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DEVELOPMENT- Multilateral Development Financial Institutions I

Dev. Banks

Multilateral Development Financing Institutions

I

Mr. Calika	2/2/68	2/5/68

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FOR FURTHER CORRESPONDENCE SEE:

1969 - 1971.

RECORDS MANAGEMENT SECTION
February 1969

October 8, 1968

Mr. Edmundo Elmore
Advisor
Education, Training and Research
Department of Engineering and
Environmental Sciences
Pan American Health Organization
525 Twenty-Third Street, N.W.
Washington, D.C. 20037

9/26/68

Dear Edmundo:

In accordance with your request, we are sending you 10 copies of the document "Multilateral Regional Financing Institutions".

Best regards.

Yours very truly,

for PBF.
Harold R. Shipman
Chief, Water Supply Section
Projects Department - Public Utilities

(Enclosures)

HRShipman/pbf

PAN AMERICAN HEALTH ORGANIZATION
Pan American Sanitary Bureau, Regional Office of the
WORLD HEALTH ORGANIZATION

525 TWENTY-THIRD STREET, N.W., WASHINGTON, D. C. 20037 U.S.A. CABLE ADDRESS: OFSANPAN

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TELEPHONE 223-4700

26 September 1968

Mr. Harold R. Shipman
Chief, Water Supply Section
International Bank for Reconstruction
and Development
1818 H St. N.W.
Washington, D.C.

Dear Mr. Shipman:

Last week we received a copy of the document entitled "Multilateral Regional Financing Institutions" issued by your Bank.

It is a very interesting publication and we would appreciate it very much if you could send us 10 extra copies to be used by the staff members of our Department.

Thanking you in advance for your kind attention, I remain,

Sincerely yours,

Edmundo Elmore, Advisor
Education, Training and Research
Dept. of Engineering and
Environmental Sciences

acn Oct 2/68

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Sincerely yours,

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Education, Training and Research
Dept. of Engineering and
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TURKIYE SINAI KALKINMA BANKASI A.S. (TSKB)

Industrial Development Bank of Turkey

International Finance Corporation
Development Finance Companies Department

June 27, 1968

TURKIYE SINAI KALKINMA BANKASI A. Ş.

I. THE COMPANY

1. Turkiye Sinai Kalkinma Bankasi A.S. (TSKB) was established in June 1950 and started operations in March 1951.

Purpose and Powers

2. TSKB's objectives are to assist in the creation, expansion and modernization of private industrial enterprises, to encourage local and foreign private capital participation in its financing, and to assist in the development of a Turkish capital market. The scope of its activities comprises the granting of medium- and long-term loans, investing in shares and bonds of industrial enterprises and providing technical assistance. In addition to operations with its own and borrowed capital, TSKB had administered three revolving funds on behalf of the Governments of Turkey and the United States: (a) Marshall Plan Private Enterprise Fund for long-term loans to private industry; (b) Capital Participation Fund for investment in equities; and (c) Industrial Exports Working Capital Fund for short-term loans for financing the export of industrial goods. The first two funds mentioned above, totalled LT 368 million ($41 million), were converted into a 35-year subordinated loan to TSKB in February 1966. The third fund, which amounted to LT 35.7 million ($4.0 million), was terminated.in 1967.

Resources

3. TSKB's resources from its founding up to December 31, 1967, are summarized in the following table:

Currency Unit: Turkish Lira (LT)

US$1	=	LT 9
LT 1	=	US$0.111
LT 1,000,000	=	US$111,111

	Cost to TSKB %	Local Currency Resources LT mil.	Foreign Exchange Resources $ mil.	Term Yrs.	Outstanding* at Dec. 31, 1967 LT mil.	Outstanding* at Dec. 31, 1967 $ mil.
Share capital paid in		65.0			65.0	
Reserves and general provision		49.0			49.0	
Equity		114.0			114.0	
Turkish Lira bonds (1951)	4-1/2	12.5		15	0.0	
Turkish Lira bonds (1954)	5	12.5		15	3.0	
1st IBRD Loan (1950)	3-3/4		9.0	15		0.00
2nd IBRD Loan (1953)	4-7/8		9.0	15		1.07
3rd IBRD Loan (1966)	IBRD rate		10.0	15		4.28
1st IDA Credit (1962)	5-1/2		5.0	15		3.52
2nd IDA Credit (1964)	5-1/2		5.0	15		3.93
3rd IDA Credit (1965)	5-1/2		10.0	15		9.79
4th IDA Credit (1966)	IBRD rate		15.0	15		11.18
DLF Loan (1958)	5		10.0	10		0.70
AID Loan (1964)	5-1/2		5.0	15		4.71
EIB Loans (on project basis)	5-1/2-6		12.41	12		10.02
Long-term subordinated loan (1966)	3-1/2	368.1		35	368.1	
Loan from Government (1967)	5-1/2	24.6		20	20.0	
Total long-term loans		417.7	90.41		391.1	49.20

* Loans on a disbursement basis.

Organization

4. Ownership. TSKB's initial share capital of LT 12.5 million (then equivalent to $4.5 million) was subscribed by 18 institutions, mostly commercial banks, and was made up of 125,000 bearer shares of LT 100 each. In addition to the ordinary shares, 100 registered founders' shares were issued to the founders in proportion to their participation in the initial capital, entitling the holders to a special bonus out of TSKB's profits. In October 1953, as a requirement for the second IBRD loan, the authorized share capital was doubled to LT 25 million (by a successful new issue). In the latter part of 1963, TSKB's share capital was again doubled to LT 50 million ($5.6 million) at which time IFC subscribed to LT 8.3 million, representing 15% of the share capital.

TSKB increased its share capital from LT 50 million to LT 65 million in 1967 by a right issue, to which IFC subscribed. In September 1967 IFC sold 4,480 LT 500 par value shares, reducing its holdings to 11.6% of the total. These shares were sold to seven Turkish insurance companies which already held TSKB shares. As of the end of 1967, the relative holdings of TSKB's shares were as follows:

Turkiye Iş Bankasi	20.8%
25 other banks and insurance companies	40.3%
IFC	11.6%
Firms, individuals, associations and retirement funds	27.3%
	100.0%

5. Board of Directors. On February 25, 1966, at the ordinary annual shareholders meeting, a full new Board was elected for a three-year term. The membership was increased from eight to nine. The Chairman continues to be Mr. Bulent Yazici who was the General Manager of the Iş Bank until April 1967. Mr. Beevor, who was originally elected in March 1964, as IFC's nominee, was re-elected. The Board has been fairly widely representative of various interests including banking, industry and commerce. In return for making certain loans to TSKB, the Central Bank of Turkey was given the right to put up a panel of three shareholders belonging to the banking profession, from which the shareholders have to choose one of the member of the Board. The Board meets once a week regularly and plays an active role in TSKB's day-to-day operations and administration. Board approval is needed for every investment exceeding LT 150,000 or the equivalent in foreign currency.

6. Management and Staff. The General Manager, Mr. Egeli, is also a member of the Board. TSKB's departments are divided into three groups, each directed by an assistant general manager. The first group, under Mr. Kayalioglu, consists of the Loan and Investment and Financial Analysis Department, the End-Use Department, Secretary's and Administration Department and the Regional Offices. The second group, under Mr. Ors, consists of the Economics Department, and the Engineering Department. The third group, under Mr. Eroguz, consists of the Accounting and Control Department, the Resources and Securities Department and the Disbursement Department. The staff numbers 143 including 75 professional members.

II. OPERATIONS

Operating Policies

7. A Statement of Operational Policies was adopted by TSKB's Board at its first meeting held in June 1950 and new policy resolutions on defining prudent investment limits were added to it in 1963. In view

of the availability of the government subordinated loan of LT 368 million as quasi-equity, TSKB's Board amended the investment quidelines in October 1966 as follows (Annex 1):

(a) TSKB's total commitments to one company are to be restricted to 15% of its equity and the outstanding balance of the Government Loan.

(b) TSKB's commitments of equity participations in one company are not to exceed 5% of its equity and the outstanding balance of the Government Loan.

(c) TSKB's interest in one company is not to exceed 25% of the share capital of the company concerned. However, as an exception, TSKB may purchase additional shares corresponding to 50% of the shares already subscribed in the event that the new shares to be issued by the company cannot be sold when TSKB acts as an underwriter.

(d) TSKB's total capital participations at cost shall not exceed LT 175 million.

(e) TSKB will try to find partners in the financing of large projects.

8. Until recently TSKB had no stated lower limit on loans it would make. In September 1967 TSKB's board adopted a resolution designed to reduce the number of small value transactions by placing lower limits of LT 250,000 on lira loans and $50,000 on loans using external resources. Exceptions are recognized for lira loans for projects already financed by TSKB where additional funds are critical to the success of the project. Similarly, smaller foreign exchange loans will be made if needed to complete projects which have been financed from TSKB's external resources. The board also placed a lower limit of $25,000 on allocations from the foreign exchange quota against payment of the lira equivalent where the funds would be used to finance new plants. A ceiling of $50,000 equivalent was put on the lending of lira to finance foreign exchange allocations. This limit does not apply to allocations of foreign exchanges where no borrowing from TSKB is required to finance the foreign exchange purchase.

Loans

9. Lending in local currency and foreign exchange and the total equivalent in dollars during 1965, 1966 and 1967 is summarized below:

	1965	1966	1967
	------------(million)------------		
Loans approved (net of withdrawals)	LT 86.4	LT 40.7	LT 81.2
	$ 13.4	$ 17.4	$ 27.9
	$ 22.9	$ 22.0	$ 36.9
Commitments (net of cancellation)	LT 91.0	LT 67.5	LT 63.0
	$ 7.7	$ 18.4	$ 25.6
	$ 17.8	$ 25.9	$ 32.6
Disbursements	LT 79.2	LT 82.3	LT 56.2
	$ 6.8	$ 17.8	$ 21.9
	$ 15.5	$ 27.0	$ 28.1
Repayments	LT 32.9	LT 39.5	LT 43.6
	$ 3.4	$ 4.0	$ 4.2
	$ 7.0	$ 8.3	$ 9.0
Loans outstanding end of period	LT 259.8	LT 299.9	LT 306.4
	$ 19.7	$ 33.5	$ 51.1
	$ 48.6	$ 66.8	$ 85.1

10. To an increasing extent during recent years as the demand for loans for bankable projects has grown, the level of loans made has become a function of the availability of resources. Thus, approvals in 1966 fell well below the 1965 level since resources were almost fully committed at the beginning of the year and fresh foreign exchange resources only became available from the Bank and IDA during the second half of the year, while local currency resources were not augmented. During 1967, foreign currency commitments reached record levels but local currency commitments declined slightly from those in 1966.

11. Charges on Loans. The interest rate on long-term loans was 8% from 1960 until December 1966 when TSKB raised the rate on foreign exchange loans to 8½%. It remained 8% on local currency long-term loans. The borrower assumes any foreign exchange risk. The commitment charge is 1%. The interest rate on short-term loans, consisting now only of overdue amounts of loans, has followed the legal maximum rate, which since 1961 has been 10½% plus a commission of between one and two percent per year. All interest payments and other charges are subject to a 20% expenditure tax, borne by the borrower.

12. Terms of Loans. In recent years the average term of loans has been lengthening. The average final maturity of long-term loans committed in 1967 was 7.3 years, compared with an average of 6.9 for the previous three years. All loans have a one-year grace period. Of the amount of 1967 loan commitments only 2.7% had terms of five years or less, compared with 6.8% for the previous three years. However, in an effort to make its lira funds go further, TSKB has now decided to shorten the average life of its lira loans to five years.

13. TSKB decided several years ago to eliminate its working capital loans so as to release funds for long-term lending. Accordingly, the outstanding amount of such loans has declined from LT 13.2 million at the end of 1966 to LT 6.8 million at the end of 1967. All these loans are in the process of being collected.

