowers (*including Blend Countries*)

Africa	**East Asia**	**Latin America and the Caribbean**
Angola	Cambodia	
Benin	*China*	Bolivia
Burkina Faso	Laos	Guyana
Burundi	Mongolia	Haiti
Cape Verde	Myanmar	Honduras
Cameroon	Vietnam	Nicaragua
C.A.R.	Kiribati	*Dominica*
Chad	Solomon Islands	*Grenada*
Comoros	Tonga	*St. Lucia*
Congo	Vanuatu	*St. Vincent*
Cote d'Ivoire	Western Samoa	
Djibouti		
Equatorial Guinea		
Ethiopia		
Eritrea	**South Asia**	**Middle East and North Africa**
Gambia	Afghanistan	*Egypt*
Ghana	Bangladesh	Yemen, Republic of
Guinea	Bhutan	
Guinea-Bissau	*India*	
Kenya	Maldives	
Lesotho	Nepal	
Liberia	*Pakistan*	
Madagascar	Sri Lanka	
Malawi		
Mali	**Europe and Central Asia**	
Mauritania	Albania	
Mozambique	*Bosnia-Herzegovinia*	
Niger	*FYR Macedonia*	
Nigeria	*Armenia*	
Rwanda	*Azerbaijan*	
Sao Tome and Principe	*Georgia*	
Senegal	*Kyrgyz Republic*	
Sierra Leone	Tajikistan	
Somalia		
Sudan		
Tanzania		
Togo		
Uganda		
Zaire		
Zambia		
Zimbabwe		

Total IDA-Eligible countries - 79 countries (as of August 1996)

Source: IDA Special Purpose Financial Statements as of June 30, 1996

ANNEX 2
Cumulative Subscriptions and Contributions to FY96

	Cumulative IDS Contributions US$m	Cumulative IDS Contributions % of Total
United States	21,832	23.88
Japan	20,219	22.12
Germany	10,466	11.45
United Kingdom	6,530	7.14
France	6,446	7.05
Canada	3,987	4.36
Italy	3,767	4.12
Netherlands	3,387	3.71
Sweden	2,376	2.60
Saudi Arabia	2,033	2.22
Australia	1,561	1.71
Belgium	1,554	1.70
Denmark	1,205	1.32
Norway	1,147	1.25
Switzerland	1,010	1.10
Austria	759	0.83
Kuwait	649	0.71
Finland	612	0.67
Spain	422	0.46
Russia **	144	0.16
Mexico **	124	0.14
Korea *	115	0.13
New Zealand	105	0.11
Ireland	105	0.11
Brazil **	92	0.10
South Africa **	83	0.09
Turkey *	76	0.08
Argentina **	58	0.06
Poland **	52	0.06
Luxembourg	49	0.05
Hungary **	34	0.04
Greece	26	0.03
Czech Rep **	24	0.03
Portugal	23	0.03
Columbia	23	0.02
Iceland	17	0.02
United Arab Emirates	6	0.01
Chile	5	0.00
Israel	3	0.00
Total of Above Members	91,120	99.68
Total of All Members ***	91,413	100.00

* Once IDA, borrower, non donor
** Countries eligible to borrow from IBRD, which will also be IDA-II donors (see sheet 1)
*** Includes former donors or donor/borrowers

Source: IDA Special Purpose Financial Statements as of June 30, 1996

ANNEX 3
Trends in IBRD and IDA Lending, Fiscal Years 1994-96

	1994			1995			1996		
Sector	**IBRD**	**IDA**	**Total**	**IBRD**	**IDA**	**Total**	**IBRD**	**IDA**	**Total**
Agricultu	2,194.3	1,674.0	3,869.3	1,171.4	1,540.4	2,751.8	1,160.3	1,416.4	2,576.7
Education	1,499.9	658.1	2,158.6	1,280.6	816.2	2,096.9	920.8	784.9	1,705.7
Electric Power & other energy	1,613.3	-	1,613.3	1,802.5	439.0	2,241.5	2,899.2	347.9	3,247.1
Environment	679.5	17.3	695.8	567.1	40.5	597.6	348.1	3.68	384.9
Finance	1,093.5	411.1	1,504.6	2,936.4	129.3	3,064.7	1,199.2	161.4	1,372.7
Industry	375.0	267.1	642.1	175.0	23.2	198.2	217.0	14.8	239.8
Mining/Other extractive	14.0	-	14.0	-	24.8	24.8	570.8	109.0	679.8
Multisector	606.3	896.5	1,496.3	2,295.0	867.8	3,116.5	906.3	758.6	1,685.5
Oil & gas	967.3	186.2	1,143.5	461.5	141.6	603.1	30.0	25.6	55.6
Population, health & nutrition	366.0	519.7	895.7	451.3	711.0	1,162.3	1,496.2	858.2	2,353.4
Public sector management	378.3	260.1	646.0	636.2	230.1	872.6	1,036.0	943.1	1,938.4
Social sector	130.0	20.6	150.6	596.5	51.0	527.5	240.0	554.5	794.5
Telecommuni-cations/Infor-matics	405.0	18.0	423.0	325.0	-	325.0	35.0	-	35.0
Transportation	2,202.5	1,117.7	3,320.2	2,026.8	104.1	2,130.9	2,236.9	535.7	2,772.6
Urban development	857.0	442.4	1,299.4	1,466.0	241.0	1,727.0	632.0	236.5	868.5
Water supply & sanitation	872.0	103.2	875.2	672.3	309.2	981.5	729.1	80.7	809.8
Total	14,243.9	6,592.1	20,836.0	16,952.6	5,669.2	22,521.8	14,655.9	6,864.1	21,520.0

