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THE WORLD BANK INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE May 17, 1984

TO Mrs. Karen Lashman Hall, PHNPR

FROM Millard Long, Chief, INDFD M.L.

EXTENSION 75096

SUBJECT Proposed WHO/UNICEF Revolving Fund for Import of Essential Drugs

1. The proposal lists a variety of advantages for the proposed revolving fund, including savings generated by bulk purchase and funds to supplement a stated lack of suppliers' credits for importing certain classes of drugs. I am not in a position to comment on the reality of these economies and will confine my remarks to a discussion of the revolving fund concept of the project.

2. Perhaps the Bank credits most analogous to the program proposed are the loans made in the last several years by various IDF divisions for revolving funds to finance imports to be used in the production of industrial exports. Such funds, as recognized in the policy paper on export development funds, make sense only as transitional arrangements in countries with inconvertible domestic currencies. In concept, the funds are to be replenished by repayments made out of export proceeds. In practice, the experience with such funds has been mixed. In Mexico, for example, in which foreign exchange has not been excessively short, the export development fund has been very slow to disburse. In Jamaica, in which the currency is inconvertible, there has been a rather different problem. The dollars provided by the Bank financed imports that were used to produce exports but the exports went primarily to other Caricom countries which also had inconvertible currencies. Hence, the dollar funds were soon exhausted, whilethere was a build up of inconvertible currencies from other Caricom countries. The funds did not revolve and the Bank has had to make subsequent dollar loans to finance further imports.

3. From what you have told me about drug sales in poor countries, namely that the drugs are either given away or sold for local currency, it would appear that the proposed UNICEF project would run into problems similar to those cited above in the Jamaica case. That is, even in those countries where the drugs are sold rather than given away, the dollar fund would not revolve. The drugs would be imported and sold and counterpart funds would be generated. But, if there is a shortage of foreign exchange, the counterpart funds could not really be exchanged for dollars and no second round of imports could be financed. Except for the initial $10 million purchase, the countries would then be in the same position as they are today.

4. The project would not resolve the problem of the shortage of foreign exchange for essential drug imports, because it would use foreign exchange but not generate any foreign exchange. Hence, the $10 million could be used to finance a one-time purchase but would not create a revolving fund to finance continued purchases. To this problem there are

no easy solutions. Either the countries can continue as at present with the government paying for drugs with foreign exchange earned from exports or borrowed abroad and with the imported drugs sold for domestic currency. Or the program could be turned into a true revolving fund by selling the imported drugs to consumers for foreign exchange. Not only would such a solution be quite unpopular, I am sure, but the purchaser could only acquire the dollars by buying them in the black market.

cc: Messrs. J. Warford, PHNPR
J. North, PHNDR
A. Measham, PHN

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Document Date	Document Type
June 2, 1983	Memorandum

Correspondents / Participants
To: OPS Directors
From: J.C. Peter Richardson, OPSVP

Subject / Title
Items of Interest at the OPS Staff Meetings of May 1 and 18 - Personnel management

Exception(s)
Corporate Administrative Matters

Additional Comments

The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.

Withdrawn by	Date
Kim Brenner-Delp	August 29, 2023