14. Size of Loans. TSKB's lending is still characterized by a large number of relatively small loans and a few relatively large loans, although the latter are increasing in frequency. The average size of loans has been growing. In 1967 the average size for the 134 loans approved was LT 2.7 million, equivalent to $ 0.3 . Loans of less than LT 1 million accounted for 50 % of the total number but only 7.8% of the total amount. 9 loans were for, more than LT 10 million and accounted for 54.4% of the total.

15. Geographical and Industrial Distribution. TSKB's portfolio is well diversified. The dispersion of loans, both by location and by industry, reflects the pattern of private industrial activity in Turkey. The textile industry has received 33.3% of all loans, during 1967. This industry is followed by the category covering stone, earthenware and glass industries, with 27.9% of all loans extended. Other industrial categories have received 10% or less of the loans extended. TSKB has not financed projects in tourism and very little in mining.

16. Industries in the Istanbul area have received about two-thirds of TSKB's loans. This area is followed by Izmir and Adana. Little capital has gone into the eastern part of the country.

Equity Investments

17. TSKB continues to be active in purchase and sales of shares. In 1966 it made seven new commitments totalling LT 22.8 million and in 1967, nine for LT 10.7 million. Sales from portfolio in 1967 were below the record level of 1966.

18. TSKB began selling shares from its portfolio in 1963. Its capital gains from this activity have been substantial and the proceeds from sales have been more than enough to cover new commitments during the past three years. TSKB's marketing activity is summarized below:

Year	No. of Issues Sold	Cost LT	Sales Price LT	Gains LT
1963	2	3,050,000	3,564,500	514,500
1964	7	8,628,500	10,223,206	1,594,706
1965	6	7,190,000	8,510,042	1,320,042
1966	9	19,100,750	28,961,333	9,860,583
1967	7	17,951,113	12,178,263	(5,772,851)

19. A net loss was recorded in 1967 due to the sale of one holding, at a loss of LT 7.4 million for which provisions had been made. One of the sales in 1967, which accounted for a substantial part of the total profit, was in shares purchased in 1966. In past most shares sold had been held in the portfolio for several years. A notable feature in TSKB's marketing activity is the growing number and variety of purchasers of shares sold. The number of purchasers has increased from 9 in 1962 to 422 and 249 in 1966 and 1967, mostly individuals. Institutions and pension funds have been relatively small buyers.

20. At December 31, 1967, TSKB held shares of 32 companies acquired at a cost of LT 72.8 million. Eleven of these companies, representing in value about 50% of the portfolio after provision for losses, are paying dividends and in 1967 the total dividend income was equivalent to 10.5% of the total book value of TSKB's equity investments. Ten of the companies not yet operating or operating only a short time accounted for about 25% of the portfolio. Eight companies (25% of the portfolio) had been in operation two years or more but have not yet paid dividends. Three of these, which in terms of value account for the bulk of the eight companies in this category, are earning a reasonable return on equity and their prospects are good. The other five (about 7% of the total portfolio) were either still relatively young, or were facing some difficulties which TSKB thought would be overcome in time.

21. Provision has been established to cover three equity investments in the portfolio totalling LT 4.0 million. (They cannot legally be written off until the actual loss is realized.) As noted above, the loss on one investment was realized in 1967.

22. TSKB is relatively heavily involved in most of the companies in which it has equity. It has loans outstanding to these companies totalling LT 171 million, as well as substantial undisbursed loan commitments. Although TSKB's policy calls for a limit to its holding of 25% of the shares of any company, it holds more than this in six companies, ranging up to 64%, and 25% in twelve others. The higher holdings were made before TSKB's portfolio with the Capital Participation Fund's since both often invest in the same companies. TSKB is represented on the boards of 23 companies.

23. Largest Commitments. TSKB's policy limits investment in all forms in any enterprise to not more than 15% of the net worth and the outstanding balance of the government long-term subordinated loan, or at present to about LT 70 million. All of its commitments are well within this limit. The board has recognized, however, that for larger investments, i.e. those of more than \$2-3 million, TSKB should seek to find financial partners. As of December 31, 1967, TSKB had 4 commitments over LT 20 million, the largest being LT 26.3 million.

Underwriting

24. TSKB so far has had no underwriting activities.

III. FINANCIAL RESULTS

Balance Sheets

25. Balance Sheets of TSKB as of December 31, 1965, 1966 and 1967, are shown in Annex 2 and summarized below:

	December 31, 1965 (LT mil.)	December 31, 1966 (LT mil.)	December 31, 1967 (LT mil.)
Assets			
Cash	2.9	44.4	72.2
Accruals and temporary investments, government bonds	27.8	49.3	78.7
Short-term credits	19.3	13.2	6.8
Long-term investments			
Loans	210.4	665.1	891.3
Equity participations	42.5	88.4	79.8
Provision for losses	(6.9)	(22.9)	(26.4)
Fixed assets (net)	7.2	8.0	8.0
Total	303.2	845.5	1,110.4
Administered Funds	382.1	35.7	36.8
Liabilities			
Current liabilities	28.0	33.7	45.1
Long-term debt	199.4	730.2	951.3
Share capital	50.0	50.0	65.0
Reserves and provisions	25.8	31.6	49.0
Total	303.2	845.5	1,110.4
Administered Funds	382.1	35.7	36.8

26. During the two years 1966 and 1967, the size of TSKB's total assets increased by almost four fold as a result of the conversion in 1966 of the Marshall Plan Private Enterprise Fund and the Capital Participation Fund into a long-term subordinated loan and as a result of drawings on foreign exchange loans. Its indebtedness has proportionally increased; however, as the new subordinated loan is agreed to be treated as "equity", the debt/equity ratio as of December 31,1967 was 0.9 to 1 against the limit of 4 to 1 as specified in the loan agreements between TSKB and the World Bank.

Profit and Loss Accounts

27. The income statements for 1965, 1966 and 1967 are shown in Annex 3 and summarized below: (LT millions)

	1965	1966	1967
Income			
Interest from loans	16.9	46.1	60.8
Income from equity investments	7.5	7.4	7.7
Income on administered funds	7.6	0.4	0.2
Commissions and others	3.2	16.3	16.5
Total	35.2	70.2	85.2
Expenses			
Administrative expenses	9.1	14.9	13.9
Financial expenses	8.4	23.1	32.0
Total	17.5	38.0	45.9
Gross Profits	17.7	32.2	39.3
Taxes	3.5	2.4	6.4
Provisions	3.7	17.1	12.3
Net Profit after taxes and provisions	10.5	12.7	20.6

28. The doubling of operating income from 1965 to 1966 is mainly attributable to TSKB's taking over in early 1966 the two Administered Funds. Despite the fact that financial expenses increased considerably as a result of this new debt thus acquired, earnings increased substantially, since TSKB's spread on the subordinated loan funds increased from about 3% (the fee paid to TSKB as administrator) to 4½% (the interest spread on the subordinated loans). As noted above, TSKB increased its interest rate on foreign exchange loans from 8% to 8.5% in December 1966. Profits after taxes and before provisions were LT 32.9 million in 1967 compared with LT 29.8 million in 1966 and LT 14.2 million in 1965, representing a return on average equity of about 34%, 39% and 20% respectively.

29. In 1967 personnel and other administrative expenses (excluding stamp taxes and expenditure taxes) amounting to LT 10.3 million corresponded to 1.01% of its average total assets (including the remaining administered funds) compared with 2.08% in 1966 and 1.48% in 1965.

30. In view of the large inclusion in its own portfolio of loans and investments made from the formerly administered funds, TSKB reviewed its portfolio at the end of 1966, made a conservative estimate of possible losses and set aside a special provision from 1966 profits of LT 17 million to cover such losses. Of this provision, LT 5.2 million was for loans and LT 11.8 million for equity investments. In 1967, a provision of LT 12.3 million was made. The allowance for doubtful accounts now amounts to LT 26.4 million, corresponding to 2.7% of the aggregate amount of TSKB's portfolio of loans and equity investments of LT 971.1 million as of December 31, 1967.

Dividends and Reserves

31. A dividend of 12% has been paid annually since 1954. Retained earnings at the end of 1967, taking the distribution of 1967 income into account, amounted to LT 49.0 million, equivalent to 5.0% of TSKB's portfolio.

INDUSTRIAL DEVELOPMENT BANK OF TURKEY

Statements of Policies

I. Statement of Operational Policies Adopted in June 1950

1. The Industrial Bank is a private institution which, though it will consider the Government's plans for the national economy, will make decisions on the basis of what is best for the health and activity of private enterprises.

2. The factor of primary importance in the Industrial Bank is not its financial resources but the technical services through which its financial aid will be made effective.

3. The Bank should have a first-class technical staff whose head and nucleus must be sought abroad. It will made investments only after full examination of applications by this staff.

4. In selecting enterprises to be financed, the Bank will observe the following criteria:

   a. Production of goods of benefit to the Turkish economy;

   b. Soundness of the enterprise;

   c. Quick realization and profitableness of the enterprise; and

   d. Desirability of geographical distribution of investment.

5. The Bank will keep its interest rate as low as possible consistent with the payment of its dividends and the accumulation of necessary reserves. It may also charge a percentage of the profits of the financed enterprise in return for the services of its technical staff.

6. The Bank's financing may be in the form of loans, participations, or both; the last is preferable in appropriate circumstances. Wherever possible, the client should provide at least 50 per cent of his capital.

7. The Bank will lend foreign exchange only for imports of equipment. In order to make best use of its foreign exchange, it should seek, insofar as possible, to apply for use of the Government's own foreign exchange resources.

8. The Bank will obtain adequate security on its loans; require the keeping of adequate records and the use of sound accounting procedures; and obtain rights of inspection and audit and, in the event of faulty management, of intervention in the enterprises it finances.

9. The Bank will seek to sell its participations to the widest public and at the earliest moment practicable.

10. The Bank will seek to interest foreign capital in investment in Turkey.

11. The Bank should use its influence in trying to improve government administration relating to business so as to better the working conditions and so the confidence of all private enterprise.

II. Policy Resolution Adopted in March 1963 and Amended on October 28, 1966

1. For the purpose of avoiding unnecessary duplications of investment in the public and private sectors the Bank will keep regular and continuous contact with the State Planning Organization through the Economic Research Department.

2. In order to ensure a widespread distribution of its investment risks the Bank will follow the following policies:

(a) Not more than 15% of the Bank's equity and outstanding balance at any time of the Government Loan, dated February 18, 1966, shall be committed to one single real person or corporate body for investment in the form of a loan, capital participation or under any other form.

(b) No participation shall be taken in the capital of one single company in an amount exceeding in the aggregate 5% of the Bank's equity and outstanding balance at any time of the Government Loan, dated February 18, 1966.

(c) The Bank shall not purchase the shares of any company corresponding to more than 25% of its subscribed capital; provided, however, that the purchase of the shares corresponding to 50% of the shares already subscribed for by the Bank in the event that the new shares to be issued by any company cannot be sold when the Bank acts as an underwriter shall constitute an exception to the provision of this paragraph.

(d) The total of the Bank's capital participations at cost price shall not at any time exceed TL 175 million.

(e) The Bank will try to find partners such as IFC or similar investors to participate in the financing of large manufacturing projects to be realized by private sector.

The provisions of b, c, and d, do not apply to shares received in exchange for debit in a liquidation or reorganization or to conversion of debt into shares necessary to protect the Bank's interests.

This resolution will not be amended without the prior consent of IDA.

3. The economic criteria to be applied on investment loans is amended as follows:

Priority shall be given to projects which:

(a) have a positive influence on the balance of payments of Turkey, or

(b) have a high ratio or value added to investment, or

(c) promise reduction in costs and selling prices and-or improvement in the quality of products, or

(d) are of importance from the standpoint of the realization of the production targets set forth in the Development Plan.