Source: IBRD/IDA, Website Table 2-1

ANNEX 4
List of projects funded by the ITF

Africa Region

Regional: Union Economique et Monetaire Ouest-Africaine Regional Securities Exchange (US$ 10.0 million)
Angola: Emergency Social Recovery (US$ 20.0 million)
Burkina Faso: Post-Primary Education (US$ 28.0 million)
Burkina Faso: Mining Capacity Building and Environment Management (US$ 21.6 million)
Cameroon: Enterprise Reform and Divestiture (US$ 150.0 million)
Central African Republic: Health and Nutrition (US$ 10.0 million)
Chad: Structural Adjustment Credit II (US$ 20.0 million)
Chad: Petroleum/Sedigi (US$ 10.0 million)
Chad: Urban Infrastructure (US$ 10.0 million)
Comoros: Education III (US$ 8.3 million)
Congo: Public and Financial Sector Reform (US$ 20.0 million)
Cote d'Ivoire: Land Management (US$ 10.0 million)
Cote d'Ivoire: Rural Land Management and Infrastructure Development (US$ 45.0 million)
Cote d'Ivoire: Transport Sector Adjustment (US$ 100.0 million)
Ethiopia: Power Distribution (US$ 100.0 million)
Ghana: Village Infrastructure (US$ 50.0 million)
Ghana: Trade and Investment Gateway (US$ 40.0 million)
Guinea: Water Supply III (US$ 25.0 million)
Guinea: Natural Resources Management (US$ 10.0 million)
Guinea Bissau: Agricultural Land and Environment (US$ 10.0 million)
Guinea Bissau: Water/Energy (US$ 15.0 million)
Kenya: Child Development (US$ 25.0 million)
Madagascar: Structural Adjustment Credit I (US$ 70.0 million)
Madagascar: Environment II (US$ 30.0 million)
Madagascar: Transport Sector (US$ 31.4 million)
Malawi: Environment Support (US$ 20.0 million)
Mali: Private Irrigation Promotion Pilot (US$ 4.0 million)
Mali: Urban Development and Decentralisation (US$ 80.0 million)
Mali: Support for Grassroots Hunger and Poverty Alleviation Initiatives (US$ 15.0 million)
Mozambique: Economic Recovery III (US$ 100.0 million)
Mozambique: National Water Development (US$ 30.0 million)
Sao Tome & Principe: Island Development (US$ 5.0 million)
Senegal: Urban Transport Reform Technical Assistance (US$ 3.0 million)
Sierra Leone: Structural Adjustment Credit II (US$ 30.0 million)
Tanzania: Songo Songo Gas Development (US$ 250.0 million)
Togo: Water Resources Management (US$ 19.0 million)
Uganda: Structural Adjustment Credit III (US$ 100.0 million)
Zimbabwe: Rural District Council Pilot (US$ 10.0 million)

East Asia and Pacific

Cambodia: Agriculture Productivity Improvement (US$ 29.3 million)
Cambodia: Disease Control and Health Development (US$ 30.4 million)
China: Qinba Mountains Poverty Reduction (US$ 200.0 million)
China: National Rural Water Supply III (US$ 70.0 million)
Viet Nam: Highway Rehabilitation II (US$ 166.0 million)
Viet Nam: Water Supply (US$ 125.0 million)

Cont/ ....

ANNEX 4 (Continued)
Lists of projects funded by the ITF

South Asia

Bangladesh: Primary Education Development (US$ 200.0 million)
India: Reproductive and Child Health (US$ 300.0 million)
India: Hazardous Waste Management (US$ 80.0 million)
Sri Lanka: Environmental Action I (US$ 13.0 million)

Europe and Central Asia

Armenia: Enterprise Development (US$ 15.6 million)
Bosnia and Herzegovina: Essential Hospital Services (US$ 15.0 million)
Bosnia and Herzegovina: Education Reconstruction (US$ 20.0 million)
Bosnia and Herzegovina: Local Initiatives (US$ 15.0 million)
Bosnia and Herzegovina: Restart of Major Industry (US$ 30.0 million)
Bosnia and Herzegovina: Transport Reconstruction II (US$ 30.0 million)
Bosnia and Herzegovina: Agriculture and Forestry (US$ 20.0 million)
Bosnia and Herzegovina: Government Services (US$ 10.0 million)
Kyrgyz Republic: Public Sector Resource Management Adjustment Credit (US$ 43.2 million)
Kyrgyz Republic: Agricultural Support Services (US$ 21.6 million)

Middle East and North Africa

Egypt: Education Enhancement Program (US$ 75.0 million)
Egypt: Irrigtaion Pumping III (US$ 53.3 million)
Yemen, Republic of: Seeds and Services (US$ 10.0 million)
Yemen, Republic of: Southern Governorates Agricultural Privatization (US$ 20.0 million)
Yemen, Republic of: Social Fund (US$ 30.0 million)

Latin American and the Caribbean

Bolivia: Public Finance Decentralisation and Accounting (US$ 12.0 million)
Guyana: Environmental Management (US$ 5.0 million)
Nicaragua: Water Supply and Sanitation (US$ 30.0 million)

Source: World Bank, IDA and the Interim Trust Fund, "Eleventh Replenishment of IDA and the Role of the Interim Trust Fund".

ANNEX 5

IBRD and IDA Cumulative Lending Operations, By Major Purpose and Region

June 30, 1994 (millions of US dollars

	IBRD loans to borrowers, by region[a]							IDA credits to borrowers, by region							
Purpose[b]	**Africa**	**East Asia and Pacific**	**South Asia**	**Europe and Central Asia**	**Latin America and the Caribbean**	**Middle East and North Africa**	**Total**	**Africa**	**East Asia and Pacific**	**South Asia**	**Europe and Central Asia**	**Latin America and the Caribbean**	**Middle East and North Africa**	**Total**	**IBRD and IDA**
Agriculture	3,574.3	11.598.1	2,751.0	7,146.2	16,255.6	5,053.3	46,378.5	7,798.3	6,411.0	14,010.7	275.4	475.4	903.7	29,874.5	76,253.0
Education	558.5	5,117.3	55.0	978.3	5,082.5	1,991.5	13,783.1	3,376.7	1,621.9	3,418.8	14.6	308.4	415.8	9,156.2	22,939.3
Electric power and other energy	1,887.1	14,161.2	10,462.6	5,486.0	12,712.5	2,133.8	46,303.2	1,974.5	693.8	3,745.5	93.9	271.4	252.9	7,032.0	53,335.2
Environment	21.9	771.5	267.0	245.1	1,415.6	197.0	2,918.1	14.4	155.0	100.1	-	55.3	-	324.8	3,242.9
Finance	1,299.0	5,025.0	3,658.2	4,898.8	11,454.0	3,319.5	29,654.5	2,498.2	351.8	834.0	183.4	189.1	74.8	4,131.3	33,785.8
Industry	659.9	3,573.2	3,155.9	3,630.7	4,717.6	1,700.7	17,438.0	832.2	157.2	1,546.5	-	19.4	97.9	2,653.2	20.091.2
Mining/Other extractive	533.5	484.1	793.5	540.8	1,073.3	264.2	3,689.4	139,0	51.0	82.0	-	60.5	-	332.5	4,021.9
Multisector	2,148.8	4,217.3	610.0	8,993.2	7,604.7	2,312.3	25,886.3	6,247.2	464.7	4,124.7	461.1	634.5	115.0	12,047.2	37,933.5
Oil and Gas	385.2	1,767.9	3,532.0	2,661.1	1,424.5	711.2	10,481.9	571.0	66.0	492.2	20.8	94.2	101.0	1,345.2	11,727.1
Population, health and nutrition	289.4	925.7	31.3	950.0	2,933.8	525.3	5,655.5	1,715.4	978.3	3,184.2	66.8	138.5	320.8	6,404.0	12,059.5
Public-sector management	36.7	200.0	150.0	1,362.0	3,551.5	218.9	5,519.1	1,685.1	180.7	283.8	128.7	246.6	13.7	2,538.6	8,057.7
Social sector	-	10.0	-	263.5	830.0	78.0	1,181.5	357.5	39.7	-	53.9	156.5	145.0	752.6	1,934.1
Telecommunications/ informatics	510.2	1,859.7	747.5	545.3	530.3	691.5	4,884.5	441.2	101.8	882.2	18.0	-	83.0	1,526.2	6,410.7
Transportation	2,998.0	13,743.5	2,891.1	6,198.0	12,886.3	2,945.7	41,662.5	5,797.0	1,256.4	2,944.6	86.0	474.3	301.9	10,860.2	52,522.7
Urban development	970.3	3,844.0	294.1	1,211.5	4,838.6	1,626.1	12,784.6	1,512.7	532.4	1,642.8	63.3	174.2	66.0	4,001.4	16,786.0
Water supply and sanitation	1,147.9	1,919.4	605.4	1,623.3	4,944.7	2,277.5	12,518.2	1,288.1	414.2	1,872.6	72.6	111.1	203.2	3,961.8	16,480.0
Total	17,020.7	69,217.9	30,004.6	46,733.8[c]	91,715.4	26,046.5	280.738.8[c]	36,248.5	13,475.9	39,174.7	1,538.5	3,409.4	3.094.7	96.941.7	377.680.5[c]

- zero

a. No account is taken of cancellations subsequent to original commitment. IBRD loans to the IFC are excluded.

b. Operations have been classified by the major purpose they finance. Many projects include activity in more than one sector or subsector.

c. Does not include the refinanced/rescheduled overdue charges of $167.8 million for Bosnia and Herzegovina.

Details may not add to totals because of rounding.

Source: World Bank, **Annual Report** 1996

ANNEX 6
IBRD and IDA Cumulative Lending Operations, by Borrower or Guarantor, June 30, 1996
(amounts in millions of US dollars)

	IBRD Loans		IDA Credits		Total	
Borrower or Guarantor	**Number**	**Amount**	**Number**	**Amount**	**Number**	**Amount**
Afghanistan	-	-	20	230.1	20	230.1
Africa Region	1	15.0	1	45.5	2	60.5
Albania	-	-	22	272.5	22	272.5
Algeria	60	5,319.5	-	-	60	5,319.5
Angola	-	-	9	272.8	9	272.8
Argentina	74	11,676.2	-	-	74	11,676.2
Armenia	1	12.0	8	236.5	9	248.5
Australia	7	417.7	-	-	7	417.7
Austria	9	106.4	-	-	9	106.4
Azerbaijan	-	-	4	164.8	4	164.8
Bahamas, The	5	42.8	-	-	5	42.8
Bangladesh	1	46.1	147	7,152.5	148	7,198.6
Barbados	11	103.2	-	-	11	103.2
Belarus	3	170.2	-	-	3	170.2
Belgium	4	76.0	-	-	4	76.0
Belize	7	64.8	-	-	7	64.8
Benin	-	-	43	610.1	43	610.1
Bhutan	-	-	6	28.2	6	28.2
Bolivia	14	299.3	51	1,171.5	65	1,470.8
Bosnia-Herzegovina	-	-	2	10.0	2	10.0
Botswana	20	280.7	6	15.8	26	296.5
Brazil	214	23,116.7	-	-	214	23,116.7
Bulgaria	10	839.0	-	-	10	839.0
Burkina Faso	-	1.9	45	793.3	45	795.2
Burundi	1	4.8	46	694.0	47	698.8
Cambodia	-	-	5	179.7	5	179.7
Cameroon	44	1,294.4	22	768.6	66	2,063.0
Cape Verde	-	-	9	67.8	9	67.8
Caribbean Region	5	89.8	2	47.7	7	137.5
Central African Republic	-	-	24	403.5	24	403.5
Chad	-	-	33	551.0	33	551.0
Chile	57	3,425.4	-	19.0	57	3,444.4
China	108	16,618.9	65	8,905.7	173	25,524.6
Colombia	143	8,588.9	-	19.5	143	8,608.4
Comoros	-	-	12	73.2	12	73.2
Congo	10	216.7	10	183.6	20	400.3
Costa Rica	38	888.9	-	5.5	38	894.4
Côte d'Ivoire	62	2,887.9	15	1,289.2	77	4,177.1
Croatia	6	279.5	-	-	6	279.5
Cyprus	30	418.8	-	-	30	418.8
Czech Republic	2	326.0	-	-	2	326.0
Czechoslovakia	1	450.0	-	-	1	450.0
Denmark	3	85.0	-	-	3	85.0
Djibouti	-	-	8	51.6	8	51.6
Dominica	1	3.1	3	14.1	4	17.1

ANNEX 6
IBRD and IDA Cumulative Lending Operations, by Borrower or Guarantor, June 30, 1996 (Continued)
(amounts in millions of US dollars)

	IBRD Loans		IDA Credits		Total	
Borrower or Guarantor	**Number**	**Amount**	**Number**	**Amount**	**Number**	**Amount**
Dominican Republic	23	631.9	3	22.0	26	653.9
East African Community	10	244.8	-	-	10	244.8
Eastern Africa Region	-	-	1	45.0	1	45.0
Ecuador	59	2,239.9	5	36.9	64	2,276.8
Egypt	58	4,002.5	33	1,582.0	91	5,584.5
El Salvador	29	650.6	2	25.6	31	676.2
Equatorial Guinea	-	-	9	45.0	9	45.0
Eritrea	-	-	1	17.5	1	17.5
Estonia	7	125.7	-	-	7	125.7
Ethiopia	12	108.6	56	2,158.5	68	2,267.1
Fiji	13	152.9	-	-	13	152.9
Finland	18	316.8	-	-	18	316.8
France	1	250.0	-	-	1	250.0
Gabon	12	212.0	-	-	12	212.0
Gambia, The	-	-	23	160.2	23	160.2
Georgia	-	-	7	193.9	7	193.9
Ghana	9	207.0	84	3,069.9	93	3,276.9
Greece	17	490.8	-	-	17	490.8
Grenada	1	3.8	1	8.8	2	12.7
Guatemala	24	734.5	-	-	24	734.5
Guinea	3	75.2	46	973.8	49	1,049.0
Guinea-Bissau	-	-	19	208.9	19	208.9
Guyana	12	80.0	15	290.1	27	370.1
Haiti	1	2.6	34	593.0	35	595.6
Honduras	33	717.3	18	626.6	51	1,343.9
Hungary	33	3,672.9	-	-	33	3,672.9
Iceland	10	47.1	-	-	10	47.1
India	160	23,733.6	213	23,529.9	373	47,263.5
Indonesia	211	22,820.4	46	931.8	257	23,752.2
Iran, Islamic Republic of	39	2,058.1	-	-	39	2,058.1
Iraq	6	156.2	-	-	6	156.2
Ireland	8	152.5	-	-	8	152.5
Israel	11	284.5	-	-	11	284.5
Italy	8	399.6	-	-	8	399.6
Jamaica	59	1,249.1	-	-	59	1,249.1
Japan	31	862.9	-	-	31	862.9
Jordan	42	1,465.0	15	85.3	57	1,550.3
Kazakstan	9	816.8	-	-	9	816.8
Kenya	46	1,200.0	68	2,581.4	114	3,781.4
Korea, Republic of	110	8,599.0	6	110.8	116	8,709.8
Kyrgyz Republic	-	-	11	313.5	11	313.5
Lao, P.D.R.	-	-	23	463.5	23	463.5
Latvia	6	150.3	-	-	6	150.3
Lebanon	10	529.4	-	-	10	529.4
Lesotho	1	110.0	24	264.2	25	374.2