III. Policy Resolution Adopted November 9, 1967 Amending the 1963 Resolution on Economic Criteria to be applied in Investigating Applications for financing

1. In order to avoid the creation of idle capacity in the economy and hence, a waste of capital, priority be given to projects with high rates of using the productive capacity.

2. Efforts be made for ensuring a harmony with the annual programs of the Development Plan in the outlines of the distribution of our resources among the branches of industry.

3. In the processing of the projects, the cost of the finished products which would be calculated at the rate of exchange as applied by the State Planning Organization in project evaluation be compared with the world prices and priority be given to those projects which show an export potential, which can survive without protective measures, and which can compete with the minimum protection, respectively.

IFC/DFC

June 27, 1968

TURKIYE SINAI KALKINMA BANKASI A.S.

Balance Sheets
(in millions of LT)

	Dec. 31, 1965	Dec. 31, 1966	Dec. 31, 1967
ASSETS			
Cash	2.9	44.4	72.2
Temporary investments	1.1	1.1	21.0
Accounts receivable	19.1	36.7	41.8
Short-term credits	19.3	13.2	6.8
Long-term investments			
Loans - outstanding	154.6	567.9	734.0
- committed	55.8	97.2	157.3
Equity participations - paid-up	42.2	78.9	72.8
- contracted	0.3	9.5	7.0
Provision for losses	(6.9)	(22.9)	(26.4)
Fixed assets (net)	7.2	8.0	8.0
Government bonds for legal reserve and savings bonds	7.6	11.5	15.9
	303.2	845.5	1,110.4
Administered Funds	382.1	35.7	36.8
	685.3	881.5	1,147.2
LIABILITIES			
Current liabilities	28.0	33.7	45.1
Long-term debt			
Lira bonds	7.4	4.4	3.0
Government loan (quasi-equity)	-	368.1	368.1
Government credit	-	-	20.0
IBRD	27.8	18.9	48.5
DLF	31.4	16.6	6.4
IDA	76.6	138.2	207.7
AID	0.1	33.9	42.4
EIB	-	43.4	90.9
Commitments	56.1	106.7	164.3
	227.4	763.9	996.4
Share capital	50.0	50.0	65.0
Reserves and provisions	25.8	31.6	49.0
	303.2	845.5	1,110.4
Administered Funds	382.1	35.7	36.8
	685.3	881.2	1,147.2

IFC/DFC

June 27, 1968

TURKIYE SINAI KALKINMA BANKASI A.S.

Income Statements, 1965 - 1967

(in millions of LT)

	1965	1966	1967
Income			
On operations with own funds, from			
Temporary investments	0.2	2.0	4.3
Short-term credits	1.6	1.2	0.7
Long-term loans	15.1	42.9	60.1
Equity investments	7.5	7.4	7.7
Commissions and others	3.2	5.5	7.1
	27.6	59.0	79.9
Extraordinary Income	-	10.8	5.1
On operations with administered funds	7.6	0.4	0.2
Total Income	35.2	70.2	85.2
Expenditures			
Administrative expenses	9.1	14.9	13.9
Financial expenses	8.4	23.1	32.0
Total Expenditures	17.5	38.0	45.9
Gross Profits	17.7	32.2	39.3
Taxes	3.5	2.4	6.4
Net profit after taxes and before provisions	14.2	29.8	32.9
Allocation and provision for various risks	3.7	17.1	12.3
Net Profit after taxes and provisions	10.5	12.7	20.6

IFC/DFC

June 27, 1968

Dev - Multilat. Dev.
Fin. Inst.

Mr. Barend A. de Vries April 23, 1968

John Hulley

Report on "Multilateral Regional Financing Institutions"

I am submitting herewith a copy of the above report for consideration as an Occasional Paper or Study. The study was undertaken at the request of the Senior Staff and is, so far as I know, the most comprehensive survey on the subject. It was prepared by Mr. Rist, with assistance from Messrs. de Fontenay, Kao and Rao of the International Finance Division. The contents were checked with the organizations concerned.

The study has been distributed to E.Ds, a number of whom have commented favorably. Twenty-five copies were also sent to Paris for the DAC meeting on Multilateral Organizations, scheduled for May 7.

Cc: Messrs. Kamarck
Kalmanoff

JH/jb

Dev - Multilat. Dev. & Inst.

4/19/68

How Can Multilateral Aid Institutions Play A Greater Development Role?

By Paul G. Clark

The ideas presented here have been stimulated largely by Cohen and Heuser's systematic survey of A.I.D. officials' observations on the operations of multilateral aid institutions. They are personal conclusions, however, and should not be considered either a statement of consensus from their survey or an "A.I.D. position" (which doesn't exist).

A. What Improvements in Multilateral Operations Are Desirable Within Essentially the Present Mixed Aid System?

The principal multilateral institutions are already doing well within the present complex of bilateral and multilateral aid arrangements, it is generally agreed. IBRD/IDA in particular has been playing an increasingly constructive leadership role, and has additional staff capacity to do even better. IDB would probably have to expand its staff to assume greater responsibilities, and ADB and AFDB are of course just getting going. IMF is pursuing its distinctive monetary and stabilization role effectively (and is left aside in the rest of this paper). Nonetheless several improvements in present multilateral operations seem desirable.

1. Country Programming

The central improvement in the operations of multilateral institutions should be to increase emphasis on country programming rather than support of particular projects. Country programming is needed primarily as a basis for focusing attention on constructive general development policies of aid-receiving countries, which determine more than any other factor the success of aid efforts. It is especially important for IBRD/IDA to go further in accepting this emphasis, because of its unique world-wide status, which it has only gradually begun to take advantage of. Within Latin America, IDB ought to overcome its reluctance to attempt to influence general economic policies of member governments, and ought to collaborate more with IBRD/IDA and IMF in country programming.

2. Consultative Groups and Consortia

To make country programming effective, multilateral institutions should take an energetic lead in formation and operation of consultative groups and consortia. These consultative arrangements provide forums within which multilateral institutions can influence aid flows from all the main donors. Experience to date suggests that it helps if the multilateral institution is able to make a significant capital contribution itself, but beyond that it can play a critical leadership role. The consultative arrangements also facilitate using aid from all sources as an influence upon general development policies. Eighteen consultative groups and consortia now cover close to half of total development assistance, but with some notable gaps, particularly in Latin America. They should be extended to additional countries, and used more energetically where they already exist.

3. Program and Sector Lending

Within consultative arrangements, multilateral institutions should encourage more program and sector lending relative to project lending. Program and sector lending offer greater scope for influence on critical economic policies--particularly investment, fiscal-monetary, and balance of payments policies in the case of program loans, and investment allocation and pricing policies in the case of sector loans. On the other hand, project lending frequently runs up against the constraint of a shortage of suitable projects as conventionally defined. This can be particularly awkward for aid in the agriculture and education sectors. Project lending has also posed the nagging problem of providing adequately for the indirect import content of projects and for local costs.

There are two general ways in which multilateral institutions can encourage an over-all shift toward program and sector lending within the total aid flows in a consultative arrangement. One is to undertake additional program and sector lending themselves, and in some cases this may be the best way. The other is to urge bilateral donors to undertake additional program and sector lending, while the multilateral institutions take on additional project lending which would otherwise be bilateral.

This second approach seems generally preferable. It takes advantage of the acknowledged efficiency with which multilateral institutions carry on their present project lending, and it permits projects which can stand the hard terms of IBRD and IDB regular loans to be assigned to these sources of funds. It would simplify administrative problems of bilateral donors, and permit more prompt disbursement of their funds. However, in the particular case of IBRD/IDA, increased project lending would depend upon accepting a much larger proportion of under-$5 million projects, as A.I.D. and IDB now do. Loans to national development banks would help but not eliminate this problem. Another consideration is that greater program and sector lending by bilateral donors other than the U.S. would facilitate adjusting donor shares in the total aid to a country more in line with the pattern of imports from the various donors. Partly for this reason, some other donors' reluctance to do program and sector lending would have to be overcome.

4. Terms and Rollovers

Multilateral institutions should also take an energetic lead in arrangements for debt rollovers, as the most promising approach presently available for easing aid terms. One of the disadvantages of the IBRD proper, and of IDB, ADB and AFDB in their regular lending operations, is that loans must be on hard terms to be compatible with borrowing in donor capital markets. IDA and the special funds of the regional development banks meet the crucial need of most aid-receiving countries for soft terms, but funds available through these channels are limited in the near future. The margins between regular funds and special funds can be somewhat blurred by transfers, as in the practice of assigning IBRD profits to IDA, and indeed it would probably be desirable to harden regular terms for more furtunate borrowers in order to permit larger transfers to soft-term channels for poorer countries.

However, debt rollovers are perhaps the most promising immediate step in the direction of easing aid terms for borrowers under great balance of payments strain. If the rollover formula is based on the concept of net aid flows, it tends to provide a retroactive correction for past differences in the hardness of terms offered by different donors. Since the IBRD has already extended a relatively large volume of relatively hard term loans, it is in a particularly strategic position to exercise leadership in such cases, as it has recently in India.

5. Small Field Staffs

A modest increase in field staff for multilateral institutions, particularly in countries with active consultative arrangements, seems called for by this approach. The major purpose of additional field staff should be to enable senior representatives of the multilateral institutions to exert greater continuing influence over critical development policy decisions of the host government. For this purpose, the increase can be modest, though the problem of maintaining suitable senior field staff is a real one. The existing field staffs of bilateral donors can continue to provide much of the basic collection and analysis of information about the economy, and to carry on working relationships with the host government at the staff level. Similarly, the functions of developing projects and supervising their implementation can continue to be performed by multilateral institutions as at present, without additional field staff for these purposes.

?

6. Policy-Directed Technical Assistance

This approach also implies a modest increase in technical assistance by multilateral institutions, which is now predominantly project-related. Such additional technical assistance would be rather specialized, however, particularly taking the form of additional advisory teams of the sort the IBRD is already providing, and of help in staffing offices most involved in development policy and development administration. These modest TA activities would not call for substantial reorganizations of the multilateral institutions.

B. Should Multilateral Institutions Take Over Major Aid Functions From Bilateral Programs?

A world aid system in which at least the larger donors maintain substantial bilateral programs more or less along present lines, and in which multilateral institutions play a greater energizing and integrating role, seems to me a more viable system than proposals for sweeping substitution of multilateral for bilateral programs.

1. Strengths of Bilateral Programs in a Mixed System

In part, the argument is that bilateral programs have distinctive strengths.

a. Individual donors see aid as an instrument for pursuing foreign policy interests. These may in some instances be identifiably commercial, or in others "strictly political," such as budget support for an unstable government, or payment for base rights, or loans to forestall rival donors. But more fundamentally they express the differing interests of particular donors in foreign policy relations with particular aid-receiving countries, often with long historical roots. These foreign policy interests are often shared by particular aid-receiving countries. They provide an essential domestic rationale for tax-supported financing in at least the large donor countries, which would not be similarly available for multilateral programs. The resulting geographic distributions of aid in individual bilateral programs are noticeably different, but in some degree they offset each other, and one objective for multilateral aid ought to be to compensate for at least the worst oversights.

b. In many aid-receiving countries, the principal bilateral donor's influence on general development policies may be especially effective because of traditional foreign policy relationships. Social reform may be a particular instance of objectives more accessible to a bilateral donor, if interested, than to multilateral institutions, with their need for members' consensus. With bilateral donors carrying much of the heat of policy influence, multilateral institutions can have more elbow room for playing a mediating leadership role in a consultative arrangement. At the same time, the multilateral institutions can be shielded by the bilateral agencies from domestic political pressures in the donor countries. Moreover, aid to sectors such as education, in which various donors' styles are quite different, is much simpler to carry out bilaterally. Active participation by universities and other private organizations can be more readily brought into play.

c. Balance of payments pressures on particular donors seem likely to be with us for the foreseeable future. Arrangements for tying aid appear unavoidable for bilateral aid programs, but there is at least a fighting chance to limit, and indeed roll back, their extension to multilateral programs.