ANNEX 6

IBRD and IDA Cumulative Lending Operations, by Borrower or Guarantor, June 30, 1996 (Continued)
(amounts in millions of US dollars)

	IBRD Loans		IDA Credits		Total	
Borrower or Guarantor	**Number**	**Amount**	**Number**	**Amount**	**Number**	**Amount**
Liberia	21	156.0	14	114.5	35	270.5
Lithuania	7	160.5	-	-	7	160.5
Luxembourg	1	12.0	-	-	1	12.0
Macedonia, Former Yugoslav Republic of	3	76.0	4	163.8	7	239.8
Madagascar	5	32.9	63	1,323.9	68	1,356.8
Malawi	9	124.1	60	1,594.7	69	1,718.8
Malaysia	83	3,446.6	-	-	83	3,446.6
Maldives	-	-	6	47.3	6	47.3
Mali	-	1.9	54	1,078.7	54	1,080.6
Malta	1	7.5	-	-	1	7.5
Mauritania	3	146.0	36	427.8	39	573.8
Mauritius	29	400.7	4	20.2	33	420.9
Mexico	155	26,332.5	-	-	155	26,332.5
Moldova	7	231.0	-	-	7	231.0
Mongolia	-	-	6	130.0	6	130.0
Morocco	111	7,687.3	3	50.8	114	7,738.1
Mozambique	-	-	28	1,500.0	28	1,500.0
Myanmar	3	33.4	30	804.0	33	837.4
Nepal	-	-	64	1,394.1	64	1,394.1
Netherlands	8	244.0	-	-	8	244.0
New Zealand	6	126.8	-	-	6	126.8
Nicaragua	27	233.6	13	464.5	40	698.1
Niger	-	-	39	616.0	39	616.0
Nigeria	84	6,248.2	14	902.9	98	7,151.1
Norway	6	145.0	-	-	6	145.0
Oman	11	157.1	-	-	11	157.1
Pakistan	82	6,014.2	101	4,735.5	183	10,749.7
Panama	36	966.3	-	-	36	966.3
Papua New Guinea	28	592.0	9	113.2	37	705.2
Paraguay	34	746.1	6	45.5	40	791.6
Peru	73	3,974.1	-	-	73	3,974.1
Philippines	137	9,525.9	5	294.2	142	9,820.1
Poland	23	4,053.5	-	-	23	4,053.5
Portugal	32	1,338.8	-	-	32	1,338.8
Romania	45	4,100.3	-	-	45	4,100.3
Russia	28	6,447.3	-	-	28	6,447.3
Rwanda	-	-	45	694.4	45	694.4
São Tomé and Principe	-	-	8	58.9	8	58.9
Senegal	19	164.9	61	1,313.0	80	1,477.9
Seychelles	2	10.7	-	-	2	10.7
Sierra Leone	4	18.7	21	403.6	25	422.3
Singapore	14	181.3	-	-	14	181.3
Slovak Republic	2	135.0	-	-	2	135.0
Slovenia	2	103.9	-	-	2	103.9
Solomon Islands	-	-	6	33.9	6	33.9

ANNEX 6
IBRD and IDA Cumulative Lending Operations, by Borrower or Guarantor, June 30, 1996 (Continued)
(amounts in millions of US dollars)

Borrower or Guarantor	IBRD Loans		IDA Credits		Total	
	Number	Amount	Number	Amount	Number	Amount
Somalia	-	-	39	492.1	39	492.1
South Africa	11	241.8	-	-	11	241.8
Spain	12	478.7	-	-	12	478.7
Sri Lanka	12	210.7	65	2,057.1	77	2,267.8
St. Kitts and Nevis	1	1.5	-	1.5	1	3.0
St. Lucia	3	8.5	-	11.2	3	19.7
St. Vincent and the Grenadines	1	1.4	1	6.4	2	7.8
Sudan	8	166.0	48	1,352.9	56	1,518.9
Swaziland	12	104.8	2	7.8	14	112.6
Syrian Arab Republic	17	613.2	3	47.3	20	660.5
Tajikistan	-	-	1	5.0	1	5.0
Tanzania	18	318.2	84	2,819.9	102	3,138.1
Thailand	108	5,510.7	6	125.1	114	5,635.8
Togo	1	20.0	37	622.3	38	642.3
Tonga	-	-	2	5.0	2	5.0
Trinidad and Tobago	20	298.8	-	-	20	298.8
Tunisia	99	3,766.2	5	74.6	104	3,840.8
Turkey	116	12,619.9	10	178.5	126	12,798.4
Turkmenistan	1	25.0	-	-	1	25.0
Uganda	1	8.4	59	2,240.9	60	2,249.3
Ukraine	7	1,015.8	-	-	7	1,015.8
Uruguay	40	1,372.2	-	-	40	1,372.2
Uzbekistan	3	247.0	-	-	3	247.0
Vanuatu	-	-	4	15.4	4	15.4
Venezuela	33	3,171.7	-	-	33	3,171.7
Vietnam	-	-	12	1,301.7	12	1,301.7
Western Africa Region	1	6.1	3	52.5	4	58.6
Western Samoa	-	-	8	46.6	8	46.6
Yemen	-	-	103	1,254.7	103	1,254.7
Yugoslavia	90	6,114.7	-	-	90	6,114.7
Zaire	7	330.0	59	1,151.5	66	1,481.5
Zambia	28	679.1	37	1,602.3	65	2,281.4
Zimbabwe	24	983.2	7	513.4	31	1,496.6
Other[a]	14	329.4	4	15.3	18	344.7
Total	3,923	280,739.0[b]	2,680	96,941.8	6,603	377,680.8[b]

Note: Joint IBRD/IDA operations are counted only once, as IBRD operations. When more than one loan is made for a single project, the operation is counted only once. Details may not add to totals because of rounding.