2. Enlarging Capital Assistance via Internationally-Agreed Contributions

There is little doubt that it would be feasible for multilateral institutions to manage a larger share of capital assistance, given a little time for adjustment. Indeed, the operational changes implied would be similar to the improvements discussed in Part A. But a crucial difficulty is that it is hard to see a realistic way of raising the funds.

The most direct way to provide additional capital funds for multilateral agencies would, of course, be enlarged internationally-agreed contributions. Unfortunately, this approach seems quite unpromising for a substantial expansion, as suggested by the IDA replenishment experience. The essential difficulty is that the large donors show a preference for bilateral programs, for understandable reasons just discussed. The five DAC members which currently contribute more than a fifth of their aid through multilateral channels together provide less than 5 percent of total DAC aid.

An underlying problem is the incompatibility between keeping the U.S. share of contributions around 40 percent, to maintain the autonomy of multilateral agencies and broaden participation, and the share of about 60 percent which would be implied by contributions simply proportionate to income. This difficulty might be eased if we could move toward the minority-interest limit of 49 percent, but it seems impossible to eliminate.

3. Enlarging Capital Assistance via "Special Funds"

A more promising approach is that of "special funds" and "trustee" arrangements. It is more promising essentially because donor contributions are discretionary, so that they are compatible with continuing bilateral programs, and varying donor interests can lead to varying shares in different funds. They appear to be particularly attractive to small countries, and most of the large countries can be induced to participate to avoid a conspicuous standing aside. A further advantage of the "special funds" is that they are available on soft terms, since the original contributions are tax financed. On the other hand, they are increasingly tied.

An especially interesting form of "special fund" for the future (once all of the regional development banks have general-purpose regional funds in operation) is one with a special function. For example, a special supplementary financing fund to compensate for export revenue fluctuations of primary commodity exporters might be added to IDA. If these functional funds are clearly appropriate to a separable problem of less-developed countries, they have a reasonable chance of providing a net addition to total aid.

But though "special funds" appear more promising than internationally-agreed contributions, it is hard to see a realistic possibility that any large donor would actually replace a bilateral program with them. Thus the most that can be foreseen is a gradual rise in the share of multilateral programs, as additional "special funds" are created. This would not fundamentally change the role of multilateral institutions in the mixed system. Indeed, if the large donors can be brought to expand total aid flows again, bilateral programs are likely to increase at least as much as multilateral ones.

4. General Technical Assistance

At present, nearly all general technical assistance is provided under bilateral programs and through the UN, and IBRD/IDA and the regional development banks limit themselves to small amounts of project-related TA. If multilateral institutions undertook to extend general TA for skill improvement and institutional development, this would be a major new endeavor, and would require extensive reorganization. It would demand expansion of administrative staffs and willingness to handle the very large number of small projects characteristic of TA. It would call for substantial field staffs to arrange projects, coordinate them, and oversee their implementation. It would lead to attempts to influence host government actions in carrying out TA activities as well as in adopting constructive general development policies.

These administrative requirements would either duplicate existing bilateral and UN efforts, or if they replaced them would offer no obvious net gain. Thus on balance it seems preferable for multilateral institutions to leave general TA to the bilateral programs, and only to undertake limited additional policy-directed TA, as discussed in Part A. The pay-off looks much greater if they concentrate on playing a greater development role in capital assistance, which is their forte.

AA/PPC:April 19, 1968

MW

4/18/68

MULTILATERAL INSTITUTIONS

A collection of views on the capabilities of multilateral lending agencies in handling a larger amount of aid to LDC's

Benjamin Cohen
Henry K. Heuser
Agency for International Development

April 18, 1968

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PREFACE

This report is based in large part on interviews during a three-week period in late March and early April with senior A.I.D. officials whose responsibilities in the field or in Washington brought them into contact with the work of the major multilateral lending and technical assistance agencies.

The report was shown in draft to those interviewed and we hope that we have done full justice to their comments. The respondents were not asked to concur in the report.

Summary and Conclusions

The multilateral institutions perform four functions: transfer financial resources, exert influence on LDC economic policies, provide technical assistance, and coordinate various aid operations.

The IBRD/IDA and IDB committed about $1.5 billion in loans last year, as compared to about $1.1 billion of Development Loans and Alliance Loans. IMF commitments for stand-bys were about $450 million. Gross disbursements of the three multilateral institutions, including the IMF, were about $1.1 billion, the same as for loans from A.I.D. Net loan disbursements by IBRD/IDA and IDB, together, amounted to $749 million and by A.I.D. $1,035 million. On the basis of present information on replenishments for IDA and the Special Fund of the IDB, the annual lending activities of the IBRD/IDA and IDB will increase from the present level of about $1.4 billion to about $1.5 billion in 1970; the big uncertainty is the access of these two institutions to world capital markets.

The "panel"* agreed that the IBRD/IDA and IMF handle their present loans efficiently and could efficiently expand their level of loans without increasing their staff. Everyone agreed A.I.D. could handle a particular loan faster than the IBRD/IDA, and some people felt that A.I.D. was faster on the average than the IBRD/IDA. While the IDB handles its present level of loans efficiently, the "panel" felt it would have to hire additional staff to handle more loans.

On the assumption that A.I.D. continues its present level of program loans, the "panel" felt that IBRD/IDA would have to increase its program loans to countries like India if it were to increase its level of loans substantially; at present loan levels, the existing mix of program loans/project loans is satisfactory. On the assumption that A.I.D. were to stop its program loans, the "panel" felt the IBRD/IDA would certainly have to increase its level of program loans.

The "panel" agreed the IBRD/IDA possessed the technical competence to change its geographic pattern of lending, though perhaps needing more expertise on Africa.

The "panel" agreed loan terms to some LDC's are too hard and that all donors should try to reach an agreed-upon policy as to treatment of such aspects as debt relief and shares of net aid. If such an agreement could be reached, then it would not be too serious for the IBRD, IDB, and IMF to lend to the same LDC at terms harder than those offered by IDA and A.I.D.

The "panel" agreed that the technical staffs of IBRD/IDA are free of the political influence of the various Executive Directors.

*The term "panel" is used throughout this report for stylistic convenience only. Consultations were separate one from the other and the word "agreed" or "disagreed" whenever used in the report represents the judgment of the authors as to the consensus or, respectively, a lack of it, among those consulted.

The "panel" identified a number of functions for Field Missions. On the assumption that A.I.D. continues its Field Missions, most of the "panel" felt there was no need for either the IBRD/IDA or the IDB to have a Field Mission unless it were to try to influence overall economic policies in the LDC. If the A.I.D. Field Missions were to disappear, then the IBRD/IDA would have to establish Field Missions to collect and analyze information which it now gets, in part, from A.I.D., and to provide the basis for exercising influence on the LDC's.

The "panel" agreed that the IBRD/IDA and IDB effectively exercise "leverage" on policies directly related to the project loans they are making. The IBRD/IDA is beginning to use its influence selectively on more general economic policies. The "panel" felt it was useful that the trend toward greater willingness on the part of IBRD to influence borrowers' policy continue. The IMF effectively influences general economic policies in selected areas--exchange rates, monetary and fiscal policy.

The "panel" felt the IBRD/IDA could act as a "trustee" for A.I.D.'s present level of loans, provided it (i) gave more program loans, (ii) exercised more leverage on overall economic policies, and (iii) became interested in promoting social change in Latin America. The majority of the "panel" also felt the IBRD/IDA would have to establish Field Missions. Many of the "panel" doubted the desirability of such a "trustee" relationship.

Since technical assistance is defined differently depending on the purpose or the agency, it is difficult to estimate the magnitude of the existing technical assistance programs of the multilateral institutions. A rough estimate is that A.I.D.'s present technical assistance activities are 5-10 times as large as those of the IBRD/IDA, IDB, and IMF.

The "panel" agreed that the IBRD, IDB and IMF handle their present technical assistance activities efficiently, and almost all of them are now related to capital projects.

As regards the notion of shifting more of the A.I.D.-type of technical assistance to the multilateral lending agencies, at least one of those consulted felt that it was not realistic to pose the question since these agencies are basically more suited to giving technical assistance either on over-all planning or on problems related to specific loan projects. Nor was the panel of one mind as to whether technical assistance should be funded through grants or loans. The majority of the "panel" did agree, however, that the IBRD/IDA and IDB would have to make at least four changes in their operations if they were to mount technical assistance programs of the type operated by A.I.D.: (i) establish Field Missions to coordinate the various activities, (ii) increase the size of their administrative staff, (iii) undertake technical assistance that is not directly related to capital projects, and (iv) be willing to undertake technical assistance projects where the risk of failure is significant and where the LDC government may not, at least initially, be very interested.

Most of those consulted agreed that coordination between the two major international lending agencies, the IBRD and the IMF, had been quite good, especially lately. The problem, in the opinion of most "panelists", had been the reluctance of the Bank--now diminishing--to use its leverage to support the IMF or, at times, the USAID, in urging the borrowers to carry out desirable changes in general economic policy.

On the whole, the "panel" felt that consortia and consultative groups had been most useful in bringing the influence of a donor consensus to bear on recipients' economic and financial policies.

There is a division of opinion among donors as to the desirability of further multilateralization. In 1966, nine of the fourteen other DAC countries each channelled less than 20 percent of their aid through multilateral agencies. Their aid represented nearly 40 percent of total official DAC aid and included the four major donors, France, U. K., Germany and Japan. The countries which channelled more than 20 percent of their aid through multilateral agencies in that year represented only 4 percent of total official DAC aid. The countries represented in this group were the Netherlands, Sweden, Denmark, and Norway. Donors' views as to increased use of multilateral agencies in the future are roughly consistent with the relative amounts of their aid they are now channelling through those agencies.

Regarding an increase in the number of consortia and consultative groups, the differences in views among the donors are less definite. In general, the other donor countries seem to be prepared to join consultative groups for countries in which their political or commercial interests are strong. The Germans have spoken out against more consortia.

There is some readiness among other donors to channel their funds through special funds or to coordinate with others in group arrangements. Only a number of smaller donors, notably Sweden and the Netherlands, appear to be willing to put more of their aid through multilateral institutions. The major donors at this time seem to prefer a system that combines multilateral coordination with a fairly large measure of continued bilateral control.

I. Capital Lending and Leverage

A. Factual Background

IBRD/IDA and IDB committed about $1.5 billion (gross) in loans last year to LDC's,[1] as compared to about $1.1 billion by A.I.D. in Development Loans and Alliance Loans. The IMF committed about $450 million in stand-bys. Commitments were larger than disbursements for IDA and the IDB, whose aid levels have been rising over time, and for the IMF, whose stand-bys are not always drawn upon. Commitments and gross disbursements were about equal for the IBRD and A.I.D. (Table 1).

Net disbursements in 1966 for IBRD/IDA and IDB, together were $621 million in 1966 or about $400 million less than A.I.D.'s. And the Fund's net disbursements were negative by $204 million that year. Financial terms differ considerably among the various multilateral lenders. IDA's loans are for 50 years and carry a "service charge" of 3/4 of 1 percent. IBRD loan terms vary: a recent $4 million loan to Nicaragua had a 25-year maturity, including a 10-year grace period, and $6\frac{1}{4}$ percent interest rate, and a recent $18 million loan to Taiwan had a 15-year maturity, including 3-year grace period, and $6\frac{1}{4}$ percent interest rate. IDB loans from its ordinary capital carry an average 15-20 year maturity and about 6 percent interest rates; IDB loans from the Fund for Special Operations are for 15-30 year maturity have an interest rate of about 3 percent. IMF stand-bys have a five-year maturity with an interest rate of 2-3 percent.[2]

While IDA had three-fourths of its loans in NESA and almost none in Latin America or East Asia, the IBRD had 45 percent of its loans in Latin America, 20 percent in NESA and 20 percent in East Asia (Table 2). About 70 percent of IMF lending is in Africa and Latin America. While Latin America received about the same amount of gross commitments as NESA from the IBRD/IDA and IMF ($452 million versus $447 million) last year, the average terms of Latin America's aid--none of which is from IDA--reduces considerably the "concessional element" of Latin America's aid relative to that of NESA. The IDB, of course, lends only in Latin America.

By sector, the IBRD/IDA had about 14 percent of its total loans in agriculture and education, as compared to 10 percent by A.I.D. in these two sectors; the IDB had 34 percent of its loans to these two sectors (Table 3). While the IBRD/IDA had 43 percent of its loans in power and

1/ As the FY 1967 Report is not yet available, IDB data refer to FY 1966. All other data are for FY 1967 except where noted.

2/ Some "panelists" raised the question as to whether these stand-by credits should be considered as aid and felt that they should not.

transportation, A.I.D. allocated 18 percent of its total loans to these two sectors and the IDB 15 percent. The big difference among the lenders, of course, is in "program" or "non-project" loans. While project loans account for about 45 percent of A.I.D. loans and 33 percent of IDA loans, they account for all of the loans by the IBRD and IDB.

Most of the remainder of this Report deals with the IBRD/IDA; less attention is given to the IDB and still less to the IMF. The discussion of the IMF's Compensatory Financing Scheme is reserved for Annex 3 for three reasons: (i) it does not yet provide much funds--$24 million in 1966 and $167 million in 1967, (ii) drawings are not linked to policy changes by the LDC, and (iii) few "panelists" had an opinion about it.

If the U. S. and the other DAC countries resume the movement toward achieving the DAC aid target of 1 percent of national income, the problem will arise as to how far and how fast can the capacity of the multilateral institutions be expanded as a vehicle for channelling a larger proportion of U. S. and other DAC country funds to the LDC's. On the basis of a set of simple assumptions, total official U. S. economic aid would increase by 60 percent over its 1966 level by 1972 and other DAC country official aid would rise by almost as much. The assumptions are that (i) the ratio of official aid to private capital flows remains constant, (ii) the ratio of multilateral to bilateral aid remains constant, and (iii) the flow of total capital from all the DAC countries reaches .75 percent of national income by 1970 and 1 percent by 1972. The amount of funds made available to the multilateral agencies would increase from $483 million in 1966 to $735 million in 1970 and to about $1 billion in 1972 (Table 4). Such a doubling of the funds available to the multilateral agencies would make possible a greater expansion of their operations than we can foresee with certainty at this time.

We already know that the following expansion will take place as a result of the recently agreed IDA replenishment and the increases in the Special Fund (FSO) of IDB: IDA's operations will rise from about $350 million in FY 1967 to $400 million per year through FY 1970. The IDB will increase its Fund for Special Operations from $290 million in FY 1966 to $300 million per year through 1971. The big uncertainty for the IBRD and IDB is borrowing in capital markets. In Annex II we have relaxed these assumptions by adding the probable availabilities of the regional banks and the EEC, with the result of a possible increase in commitments considerably beyond the $60 million supported by the $50 million increase in IDA and the $10 million increase in IDB (FSO) operations mentioned above.

Vague with the transfer

Among the problems that the IBRD/IDA would encounter, were it to become responsible for a large part of the lending now performed by A.I.D., would be the handling of the far larger number of small loans made by A.I.D. The IBRD/IDA and A.I.D. made roughly the same number of loans (51 versus 44) of $5 million or more, and they were roughly the same average size ($19 million versus $22 million) (Table 5). The average size of IMF loans of at least $5 million--$21 million--is comparable to that of A.I.D. and IBRD/IDA, while the average size of IDB loans of at least $5 million is only $10 million. The big difference is in loans of under $5 million. While IBRD/IDA made 11 such loans for a total of $30 million and the IMF two such loans for a total of $6 million, A.I.D. made 70 such loans for a total of $137 million. In this respect, A.I.D. resembles the IDB, which made 36 "small" loans for a total of $67 million. One "panelist" suggested that the multilateral institutions (and A.I.D.) should give more attention (loans and technical assistance) to intermediate credit institutions in the LDC's as a way of relieving the multilateral agencies and A.I.D. of the responsibility for small loans.

B. Panel Views

Efficiency of Loan Operations

The "panel" agreed that the present level of lending was efficiently handled by the IBRD/IDA and could probably be expanded without reducing efficiency or greatly increasing staff. While A.I.D. can process a particular loan more rapidly than can IBRD/IDA, the average reaction period--the time between the "request" for aid, commitment, and final disbursement--was thought by the majority of the "panel" to be about the same for the IBRD/IDA and A.I.D. Some people believed that A.I.D. was faster on the average than the IBRD/IDA. Those "panelists" who had experience with the IDB felt it handled its present loan level fairly efficiently but would have to hire additional staff to handle more loans.

Program Loans and Local Costs

Financing of local costs of capital projects and providing program loans both provide "free foreign exchange". Increasing the fraction of local costs of projects that is financed by foreign lenders may reduce the LDC's commitment to the success of the project. The "panel" felt that program loans may be superior to the financing of local costs of projects because they provide more leverage on aggregate economic policies. Moreover, the fact that their disbursements are more predictable makes program loans more useful in dealing with short term balance of payments problems, and also reduces "pipeline" problems. One panelist noted, however, that in country situations in which aid agencies are not attempting to deal with these macro-economic considerations, there may be tactical and administrative advantages in concentrating external financing and leverage on individual projects or subsections, including the coverage of some local costs, so long as there is assurance of strong financial and other commitments by the LDC to the success of the project.

The IDB and IBRD make only project loans, and IDA has only recently made non-project loans to India and Pakistan. The IBRD, IDA, and IDB all presently finance some local costs. On the assumption that A.I.D. continues its present level of program loans, the "panel" felt that the present mix of local cost financing by the IBRD/IDA and IDB and of non-project loans by IDA and IMF was about right for most LDC's at present aid levels. If the IBRD/IDA were to increase substantially its loan level, the "panel" felt it would have to increase its non-project loans to countries like India since there would not be enough projects to finance unless the fraction of local costs that is financed were increased substantially. On the assumption that A.I.D. were to stop program loans, the "panel" felt it would be best for the IBRD/IDA to increase its proportion of non-project loans. One "panelist" said the IBRD/IDA would have to agree to finance fertilizer, which it now considers a "consumer good". The "panel" agreed there was no technical reason why the IBRD/IDA and IDB could not increase the share of local costs they finance and why IBRD/IDA could not increase the amount of its non-project loans.

Opera-ting no AID money at all

Technical Competence

The majority of the "panel" agreed that the IBRD/IDA had enough technical competence to change its geographic pattern of lending. One person felt that IBRD/IDA would need more competence to expand its lending in Africa.

Financial Terms

The "panel" agreed in not seeing much of a problem in each institution having different terms for the loans it provides to the same LDC, even though this discrepancy may lead to the "soft" lender paying off the debts to the "hard" lender. The important factors are that the average terms for all capital flows to the LDC be appropriate for its debt servicing capacity and that all donors have an agreed-upon policy as to treatment of such matters as debt relief and shares of net aid. Such a policy has, however, not been agreed upon for most LDC's.

Political Influence

The "panel" agreed that the technical people at the three institutions, especially the IBRD and the IMF, are free of the political interests of the various Executive Directors.

Field Missions

The "panel" considered whether it would be efficient for the institutions to have Field Missions, as distinct from the present occasional field representatives. It was noted that Field Missions can have at least six functions:

(i) To collect and analyze information for Washington. A majority of the "panel" believed that this function was necessary and that any of the large lenders--A.I.D., IBRD/IDA, IMF--could perform this function for all the others about equally well. Some "panelists" felt that a permanent Field Mission of 6 to 10 people would be adequate for this function.

(ii) To "develop" projects for capital loans. While some members of the "panel" felt a Field Mission increased the rate at which new project proposals are formulated, other members felt there was no evidence that A.I.D.'s project development was superior to that of the IBRD/IDA, IDB, or Eximbank.

(iii) To coordinate technical assistance. This function is discussed later in the report.

(iv) To audit and supervise project loans. The "panel" agreed there was no economic need for the multilateral institutions to have a Field Mission to perform this function. One "panelist" noted that having this function performed by on-the-spot personnel, with opportunities for informal contact as work is proceeding, does provide greater assurance of effective use of funds according to agreements, and fuller accountability to whatever source is providing the external funds.

(v) To provide advice and persuasion to LDC governments at the "staff level" on a continuous basis. While a majority of the "panelists" felt a continuous relationship on policy issues as distinct from technical assistance was necessary to build confidence and respect, some felt such a relationship was too paternalistic.

(vi) To provide advice and persuasion to the leaders of the LDC government. While the majority of the "panel" felt this increases the donors' leverage, a few felt it did not; the minority felt that in many cases one cannot find a qualified senior person to live in each major LDC. The "panel" agreed that short trips by Washington officials of the multilateral institutions help to force decisions by LDC governments which a continuous presence in the country cannot do, but some "panelists" felt these short visits were productive only because a Field Mission--normally A.I.D.--had done the preparation and provided the follow-up.

Leverage

?

The "panel" agreed that the bottlenecks on a more effective use of leverage by the IBRD/IDA and IDB are (1) reluctance to get involved in general economic issues and (2) reluctance to make program loans. The "panel" agreed that both IBRD/IDA and IDB effectively use leverage on issues relating directly to project loans. While the IDB refuses to consider general economic policies unless CIAP has considered them, the "panel" agreed that the IBRD/IDA is becoming more interested in general economic policies, especially in India and Latin America.

The IMF, of course, has always been interested in certain general economic issues, such as exchange rates and monetary and fiscal policies, and the "panel" agreed that the IMF's views do not conflict with our "development objectives" in those LDC's where there are IMF stand-bys. The IMF was praised for its recent work in a number of countries and for its general cooperation with A.I.D. and IBRD in Latin America, but it was said that the IMF and IBRD sometimes disagreed on general economic policy.

Trusteeship

The "panel" was asked to consider the following hypothetical "trustee" relationship for U. S. bilateral aid. The U. S. would transfer to the IBRD/IDA funds earmarked for certain LDC's over a four-year period, e.g., \$1 billion to India, \$300 million to Colombia, \$100 million to Ghana. The IBRD/IDA would be free to use these funds in any way it wished as long as it observed the specified geographic allocation. These U. S. funds would be additional to our share of the IDA replenishment and would not have to be matched by other countries. The "panel" was asked to assume that the "tying" of these funds to U. S. exports was settled in a way mutually satisfactory to the IBRD/IDA and the U. S. It might be noted that the IDB fills such a trustee relationship for funds from Canada, U. K., Sweden, Netherlands, and Germany, and the IBRD acts as a trustee for the Indus Basin funds.

The majority of the "panel" agreed that such a trustee relationship was technically possible for all DL and AL funds provided the IBRD/IDA (1) established a Field Mission to collect and analyze data, as A.I.D.'s Field Missions would presumably disappear and (2) agreed to do more non-project lending. As already noted, most of the "panel" felt the IBRD/IDA would also have to have permanent senior people in the LDC's to carry on continuous negotiations about changes in economic policy with the leaders of the LDC government, but a few "panelists" disagreed. Some "panelists" felt a Field Mission would also be necessary to develop capital projects, if the overall pace of LDC project activity and aid expenditures were not to slow down when A.I.D. activities were shifted to the IBRD/IDA as trustee. One "panelists" felt that the IBRD/IDA could handle about 75 percent of our Development Loans, but that at least 25 percent would probably have to remain bilateral in order to accommodate special political interests of the U. S. such as preemptive financing in cases where it is not considered in the U. S. interest to see the LDC accept financing from a Communist country.

The "panel" was divided on the wisdom of such a trustee relationship.