\- Zero.

a Represents IBRD loans and IDA credits made at a time when the authorities on Taiwan represented China in the World Bank (prior to May 15, 1980).

b Does not include the refinanced/rescheduled overdue charges of $167.8 million for Bosnia and Herzegovina.

Source: World Bank, **Annual Report**, 1996.

ANNEX 7
World Bank adjustment operations, fiscal 1996 (*amount in millions of US dollars*)

Country	Project	World Bank Financing		
		IBRD	IDA	Total
Sectoral adjustment loans				
Argentina	Bank Reform Loan	500.0	--	500.0
Argentina	Health Insurance Reform Loan	350.0	--	350.0
Bangladesh	Jute Sector Adjustment Credit (IDA reflows)	--	3.4	3.4
Bolivia	Capitalization Program Adjustment Credit	--	50.0	50.0
Bolivia	Capitalization Program Adjustment Credit (IDA reflows)	--	8.0	8.0
Cameroon	Credit Adjustment Credit II	--	150.0	150.0
Cameroon	Credit Adjustment Credit II (IDA reflows)	--	30.3	30.3
Cote d'Ivoire	Agriculture Sector Adjustment Credit	--	150.0	150.0
Cote d'Ivoire	Agriculture Sector Adjustment Credit (IDA reflows)	--	73.6	73.6
Cote d'Ivoire	Private Sector Development Adjustment Credit	--	180.0	180.0
Guyana	Private Sector Development Adjustment Credit (IDA reflows)	--	2.9	2.9
Jordan	Economic Reform and Development Loan	80.0	--	80.0
Kazakstan	Financial Sector Adjustment Loan	180.0	--	180.0
Kyrgyz Republic	Financial Sector AdjustmentCredit	--	45.0	45.0
Mauritania	Private Sector Development Credit (IDA reflows)	--	0.8	0.8
Mauritania	Public Resource Management	--	20.0	20.0
Morocco	Financial Markets Development Loan	250.0	--	250.0
Nicaragua	Emergency Recovery Credit (IDA reflows)	--	5.8	5.8
Romania	Financial and Enterprise Sector Adjustment Loan	280.0	--	280.0
Russia	Coal Sector Adjustment Loan	500.0	--	500.0
Senegal	Agricultural Sector Adjustment Credit (IDA reflows)	--	2.8	2.8
Ukraine	Enterprise Development Adjustment Loan	310.0	--	310.0
Zambia	Economic Recovery and Investment Promotion Credit	--	140.0	140.0
ambia	Economic Recovery and Investment Promotion Credit (IDA reflows)	--	12.1	12.1
Total		2,450.0	874.7	3,324.7
Structural adjustment loans				
Algeria	Structural Adjustment Loan I	300.0	--	300.0
Armenia	Structural Adjustment Credit	--	60.0	60.0
Cambodia	Economic Rehabilitation Credit	--	40.0	40.0
Chad	Structural Adjustment Credit	--	30.0	30.0
Georgia	Structural Adjustment Credit	--	60.0	60.0
Ghana	Private Sector Adjustment Credit (IDA reflows)	--	4.8	4.8
Honduras	Public Sector Modernization Structural Adjustment	--	55.0	55.0
Honduras	Public Modernization Structural Adjustment (IDA reflows)	--	26.4	26.4

Continued/.......

ANNEX 7 (Continued)
World Bank adjustment operations, fiscal 1996 (*amount in millions of US dollars*)

Country	Project	World Bank Financing		
		IBRD	IDA	Total
Structural adjustment loans				
Kenya	Structural Adjustment Credit	--	126.8	126.8
Lao People's Democratic Rep.	Structural Adjustment Credit III	--	40.0	40.0
Malawi	Fiscal Restructuring and Deregulation Program	--	102.0	102.0
Malawi	Fiscal Restructuring and Deregulation Program (IDA reflows)	--	4.4	4.4
Mali	Economic Management Credit	--	60.0	60.0
Papua New Guinea	Economic Recovery Program	50.0	--	50.0
Sierra Leone	Structural Adjustment Credit II (IDA reflows)	--	0.3	0.3
Togo	Economic Recovery and Adjustment Credit	--	50.0	50.0
Yemen	Economic Recovery Credit	--	80.0	80.0
Total		350.0	739.7	1,089.7
Debt reduction loan				
Panama	Debt and Debt Service Reduction Loan	30.0	--	30.0
Total		30.0	--	30.0
Rehabilitation import loan				
Azerbaijan	Rehabilitation Credit	--	65.0	65.0
Grand Total		2,830.0	1,679.4	4,509.4

-- Zero

Source: IBRD/IDA, Website, Table 2.2

ANNEX 8
Regional Distribution of IDA Disbursements (*$ million*)

	FY91	FY92	FY93	FY94	FY95	FY96
Africa	**2,192**	**1,892**	**2,112**	**2,769**	**2,457**	**2,658**
Investment	1,095	961	1,220	1,242	1,279	1,590
Adjustment	1,097	931	892	1,527	1,178	1,069
East Asia	**586**	**883**	**847**	**973**	**907**	**1,024**
Investment	569	823	812	914	788	984
Adjustment	17	60	35	60	119	40
South Asia	**1,570**	**1,649**	**1,789**	**1,416**	**1,766**	**1,402**
Investment	1,423	1,357	1,332	1,202	1,396	1,401
Adjustment	147	292	457	214	369	1
Europe and Central Asia	**-**	**-**	**11**	**121**	**198**	**373**
Investment	-	-	11	36	45	80
Adjustment	-	-	-	85	153	293
Middle East and North Africa	**43**	**55**	**65**	**74**	**83**	**144**
Investment	43	55	65	74	83	144
Adjustment	-	-	-	-	-	-
Latin America and the Caribbean	**158**	**286**	**123**	**178**	**292**	**282**
Investment	44	55	68	82	157	201
Adjustment	114	231	55	96	136	82
Total	**4,549**	**4,765**	**4,947**	**5,532**	**5,702**	**5,884**
Investment	3,174	3,251	3,508	3,550	3,748	4,399
Adjustment	1,375	1,514	1,439	1,982	1,954	1,485

Source: Web site - as before.

ANNEX 9
FY96 IDA Commitments and Disbursements by Country - Sub-Saharan Africa

	Commitments (SDRm)	Adjustment Share (%)	Disbursements $m
Total IDA	**4615.7**	**24**	**5884.4**
Africa Total	**1847.2**	**41**	**2658.3**
African Region	-	-	4.4
Angola	16.1	0	37.4
Benin	-	-	48.1
Burkina Faso	-	-	71.5
Burundi	-	-	21.5
C.A.R.	-	-	25.0
Cameroon	171.6	71	83.0
Cape Verde	7.9	0	6.6
Chad	26.6	76	69.2
Comoros	-	-	8.3
Congo	5.8	0	0.9
Côte d'Ivoire	310.0	87	234.9
Djibouti	-	-	2.3
Eq. Guinea	-	-	1.4
Eritrea	11.8	0	3.2
Ethiopia	104.8	0	129.3
Gambia	-	-	10.4
Ghana	187.7	2	261.0
Guinea	36.4	0	48.0
Guinea Bissau	-	-	8.3
Kenya	212.2	41	169.0
Lesotho	26.8	0	10.8
Madagascar	57.3	0	71.6
Malawi	126.3	58	142.1
Mali	69.1	60	69.0
Mauritania	24.1	60	40.8
Mozambique	66.3	0	151.2
Niger	18.0	0	22.8
Nigeria*	-	-	102.2
Rwanda	-	-	57.8
Sao Tome & Principe	-	-	7.9
Senegal	28.9	6	89.2
Sierra Leone	38.1	1	45.5
Tanzania	79.8	0	166.9
Togo	32.2	100	58.6
Uganda	27.9	0	160.9
Zambia	114.0	86	203.9
Zimbabwe*	47.5	0	13.2

Source: Web site - as before.
* Blend country.

ANNEX 10
FY96 IDA Commitments and Disbursements by Country: Excluding Sub-Saharan Africa

	Commitments (SDRm)	Commitments Adjustment Share (%)	Disbursements $m
East Asia Total	**785.4**	**7**	**1023.9**
Cambodia	51.2	50	42.1
China*	324.8	0	890.9
Lao, P.D.R.	40.9	66	28.6
Mongolia	30.3	0	11.9
Philippines +	-	-	9.6
Solomon Islands	-	-	4.3
Vanuatu	-	-	0.9
Vietnam	338.2	0	35.1
W. Samoa	-	-	0.5
South Asia Total	**1188.1**	**0**	**1402.4**
Bangladesh	155.5	1	226.6
Bhutan	-	-	1.3
India*	874.7	0	742.2
Maldives	-	-	3.3
Nepal	-	-	82.4
Pakistan*	50.6	0	237.6
Sri Lanka	107.3	0	108.9
Europe and Central Asia Total	**321.4**	**48**	**373.0**
Albania	49.3	0	34.5
Armenia*	61.4	66	54.1
Azerbaijan*	53.1	78	63.4
Bosnia-Herzegovina*	7.0	0	0.0
Georgia*	62.4	66	91.3
FYR Macedonia*	17.2	0	84.2
Kyrgyz Rep.*	67.6	46	45.6
Tajikistan	3.4	0	0.0
Middle East and North Africa Total	**215.6**	**25**	**144.3**
Egypt*	104.5	0	93.9
Yemen	111.1	48	50.4
Latin America and the Caribbean Total	**258.0**	**39**	**282.5**
Bolivia	86.1	46	109.2
Dominica*	2.1	-	0.1
Grenada*	2.6	-	-
Guyana	13.8	14	18.6
Haiti	31.8	0	47.9
Honduras	79.7	68	48.3
Nicaragua	40.2	10	55.6
St. Lucia*	1.7	0	2.2
OECS countries**	-	-	0.6

Source: Web site - as before.
* Blend country.
** Includes lending to Dominica, Grenada, St. Lucia and St. Vincent, which are blend countries.
\+ IDA graduate.

ANNEX 11
Stand-By, EFF, SAF, and ESAF Arrangements as of August 31

Member	Date of Arrangement	Expiration Date	Amount Approved	Undrawn Balance
			(million SDRs)	
Stand-by arrangements			**16,739.04**	**6,523.76**
Argentina	April 12, 1996	January 11, 1998	720.00	642.00
Azerbaijan	November 17, 1995	November 16, 1996	58.50	24.57
Belarus	September 12, 1995	September 11, 1996	196.28	146.28
Bulgaria	July 19, 1996	March 18, 1998	400.00	320.00
Cameroon	September 27, 1995	September 26, 1996	67.60	39.40
Costa Rica	November 29, 1995	February 28, 1997	52.00	52.00
Djibouti	April 15, 1996	June 14, 1997	4.60	1.73
El Salvador	July 21, 1995	September 20, 1996	37.68	37.68
Estonia	July 29, 1996	August 28, 1997	13.95	13.95
Hungary	March 15, 1996	February 14, 1998	264.18	264.18
Latvia	May 24, 1996	August 23, 1997	30.00	30.00
Mexico	February 1, 1995	February 15, 1997	12,070.20	3,312.18
Pakistan	December 13, 1995	March 31, 1997	401.85	214.32
Panama	November 29, 1995	March 31, 1997	84.30	35.00
Papua New Guinea	July 14, 1995	January 13, 1997	71.48	38.14
Romania	May 11, 1994	April 24, 1997	320.50	226.23
Tajikistan	May 8, 1996	December 7, 1996	15.00	-
Ukraine	May 10, 1996	February 9, 1997	598.20	263.20
Uruguay	March 1, 1996	March 31, 1997	100.00	100.00
Uzbekistan	December 18, 1995	March 17, 1997	124.70	88.88
Venezuela	July 12, 1996	July 11, 1997	975.65	625.65
Yemen	March 20, 1996	June 19, 1997	132.38	48.38
EFF arrangements			**10,083.13**	**8,169.88**
Algeria	May 22, 1995	May 21, 1998	1,169.28	675.28
Egypt	September 20, 1993	September 19, 1996	400.00	400.00
Gabon	November 8, 1995	November 7, 1998	110.30	66.18
Jordan	February 9, 1996	February 8, 1999	200.80	134.70
Kazakstan	July 17, 1996	July 16, 1999	309.40	309.40
Lithuania	October 24, 1994	October 23, 1997	134.55	41.40
Moldova	May 20, 1996	May 19, 1999	135.00	123.75
Peru	July 1, 1996	March 31, 1999	248.30	248.30
Philippines	June 24, 1994	June 23, 1997	474.50	438.00
Russia	March 26, 1996	March 25, 1999	6,901.00	5,732.87
SAF arrangements			**181.75**	**-**
Zambia	December 6, 1995	December 5, 1996	181.75	-
ESAF arrangements			**3,464.75**	**1,523.81**
Amenia	February 14, 1996	February 13, 1999	101.25	84.38
Benin	August 28, 1996	August 27, 1999	27.18	27.18
Bolivia	December 19, 1994	December 18, 1997	100.96	50.48
Burkina Faso	June 14, 1996	June 13, 1999	39.78	33.15
Cambodia	May 6, 1994	May 5, 1997	84.00	42.00