Some "panelists" felt that a bilateral economic aid program gives the U. S. diplomatic advantages in dealing with an LDC. Even though explicit political conditions are not part of the economic aid, the existence of the bilateral economic aid improves the "diplomatic atmosphere"--by demonstrating that the U. S. cares about the country's major problem--and a trustee relationship would not create this atmosphere. It is also possible to use bilateral aid more directly in pursuit of political objectives. Other "panelists" felt that the U. S. Ambassador might have to use a different approach in the short run if there were no bilateral aid program but that the long-range effects would help U. S. diplomatic efforts.

II. Technical Assistance

The bulk of multilateral technical assistance--about $200 million per year--is provided through the UN, but an examination of this activity was considered beyond the scope of this report. The IBRD, IDB and the IMF also provide technical assistance, either of a general nature, i.e., in the fields of planning, national accounts, fiscal and monetary policy, or specifically related to loan projects. Technical assistance related to sectors, such as agriculture, health and education, without being tied to capital projects is generally done by the different agencies of the UN. In the present context, the question might be raised as to the extent to which it would be possible for the multilateral lending agencies either to expand technical assistance in the areas in which they provide it now, or to branch out beyond these areas into fields similar to those now covered by the UN, other bilateral donors and A.I.D.

One "panelist" felt A.I.D.'s present technical assistance program differs so much from that of the IBRD/IDA and IDB that one could not realistically discuss the transfer of A.I.D.-type technical assistance programs to these institutions. We have included some discussion of the notion of having the multilateral lending agencies do additional technical assistance, without tying it to capital projects, for the purpose of sharpening the focus of the analysis on the differences between the two sources as to capabilities and motivation.

The question of the best ways of giving technical assistance is an extraordinarily complex one. And the few pages of this report devoted to it do not pretend to offer an exhaustive treatment.

A. Factual Background

The term technical assistance is used to cover everything from a one-week visit by an IMF expert who is negotiating changes in monetary policy to a 10-year project to develop a new wheat seed. Thus, one of the difficulties in analyzing technical assistance activities lies in their definition.

In FY 1966, the IDB authorized $25 million of what it calls technical assistance, of which $1 million was grants and $24 million was loans. About $20 million of this technical assistance was to "provide credit for private and public entities to finance general and sector studies, to prepare technical and financial feasibility studies of specific projects, and to formulate development project proposals for submission to domestic and international sources of financing." 1/ The IDB also spent about $1 million on development training courses, seminars, and planning activities.

Under its definition of technical assistance, the IBRD made grants of about $1 million and loans of about $1 million for feasibility studies; the Bank also served as the Executing Agency for about $7 million of pre-investment studies financed by the UNDP. The IBRD sends advisory teams to various LDC's (about$5 million), runs the Economic Development Institute for senior government officials (about $1 million), and undertakes various economic studies. 2/ The bulk of the IBRD's technical assistance no doubt occurs as part of its project loans, but no separate figures are available on which to base an estimate of this amount.

Much of the IMF's technical assistance is provided on a short-term basis to help countries prepare and implement new policies, draft central bank legislation, and develop financial statistics. In FY 1967, IMF staff members were, however, assigned for six months or more to 17 countries and one regional organization. The IMF also tries to find outside experts for LDC's and runs the IMF institute, which gives courses on financial analysis and policy.

In comparison with the technical assistance programs of these three institutions, A.I.D.'s technical assistance, according to the Operations Report, was $315 million in FY 1967. This figure excludes such items as $12 million for malaria eradication, some pre-investment and feasibility studies of $14 million, and $6.5 million to two Turkish universities, all of which were financed by Development Loans. Many of A.I.D.'s project loans also include some technical assistance, though one could discover its magnitude only by examining each loan in detail. A very rough guess would be that A.I.D. spends 5-10 times as much on technical assistance as these three multilateral institutions combined. As U. S. experts cost substantially more than those of other rich countries, the real value of A.I.D.'s technical assistance program does not exceed the combined total of the three multilateral institutions by as much as the respective financial figures suggest.

1/ Seventh Annual Report, Inter-American Development Bank, 166, p. 73.
2/ Annual Report 1966/67 (IBRD), pp. 14, 15, 70.

B. Panel Views

Efficiency

There was a consensus among the members of the "panel" that the three multilateral institutions provide their present technical assistance in an efficient way and that the IBRD/IDA and IDB integrate it well with their lending for capital projects.

Scope

There was also a consensus that their present technical assistance activities are rather narrow in scope, usually being directly linked to a capital project and rarely concerned with creating new institutions (except for the IMF's creation of Central Banks). ? DPC's

There was agreement that the IBRD/IDA and the IDB would each have to change its operations substantially if it were to do more of the kind of activities now carried out under A.I.D.'s technical assistance program, which is much more concerned with "institution-building". Most people felt the multilateral institution would have to have large field missions to coordinate all the technical experts and would face problems similar to those now faced by A.I.D. The "panel" also felt that the head of the Field Mission would have to speak with the authority that stems from his control over all technical assistance projects, for only in this way can he "persuade" the LDC government to break the bottlenecks impeding the efficacy of the technical assistance projects.

Financial Terms

While some "panelists" believed that all technical assistance should be on a loan basis, others felt that loans or grants make little difference in insuring that the technical assistance is efficiently used. Loans, of course, would increase the LDC's foreign debt, and one "panelist" noted that in most Latin American countries technical assistance loans would have to get legislative approval. One "panelist" noted that LDC's object to using loan funds to pay for foreign experts whose salaries they consider excessive. One "panelist" supported the idea that the LDC be given a "Technical Assistance Loan" and then buy its own technical experts. The majority of the "panel", however, felt that most LDC's would not pick the right kinds of technical assistance, and some believed that such a system would put them at the mercy of clever salesmanship by would-be contractors. Two "panelists" felt loans can be useful for technical assistance to implement the solution to a sectoral problem that both donor and LDC have agreed upon. This approach was used, for example, in loans to a Turkish university and for a mineral survey in Colombia.

Based on the interviews and our own experience, we would like to express our own view that in some cases, at least, the direct management of technical assistance activities appears to be rather expensive in terms of the administrative manpower needed and facilities provided in relation to the results achieved and that even when immediate control has been turned over to a university or other contractor, A.I.D. Missions will still find it necessary quite often to use their "leverage" with top LDC officials to get a technical assistance project "moving".

The majority of "panelists" agreed that in order to have the LDC provide the necessary local support to technical assistance activities it may be well to move increasingly in the direction of a system under which LDC's would have a greater stake in the success of these activities. One way to achieve this would be to have more loan financing of technical assistance activities. Another way would be to go somewhat beyond the system of loan financing of a project or even part of a sector, such as the Turkey $5 million higher education loan, to a system where the loan would encompass the financing of a still broader range of technical assistance needs. The activities would be programmed together but the LDC would hire its own experts, perhaps from a list of pre-qualified contractors. Some "panelists" strongly doubted the wisdom of this procedure for most LDC's at this time.

Risks

The "panel" felt that the IBRD/IDA would have to accept more risks if it were to carry out an A.I.D.-type technical assistance program. The Bank would have to move beyond providing technical assistance related to specific projects and would have to be willing to build institutions. Much of the preparatory work now done by A.I.D. would have to be done by the IBRD. For example, we were told that IDA in one country picked the institutions for education loans on the basis of which of them were getting technical assistance from A.I.D. and Ford.

The "panel" felt that IBRD/IDA and also the IMF tend to withdraw from situations where their advice is unheeded. A.I.D. does not have the "luxury" of withdrawal and stays with difficult situations and tries to improve them.

Trusteeship

In reply to the question as to whether IBRD/IDA and IDB could assume a larger part of the technical assistance functions related to development finance, the majority of the panel appears to believe that they could, provided that they change their philosophy in this area. Specifically, instead of merely reacting negatively to the occasional lack of receptivity on the part of the borrower, IBRD/IDA and IDB would have to take a greater interest in persuading the borrower to use the technical assistance needed. Second, IBRD/IDA and IDB would have to be prepared to provide at least some administrative field support and control of the experts on the spot. Finally, the IBRD/IDA and IDB would have to increase the amount of technical assistance that is unrelated to specific capital projects.

III. Coordination of Foreign Aid

In putting our questions on the coordination of foreign aid to the "panelists", we distinguished between two different areas where coordination can make total aid more effective. The first of these is coordination among the multilateral agencies, primarily between the World Bank and the Fund. The second is the over-all coordination of bilateral donors that the World Bank or the Fund perform within the framework of a consortium, a consultative group or other multilateral coordination arrangements.

A. Coordination between IBRD and IMF.

Coordination between these two sources of funds, all "panelists" agreed, was needed whenever the IBRD, explicitly or by implication, gives over-all policy advice to borrowers. Generally, the IBRD has shied away from using its leverage for changes in the borrower's general economic and financial policy. All "panel" members consulted mentioned this reluctance as a serious shortcoming in the Bank's activities. However, the Bank's official reluctance to intervene with over-all policy advice seems not to have prevented members of the Bank field missions from making at least informal appraisals of a country's situation. Nor do IBRD reports on countries' creditworthiness normally leave any doubt as to the measures the Bank thinks a borrower should take to narrow its balance of payments gap. Finally, the IBRD can speak its mind if it chooses, in the consortia and consultative groups in support of the Fund's views. For all these reasons, coordination between the two agencies is needed to maximize the policy leverage of foreign aid.

The consensus among the "panelists" who had observed IBRD/IMF relations in the field is that coordination between them has been fairly good in recent years. In the opinion of those consulted, both organizations appear to have adhered to the spirit of the statement agreed in December 1966 by President George Woods and the Director of the Fund, Pierre-Paul Schweitzer. The statement was designed to strengthen cooperation between their two organizations. It specifically provided that the Fund consult the Bank whenever it was giving advice on long-term development and reconfirmed the Fund's responsibility for counsel or rates of exchange.

Some of those we consulted drew our attention, nevertheless, to cases where effective coordination between the Bank and Fund had been lacking. In these instances, the Bank was usually more optimistic as to the prospects of the borrower. At least, the Bank has not, through explicit or implied policy advice, been as stringent as either the Fund or, in some cases, the USAID, would have wanted it to be.

The failure to act in concert probably was as much the result of honest differences of opinion as it was the outcome of the Bank's philosophy of neutrality.

The majority of the "panel" agreed that there are examples of excellent coordination and cooperation: Tunisia, Colombia and, most recently, Ghana.

In Tunisia, after the IBRD's study drew attention to the increasingly heavy burden of suppliers' credits, the IMF in its stand-by agreement took care to include a restriction on this form of financing.

In Colombia, the Bank helped to achieve tight over-all policy coordination between its own advice and that of the IMF and the USAID.

Finally, in Ghana, the Fund and Bank, supported by A.I.D. cooperated in planning a multilateral approach to stabilization and development problems. The IBRD devised guidelines for Ghana's development program and investment policies. The IMF set the stage for monetary and fiscal restraint and for limitations on suppliers' credits.

B. The Consortia and Consultative Groups

The U. S. has initiated or supported the establishment of consortia, where members actually pledge specified amounts of aid, and consultative groups, which is a looser form of aid coordination. The primary purpose of U. S. support has been our policy to encourage other donors to tailor their aid to the requirements of recipients and to improve the performance of both. In most cases it has been the IBRD, in some, the OECD and, more recently, the IMF that has sponsored the coordination arrangement. The burden of administering the mechanism and of providing the analytical staff work has usually been borne by one or other of the multilateral agencies, especially the IBRD.

Factual Background

From 1960 to 1966 the volume of foreign aid channelled through coordination arrangements rose from \$1.0 billion to \$2.7 billion. The number of consortia and consultative mechanisms--there were only two at the beginning of that period--rose to eighteen by 1967. Only one (Sudan) of the twelve consultative groups--there were four consortia and two *ad hoc* groups

(Indonesia, Ghana)--had become dormant and two (East Africa and Morocco) had been established too recently to show disbursements (Table 6).

While net disbursements through consortia and consultative groups from all sources almost tripled during the sevend year period, 1960-1966, the contribution of the U. S. through these arrangements rose from about $0.8 billion in 1960 to $1.5 billion in 1966. The net disbursements of other DAC countries and multilateral agencies through the coordination arrangements rose from $0.3 billion in 1960 to $1.2 billion in 1966 (Table 6). The U. S. in 1966 still provided a greater total amount of aid through consortium and consultative group arrangements than did the rest of the DAC group and the IBRD but these latter sources that year provided four times as much aid through consortia and consultative groups than they had in 1960. On the face of it, at least, the U. S. and the IBRD together were successful in having the other DAC countries increase the flow of official aid resources that were channelled through coordination arrangements. These arrangements now account for about 44 percent of total aid disbursements as compared to 41 percent in 1960.

The increase from 1960 to 1966 of total aid to consortium and consultative group countries, compared to the increase in aid channelled through coordination arrangements, was less striking. While total aid flows from bilateral and multilateral sources rose by almost 50 percent, aid to countries that at one time or another became subject to coordination arrangements rose by about 60 percent. Again, the increase in aid from the other DAC countries and the IBRD was considerably larger (almost 130 percent) than was the increase in aid from the U. S. (about 20 percent) during the period.

Views

There was general agreement, it seemed, among those consulted, that the institution of consortia and consultative groups has been helpful in focussing donor attention on the problems of specific borrowers. Some, especially in the Latin American area, hoped that the system would be extended to additional countries.

Some "panel" members emphasized the salutory effect of a donor consensus on the LDC's attitude towards its own policy needs and hence its willingness to act in accordance with donor policy advice.

Almost all of those consulted repeated the view, expressed also in other contexts, that the effectiveness of the consortia and consultative groups with respect to borrowers' performance could be much enhanced if the IBRD became less reluctant to join either the IMF or other donors in providing over-all policy advice to borrowers.

IV. Other Donors' Views on More Multilateralization of Aid

The attitude of other donors on channelling more of their aid through multilateral agencies is at least one of the factors that enter the consideration as to whether increased multilateralization of its own aid would be in the U. S. interest.

A. Factual Background

Overall Flows

There are two statistical ways of looking at multilateral aid flows: (1) from the recipients' point of view, including the multilateral agencies and (2) from the point of view of the donors.

In 1966 about 57 percent of all the funds received by LDC's through coordination arrangements (consortia, consultative groups, and funds, such as Indus Basin) came from the U. S. About 28 percent was contributed by the other DAC donors and about 15 percent by the multilateral agencies. Of the total flows of funds to multilateral lending agencies, about 18 percent came from the U. S. and about 82 percent from other DAC donors. In 1967, this ratio is expected to change substantially in favor of the flow of funds from the U. S. (see Table 7).

Looked at the other way, i.e., from the point of view of the donors, the U. S. in 1966 directed only 2.4 percent of its total aid to the multilateral agencies, while the rest of DAC contributed the remainder. But 1966 was an unusual year for the U. S., in part because of a change in definition, and the U. S. is estimated to increase its share of total aid to multilateral agencies in 1967 to approximately 8 percent (see Table 8).

Multilateral Aid, by Donors

Of the fourteen other DAC countries, nine channelled less than 20 percent of their aid through multilateral lending agencies in 1966. As a group these donors represented 39 percent of total official DAC aid. The group included the four major donors, France, U. K., Germany and Japan, as well as five of the remaining DAC countries (see Table 9).

In the same year, another five of the DAC donor countries each contributed more than 20 percent of their aid through multilateral agencies. However, their total aid, bilateral and multilateral, amounted to only 4 percent of total official DAC aid. This group consisted of Italy, Netherlands, Sweden, Norway and Denmark. For the U. S. also, the share of its total official aid made available through coordination arrangements, including the multilateral agencies themselves, amounted to 44 percent.

Adding together the contributions to the multilateral agencies and aid through a coordinated framework of one type of another, 42 percent of all DAC official aid in 1966 was provided on a multilateral basis. Judging by the attitudes of the majority of the DAC countries, it should not be difficult to increase the share of aid going through a multilateral framework in the next few years.

B. Donor Views on More Multilateralism

With few exceptions, other donors' attitudes toward more multilateralization are distinguishable in terms of emphasis rather than in terms of definite positions, pro or con. Nor are there available clear indications of donors' views in all cases. To some extent, therefore, our estimates of the prospects of multilaterally useable funds from individual donors are based not so much on policy statements as the geographic distribution of their aid or the budgetary context in which aid was provided.

Aid through Multilateral Lending Agencies

Ten of the fourteen other DAC countries can be considered as definite or, at least, qualified supporters of an increase in aid through multilateral institutions. This view is based primarily on the positions these countries took in the course of ADB and IDA negotiations and on their contributions to IDB.

Countries that are favorably disposed toward aid coordination still tend to give priority consideration to joining arrangements for LDC's where their commercial or political interests are stronger than elsewhere.

Whether other donors would join the U. S. in any deliberate increase in official contributions to multilateral institutions can be gauged to some extent by their attitude during the IDA negotiations last November, i.e., prior to the final agreement in 1968. The positions taken on amounts were probably influenced by prospective donors' views on balance of payments safeguards, and above all, by their degree of engagement within EEC. However, attitudes in the IDA context still tend to reflect their general position toward increased multilateralism.

Aid through Multilateral Special Funds and Other Arrangements

There has been varying interest on the part of the other DAC countries in the Special Funds of the new regional banks and in such arrangements as the Indus Basin Development Fund.

On the whole, most of the major donors and some of the minor donors have shown initial readiness to join the U. S. in contributing to special funds already established. Other donors appear to be more reluctant to exclude themselves when a contribution to a whole region rather than a single country is involved.

Asian Development Bank Special Funds - There is now before Congress a proposal to contribute up to $200 million for a four-year period. This would represent a minority of the total resources for the Special Funds. So far, only Japan and the Netherlands have also offered definite amounts, $100 million over 5 years, and $1.1 million as an initial contribution respectively. Canada and, reportedly, others have expressed an interest in a special fund contribution.

African Development Bank Special Funds - The U. S. has expressed readiness to contribute its fair share. Canada, the U. K., Japan, Italy, Switzerland and Sweden have indicated an interest in the Fund. The ADB has asked for minimum $10 million contributions and the U. S. preliminary proposal of a $60 million minority share over a three-year period would permit a total fund of $150 million.

Inter-American Development Bank - Beginning in 1968, IDB is adopting measures to mobilize resources from non-member countries. The new measures will include a system under which eligibility for procurement under IDB loans is related to the amount of resources provided by non-member countries. They are designed to increase non-member bond purchases, funds entrusted to IDB for administration, participation in Bank loans and the so-called parallel financing where the IDB and the donor country each lend for the same project. As of June 30, 1967, IDB borrowings in Germany, Italy, Japan, U. K. and Switzerland totalled $92.8 million. Participations totalled $1.4 billion. Fund in Administration or under parallel financing arrangements include a $37 million concessional tied trust fund and a $13.5 million tied parallel financing arrangement by Canada, an $8.25 million untied trust fund by Germany, a $5 million untied trust fund by Sweden and a partially untied parallel financing arrangement of $10 million by the Netherlands. The U. K. has also established a trust fund of $11.6 million for concessional loans none of which had been committed by June 30, 1967. !! ✓

Other - The IBRD administers funds under the Indus Basin and Nam Ngum Development Funds, totalling over $1 billion and $24 million, respectively. The Tarbela Development Fund Agreement which is an extension of the Indus Basin Fund, will total $498 million.

Aid through Consortia and Consultative Groups

If anything, the division of opinions among the other DAC countries on leading more of their aid through consortia and consultative groups is less definite than are the differences in views on channelling more aid through multilateral institutions.

Present and probably also future attitudes towards consortia and consultative groups are based more often than not on the donor countries' geographic, i.e., political or commercial interests.

For some countries there are indications toward a more flexible attitude. Belgium is beginning to expand its aid, for example, to the consultative group countries of Morocco and Tunisia. It is also becoming more interested in aid to Latin America and has made a substantial contribution to coordinated aid to Indonesia. France itself has begun to increase its aid to non-franc countries. This, in turn, should lead to a more flexible attitude on the part of France toward coordinating its aid through consultative group arrangements.

The Netherlands, Sweden, Norway, and, though less enthusiastically, Italy and Austria appear to be in favor of seeing an increasing amount of their aid channelled through coordination arrangements.

The intermediate group consists of the U. K., Canada, Australia, Japan and Germany. The three Commonwealth countries will be more likely to join consultative groups if established in other Commonwealth countries, or in the case of Canada, the Caribbean area. Germany has been more articulate than others in its opposition to additional consortia. But with respect to consultative groups its attitude continues to be more flexible.

TABLE 1

LOAN COMMITMENTS AND DISBURSEMENTS BY INSTITUTION
CY 1966
(millions of dollars)

	Commitments (1)	Gross Disbursements (2)	Gross Disbursements as a % of Commitments (2)/(1)	Net Disbursements 1/ (3)	Net Disbursements as a % of Commitments (3)/(1)
IBRD	603	564	94%	348	58%
IDA	457	273	60	273	60
IBRD/IDA	1,060	837	79	621	59
IDB	396	142	36	128	32
IMF 2/ (FY 1967)	497	135	27	-204	-41
A.I.D. 3/ (FY 1967)	1,109	1,138	103	1,035	93
OECD Bilateral Excl. US 4/	1,637	1,317	80	850	52

1/ Net of principal repayments or currency repurchases (for IMF).
2/ New and renewed stand-bys.
3/ Development Loans and Alliance Loans.
4/ Includes all loans--including official export credits.

Sources: Development Assistance Efforts and Policies 1967 (DAC)
Operations Report (A.I.D.)
1967 Annual Report (IMF)

TABLE 2

LOAN COMMITMENTS BY REGION AND SELECTED COUNTRIES
($ million)

	IBRD FY 1967		IDA FY 1967		IBRD/IDA FY 1967		IMF 1/ FY 1967		IDB FY 1966		A.I.D. 2/ FY 1967		OECD Bilateral Excl. U.S. 3/ CY 1966	
	Amount (1)	Percent (2)	Amount (3)	Percent (4)	Amount (5)	Percent (6)	Amount (7)	Percent (8)	Amount (9)	Percent (10)	Amount (11)	Percent (12)	Amount (13)	Percent (14)
Latin America	282	45	2	1	284	29	168	37	396	100	439	40	285	21
Brazil	101	16	0	0	101	10	30	7	99	25	198	18	31	2
Chile	60	10	0	0	60	6	0	0	46	12	13	1	42	3
Colombia	25	4	0	0	25	3	60	13	23	6	100	9	9	1
Peru	10	2	0	0	10	1	0	0	43	11	17	2	67	5
Central America	33	5	0	0	33	3	13	3	34	9	49	4	83	6
NESA	126	20	261	74	387	39	60	13	0	0	501	45	641	47
India	30	5	215	61	245	25	0	0	0	0	203	18	259	19
Pakistan	35	6	28	8	63	6	0	0	0	0	130	12	140	10
Turkey	10	2	15	4	25	3	27	6	0	0	135	12	72	5
East Asia	134	21	0	0	134	14	73	16	0	0	71	6	177	13
Korea	0	0	0	0	0	0	18	4	0	0	61	6	57	4
Indonesia	0	0	0	0	0	0	0	0	0	0	0	0	89	7
Africa	87	14	91	26	178	18	151	33	0	0	98	9	260	19
Ghana	0	0	0	0	0	0	36	8	0	0	22	2	21	2
Sudan	0	0	0	0	0	0	29	6	0	0	4	0	7	1
Tunisia	12	2	19	5	31	3	10	2	0	0	23	2	19	2
TOTAL LDC's	629	100	354	100	983	100	452	100	396	100	1,109	100	1,363	100

1/ New and renewed stand-bys.
2/ Development Loans and Alliance Loans.
3/ Includes all loans--including export credits over five years.