ANNEX 11
Stand-By, EFF, SAF, and ESAF Arrangements as of August 31 (Continued)

Chad	September 1, 1995	August 31, 1998	49.56	33.04
Congo	June 28, 1996	June 27, 1999	69.48	55.58
Côte d'Ivoire	March 11, 1994	June 13, 1997	333.48	47.64
Georgia	February 28, 1996	February 27, 1999	166.50	138.75
Ghana	June 30, 1995	June 29, 1998	164.40	109.60
Guinea	November 6, 1991	December 19, 1996	57.90	11.58
Guinea-Bissau	January 18, 1995	January 17, 1998	9.45	5.78
Guyana	July 20, 1994	July 19, 1997	53.76	26.88
Honduras	July 24, 1992	July 24, 1997	47.46	13.56
Kenya	April 26, 1996	April 25, 1999	149.55	124.63
Kyrgyz Republic	July 20, 1994	July 19, 1997	88.15	32.13
Lao P.D.R.	June 4, 1993	May 7, 1997	35.19	5.87
Malawi	October 18, 1995	October 17, 1998	45.81	30.54
Mali	April 10, 1996	April 9, 1999	62.01	51.68
Mauritania	January 25, 1995	January 24, 1998	42.75	21.38
Mozambique	June 21, 1996	June 20, 1999	75.60	63.00
Nicaragua	June 24, 1994	June 23, 1997	120.12	100.10
Niger	June 12, 1996	June 11, 1999	57.96	48.30
Senegal	August 29, 1994	August 28, 1997	130.79	35.67
Sierra Leone	March 28, 1994	March 27, 1997	101.90	20.29
Togo	September 16, 1994	September 15, 1997	65.16	32.58
Uganda	September 6, 1994	September 5, 1997	120.51	46.87
Vietnam	November 11, 1994	November 10, 1997	362.40	181.20
Zambia	December 6, 1995	December 5, 1998	701.68	50.00
Total			**30,468.67**	**16,217.45**

Note: EFF = extended Fund facility.
SAF = structural adjustment facility.
ESAF = enhanced structural adjustment facility
Figures may not add to totals owing to rounding.

Source: IMF Treasurer's Department

ANNEX 12

The Total Net Flow of Financial Resources from DAC Countries to Developing Countries and Multilateral Organisation by Type of Flow

Net disbursements at current prices and exchange rates

	$ million						Per cent of total					
	1980	**1985**	**1991**	**1992**	**1993**	**1994**	**1980**	**1985**	**1991**	**1992**	**1993**	**1994**
I. Official Development Assistance	26,195	28,755	56,678[a]	60,850	56,472	59,152	35	65	60	53	42	36
1. Bilateral grants and grant-like flows	12,968	17,026	34,629	32,913	33,402	35,175	18	38	37	18	25	21
of which: Technical cooperation	4,804	5,748	12,312	13,594	12,985	12,856	6	13	13	12	10	8
Food Aid	680	1,291	1,632	1,783	1,663	1,802	1	3	2	2	1	1
Emergency and distress relief[b]	353	602	2,418	2,586	3,225	3,469	-	1	3	2	2	2
Debt forgiveness	1,156	280	6,021	2,996	2,701	3,452	2	1	6	3	2	2
Administrative costs	808	981	2,163	2,464	2,543	2,593	1	2	2	2	2	2
2. Bilateral loans	4,015	4,164	6,624	8,336	5,943	6,114	5	9	7	7	4	4
3. Contributions to multilateral institutions	9,212	7,566	15,425	19,601	17,126	17,863	12	17	16	17	13	11
of which: UN	2,176	2,349	4,368	4,732	4,119	4,302	3	5	5	4	3	3
EU	1,587	1,417	4,375	4,324	4,089	4,709	2	3	5	4	3	3
IDA	3,106	1,948	4,708	6,302	4,970	4,605	4	4	5	5	4	3
Regional development banks	1,717	1,246	603	2,403	2,501	2,597	2	3	1	2	2	2
II. Other Official Flows	5,037	3,144	7,062	8,900	7,918	9,412	7	7	7	8	6	6
1. Bilateral	5,144	3,232	7,017	7,700	7,275	7,518	7	7	7	7	5	5
2. Multilateral	-106	-88	45	1,200	643	1,894		-	-	1	-	1
III. Private Flows at market terms	40,316	9,505	25,519	40,052	66,040	89,468	55	21	27	35	49	55
1. Direct investments	10,127	6,523	22,621	28,135	39,155	46,977	14	15	24	24	29	29
2. Bilateral portfolio investment	17,318	-4,466	692	14,504	28,100	36,565	23	-10	1	13	21	22
3. Multilateral portfolio investment	1,469	6,609	1,119	-3,269	-1,326	-3,018	2	15	1	-3	-1	-2
4. Export credits	11,402	839	1,086	681	110	8,907	15	2	1	1	-	5
IV. Net grants by NGOs	2,386	2,884	5,403	6,005	5,692	5,636	3	7	6	5	4	4
Total net flows	73,935	44,288	94,662	115,806	136,122	164,132	100	100	100	100	100	100
Total net flows at 1993 prices and exchanges rates[c]	121,239	91,261	101,019	113,878	136,122	158,205						

a. Excluding debt forgiveness of non-ODA claims.

b. Except emergency food aid.

c. Deflated by the total DAC Deflator

Source: 1995 DAC Report, OECD, Paris

ANNEX 13
World Bank CofinancingOperation, by Region, Fiscal Years 1995-96
(amounts in millions of US dollars)

Region and Year	Source of cofinancing												
						Private							
	Project cofinance	Official[a]		Export credit		Total Private		(of which IBRD guarantees		World Bank contribution		Total Cofinance	Total project costs
	No.	No.	Amount	No.	Amount	No.	Amount	No.	Amount	IBRD	IDA		
Africa													
1995	36	34	1,285	-	-	3	11	-	-	65	1,349	1,295	3,683
1996	34	33	1,146	-	-	2	9	-	-	-	1,618	1,155	4,828
East Asia and Pacific													
1995	16	14	987	2	348	5	340	(1)	(64)	1,336	334	1,765	6,186
1996	9	7	664	-	-	2	205	(1)	(50)	1,109	207	869	3,805
South Asia													
1995	9	9	527	1	50	1	531	(1)	(240)	609	374	1,108	3,344
1996	12	11	1,271	3	433	3	328	(1)	(75)	900	710	2,032	6,669
Europe and Central Asia													
1995	41	39	588	1	50	4	232	-	-	2,542	424	870	4,961
1996	41	41	1,340	-	-	1	2	-	-	1,544	153	1,342	4,020
Latin America and the Caribbean													
1995	27	26	3,032	-	-	2	21	-	-	2,773	242	3,052	7,542
1996	26	25	1,901	-	-	2	180	-	-	1,266	262	2,081	4,944
Middle East and North Africa													
1995	11	11	639	-	-	-	-	-	-	559	53	639	1,807
1996	9	9	871		-	-	-	-	-	364	196	871	1,912
Total													
1995	140	133	7,058	4	448	15	1,225	(2)	(304)	7,883	2,777	8,731	27,523
1996	131	126	7,194	3	433	10	724	(2)	(125)	5,183	3,146	8,350	26,179

- Zero

Note: The number of operations shown under different sources add up to a figure exceeding the total naumber of cofinanced projects because a number of projects were cofinanced from more than one source. Cofinancing data are reported by the fiscal year in which the project is presented to the Bank's executive board. Details may not add to totals because of rounding.

a. These figures include cofinancing with untied loans from the Export-Import Bank of Japan.

Source: World Bank, **Annual Report** 1996.

ANNEX 14
Country Eligibility for Borrowing from the World Bank
(as of June 30, 1996)

COUNTRIES ELIGIBLE FOR IBRD FUNDS ONLY

Income category and country	1995 GNP per capita (US$)[a]	Income category and country	1995 GNP per capita (US$)
Per capita income over $5,295		Peru	2,320
Slovenia	8,070	Russian Federation[b]	2,230
Argentina	7,770	Belarus[b]	2,110
Seychelles	6,410	Lithuania[b]	2,050
Antigua and Barbuda	n.a.	Namibia	2,000
		Colombia	1,900
Per capita income $3,036-$5,295		Tunisia	1,860
Uruguay	5,100	Paraguay	1,650
Hungary	4,310	Ukraine[b]	1,630
Malaysia	4,000	Algeria	1,580
Chile	3,960	El Salvador	1,580
Czech Republic	3,870	Jamaica	1,510
Gabon	3,800	Jordan	1,500
Trinidad and Tobago	3,720	Iran, Islamic Republic of	n.a.
Brazil	3,620	Marshall Islands	n.a.
Mexico	3,320	Micronesia, Fed. Sts. of	n.a.
Croatia	3,280		
Mauritius	3,280	*Per capita income $766-$1,465*	
South Africa	3,160	Dominican Republic	1,460
St. Kitts and Nevis	n.a.	Romania	1,450
		Ecuador	1,390
Per capita income $1,466-$3,035		Bulgaria	1,340
Venezuela	3,020	Guatemala	1,340
Botswana	2,940	Papua New Guinea	1,160
Slovak Republic	2,940	Morocco	1,130
Estonia[b]	2,920	Swziland	1,110
Poland	2,800	Syrian Arab Republic	1,110
Panama	2,720	Philippines	1,070
Thailand	2,720	Kazakstan[b]	1,040
Lebanon	2,670	Indonesia	980
Turkey	2,670	Uzbekistan[b]	930
Belize	2,630	Moldova[b]	920
Costa Rica	2,590	Turkmenistan[b]	920
Lativia[b]	2,420	Suriname	880
Fiji	2,400		

COUNTRIES ELIGIBLE FOR A BLEND OF IBRD AND IDA FUNDS[c]

Income category and country	1995 GNP per capita (US$)[a]	Income category and country	1995 GNP per capita (US$)
Per capita income $3,036-£5,295		*Per capita income $765 or less*	
St. Lucia[d]	n.a.	Kyrgyz Republic[b]	690
		China	620
Per capita income $1,466-$3,035		Armenia[b]	570
Dominica[d]	n.a.	Zimbabwe	540
Grenada[d]	n.a.	Azerbaijan[b]	480
St. Vincent and the Grenadines[d]	n.a.	Pakistan	460
		Georgia[b]	440
Per capita income $766-$1,465		India	350
Macedonia, FYR of	840	Nigeria	260
Egypt	790	Bosnia and Herzegovina	n.a.

.........contd

COUNTRIES ELIGIBLE FOR IDA FUNDS ONLY[c]

Income category and country	1995 GNP per capita (US$)[a]	Income category and country	1995 GNP per capita (US$)
Per capita income $1,466-$3,035		Lao People's Democratic Republic	350
Tonga[d]	1,630	Sao Tome and Principe	340
		Central African Republic	330
Per capita income $766-$1,465		Mongolia	320
Vanuatu[d]	1,200	Togo	310
Western Samoa[d]	1,110	Cambodia	260
Cape Verde	970	Kenya	260
Solomon Islands	910	Yemen	260
Bolivia	800	Guinea-Bissau	250
Kiribati	780	Haiti	250
Lesotho	770	Mali	250
Djibouti	n.a.	Vietnam	250
Maldives	n.a.	Bangladesh	240
		Madagascar	240
Per capita income $765 or less		Uganda	240
Albania	690	Burkina Faso	230
Sri Lanka	690	Niger	220
Congo	650	Nepal	210
Cameroon	630	Chad	180
Cote d'Ivoire	610	Sierra Leone	170
Honduras	600	Malawi	160
Guyana	590	Burundi	150
Senegal	570	Tanzania	130
Guinea	540	Zaire	120
Comoros	490	Rwanda	110
Mauritania	460	Ethiopia	100
Bhutan	420	Mozambique	80
Angola	420	Afghanistan	n.a.
Ghana	390	Eritrea	n.a.
Nicaragua	390	Gambia, The	n.a.
Equatorial Guinea	380	Liberia	n.a.
Benin	370	Myanmar	n.a.
Tajikistan[b]	370	Somalia	n.a.
Zambia	370	Sudan	n.a.

Notes

n.a. Not available

a. World Bank Atlas methodology; per capita GNP figures are in 1995 U.S. dollars.

b. Estimates for these countries are preliminary.

c. Countries are eligible for IDA on the basis of (a) relative poverty and (b) lack of creditworthiness. The operational cutoff of IDA eligibility for FY97 is a 1995 GNP per capita of $905, using Atlas methodology. To receive IDA resources, countries also meet tests of performance. In exceptional circumstances, IDA extends eligibility temporarily to countries that are above the operational cutoff and are undertaking major adjustment efforts but are not creditworthy for IBRD lending. An exception has also been made for small island economies (see footnote d).

d. During the IDA-II period (FY97-99), an exception to the GNP per capita operational cutoff for IDA eligibility ($905 for FY97) has been made for specific small island economies, which otherwise would have little or no access to Bank Group assistance because they lack creditworthiness. For such countries, IDA funding is considered case by case for the financing of projects and adjustment programmes designed to strengthen creditworthiness.

Source: World Bank, **Annual Report**, 1996