Sources: Annual Reports, IBRD/IDA, IMF, IDB
Operations Report, A.I.D.
DAC Memoranda.

TABLE 3

LOAN COMMITMENTS BY SECTOR
($ millions)

	IBRD FY 1967		IDA FY 1967		IBRD/IDA FY 1967		IDB FY 1966		A.I.D.1/ FY 1967	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
I. Project Loans										
Agriculture	61	10	26	7	87	9	108	27	68	6
Industrial Development Banks	60	10	15	4	75	8	50	13	54	5
Other Industry and Mining	60	10	0	0	60	6	4	1	66	6
Power	297	47	0	0	297	30	30	8	104	9
Transportation	95	15	33	9	128	13	28	7	100	9
Water and Sewerage	0	0	2	1	2	0	64	16	42	4
Housing	0	0	0	0	0	0	47	12	6	1
Education	16	3	36	10	52	5	29	7	30	3
Others	40	6	2	1	42	4	36	9	31	3
II. Sector Loans										
Education	0	0	0	0	0	0	0	0	10	1
III. Program Loans	0	0	240	68	240	24	0	0	598	54
TOTAL	629	100	354	100	983	100	396	100	1,109	100

1/ Development Loans and Alliance Loans.

Sources: IBRD and IDB - Annual Reports
A.I.D. - Operations Report

TABLE 4

COMPARISON OF 1966 OFFICIAL AID FLOWS[1]/ WITH
PROJECTIONS OF 1970 AND 1972 FLOWS[2]/
(millions of dollars)

	1966			1970 (projection)			1972 (projection)		
	Bilateral	Multi-lateral	Total Official	Bilateral	Multi-lateral	Total Official	Bilateral	Multi-lateral	Total Official
Australia	115	14	129	154	17	171	235	26	261
Austria	30	7	37	41	8	49	58	12	70
Belgium	67	14	81	78	18	96	84	20	104
Canada	180	28	208	253	31	284	369	46	415
Denmark	10	16	26	32	31	63	46	45	91
France	696	27	723	825	43	868	905	48	953
Germany	454	36	490	484	72	556	639	96	735
Italy	31	90	121	120	76	146	134	29	163
Japan	235	51	286	356	58	414	550	89	639
Netherlands	51	15	66	55	22	77	60	25	85
Norway	5	8	13	15	26	41	22	37	59
Portugal	22	2	24	28	3	31	32	3	35
Sweden	24	33	57	38	38	76	55	56	111
U. K.	446	56	502	484	60	544	525	65	590
Total Excluding U. S.	2,366	397	2,763	2,963	453	3,416	3,714	597	4,311
U. S.	3,548	86	3,634	3,745	282	4,027	5,453	410	5,863
TOTAL DAC	5,914	483	6,397	6,708	735	7,443	9,167	1,007	10,174

1/ Net Disbursements.
2/ 1970 and 1972 Projections of National Income of the DAC members are projected by applying OECD estimates of growth rates to 1966 figures on national income (Economic Growth 1960-1970 - OECD/Paris, 1966).

TABLE 5

LOAN COMMITMENTS, Amounts in Million Dollars

Loan Size	IBRD-FY 67		IDA-FY 67		IBRD/IDA-FY 67		IDB-FY 66		IMF-FY 67 1/		AID-FY 67 2/	
	Number (1)	Amount (2)	Number (3)	Amount (4)	Number (5)	Amount (6)	Number (7)	Amount (8)	Number (9)	Amount (10)	Number (11)	Amount (12)
Over $100 million	0	0	2	215	2	215	0	0	0	0	1	132
$75-100 million	(5) 3/	101 3/	0	0	(5) 3/	101 3/	0	0	0	0	2	200
$50-74 million	1	60	0	0	1	60	0	0	3	165	3	185
$25-49 million	5	147	1	25	6	172	0	0	5	147	3	97
$10-24 million	17	240	5	59	22	299	17	229	5	77	16	230
$5-9 million	9	65	6	42	15	107	15	103	8	59	19	131
Total Above	37	613	14	341	51	953	32	332	21	446 4/	44	975
Less than $5 million	5	19	6	13	11	30	36	67	2	6	70	137
Total	42	629 4/	20	354	62	983	68	396 4/	23	452	114	1,109 4/

1/ New and renewed stand-bys.
2/ Development Loans and Alliance Loans
3/ Actually five power loans to Brazil for a total of $101 million.
4/ Does not add because of rounding.

Sources: Annual Reports, IBRD/IDA, IMF, IDB, Operations Report - AID.

Table 6

OFFICIAL NET DISBURSEMENTS OF AID TO COORDINATION COUNTRIES, CY 1960-66 (Millions U.S. $)

Official Aid - CY	1960	1961	1962	1963	1964	1965	1966	% Change 1960-1966
TOTAL BILATERAL/MULTILATERAL	4554	5505	5850	6363	6239	6629	6901	+ 51.5%
U.S. Bilateral	2578	3245	3398	3557	3241	3463	3548	+ 37.6%
Other DAC Bilateral	1694	2039	2040	2152	2234	2288	2367	+ 39.7%
Multilateral Agencies	282	221	412	654	764	878	986	+249.6%
U.S.%	56.6%	58.9%	58.1%	55.9%	51.9%	52.2%	51.4%	
CONSORTIA RECIPIENTS								
Total	1222	1186	1382	1738	1920	2045	1855	+ 51.8%
U.S.	903	793	1094	1333	1395	1346	1065	+ 17.9%
Other DAC	268	338	215	313	402	404	531	+ 98.1%
Multilateral	51	55	73	92	123	295	259	+407.8%
U.S.%	73.9%	66.9%	79.2%	76.7%	72.7%	65.8%	57.4%	
CONSULTATIVE GROUP RECIPIENTS								
Total	547	742	747	772	747	903	917	+ 67.6%
U.S.	411	512	481	478	375	441	453	+ 10.2%
Other DAC	99	175	178	202	242	357	302	+205.1%
Multilateral	37	55	88	92	130	105	162	+337.8%
U.S.%	75.1%	69.0%	64.4%	61.9%	50.2%	48.8%	49.4%	
OTHER COORDINATION RECIPIENTS								
Total	99	132	182	150	115	120	199	+101.0%
U.S.	54	64	98	94	43	34	94	+ 74.1%
Other DAC	41	61	74	38	48	66	97	+136.6%
Multilateral	4	7	10	18	24	20	8	+100.0%
U.S.%	54.5%	48.5%	53.8%	62.7%	37.4%	28.3%	47.2%	
TOTAL COORDINATION								
Total	1868	2060	2311	2660	2782	3068	2971	+ 59.0%
U.S.	1368	1369	1673	1905	1813	1821	1612	+ 17.8%
Other DAC	408	574	467	553	692	827	930	+127.9%
Multilateral	92	117	171	202	277	420	429	+366.3%
U.S.%	73.2%	66.5%	72.4%	71.6%	65.2%	59.4%	54.3%	

Table 6 - continued

Begins 1st Year in Which Coordination Group Established

		1960	1961	1962	1963	1964	1965	1966
INDIA:	Total	781	664	729	973	1201	1287	1229
	U.S.	524	376	535	740	862	857	744
	Other DAC	212	244	132	163	251	226	343
	Multilateral	45	44	62	70	88	204	142
PAKISTAN:	Total	262	267	393	505	518	523	391
	U.S.	239	222	329	382	379	331	198
	Other DAC	15	31	49	101	115	123	121
	Multilateral	8	14	15	22	24	69	72
TURKEY:	Total	134	186	226	220	158	185	194
	U.S.	108	162	209	178	123	130	117
	Other DAC	29	27	20	44	31	46	53
	Multilateral	-3	-3	-3	-2	4	9	24
GREECE:	Total	45	69	34	40	43	50	41
	U.S.	32	33	21	33	31	28	6
	Other DAC	12	36	14	5	5	9	14
	Multilateral	1	*	-1	2	7	13	21
NIGERIA:	Total	40	33	30	16	53	95	98
	U.S.	3	5	12	15	25	26	30
	Other DAC	29	26	18	4	18	42	42
	Multilateral	8	2	*	-3	10	27	26
TUNISIA:	Total	52	94	70	85	72	92	72
	U.S.	51	77	53	38	45	54	39
	Other DAC	--	15	17	44	22	33	25
	Multilateral	1	2	*	3	5	5	8

Begins 1st Year in Which Coordination Group Established

		1960	1961	1962	1963	1964	1965	1966
COLOMBIA:	Total	-5	66	74	106	102	62	101
	U.S.	-8	53	43	67	37	34	58
	Other DAC	*	*	1	*	3	1	2
	Multilateral	3	13	30	39	62	27	41
SUDAN:	Total	33	24	21	19	25	30	19
	U.S.	16	17	11	9	9	9	2
	Other DAC	11	-3	-3	2	6	16	8
	Multilateral	6	10	13	8	10	5	9
THAILAND:	Total	51	39	53	42	34	47	53
	U.S.	43	28	32	30	18	26	21
	Other DAC	--	1	4	5	12	20	28
	Multilateral	8	10	17	7	4	1	4
MALAYSIA:	Total	11	12	23	-3	1	21	49
	U.S.	1	2	11	--	--	--	6
	Other DAC	8	9	3	-4	1	21	21
	Multilateral	2	1	9	1	--	--	22
KOREA:	Total	250	230	236	262	173	220	212
	U.S.	249	228	234	239	158	165	166
	Other DAC	1	2	2	10	12	53	44
	Multilateral	*	*	*	13	3	2	2
PERU:	Total	-10	-15	16	22	41	71	64
	U.S.	-10	-18	7	8	17	32	30
	Other DAC	*	*	*	*	1	21	18
	Multilateral	*	3	9	14	23	18	16

Table 6 - continued

Begins 1st Year in Which Coordination Group Established

		1960	1961	1962	1963	1964	1965	1966
ECUADOR:	Total	15	16	17	17	18	20	27
	U.S.	6	11	12	14	17	17	20
	Other DAC	*	--	*	1	*	1	1
	Multilateral	9	5	5	2	1	2	6
CEYLON:	Total	14	14	18	15	12	16	30
	U.S.	8	9	8	4	4	4	5
	Other DAC	3	3	5	7	5	10	26
	Multilateral	3	2	5	4	3	2	-1
MOROCCO:	Total	60	112	79	96	104	114	93
	U.S.	60	98	49	49	39	51	47
	Other DAC	*	13	30	44	61	53	33
	Multilateral	*	1	*	3	4	10	13
EAST AFRICA:	Total	50	131	128	110	124	131	129
	U.S.	*	11	17	9	10	27	34
	Other DAC	50	112	106	96	106	96	80
	Multilateral	*	8	5	5	8	8	15
GHANA:	Total	2	3	6	27	36	61	84
	U.S.	2	2	2	13	8	33	62
	Other DAC	1	1	4	4	11	12	14
	Multilateral	-1	*	*	10	17	16	8
INDONESIA:	Total	83	115	158	108	67	43	85
	U.S.	44	53	88	77	31	-3	27
	Other DAC	37	57	65	27	32	44	57
	Multilateral	2	5	5	4	4	2	1

* Less than $50,000.

TABLE 7

1966 Official Assistance Through Multilateral Agencies and Coordination Arrangements (Net Disbursements)
(Amounts in Millions of U.S. Dollars)

	U.S.		OTHER DAC		MULTILATERAL AGENCIES		TOTAL	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Contributions to Multilateral Agencies:	86	17.8 e/	398	82.2	----		----	
Multilateral Coordination Arrangements:	1537	56.7	745	27.5	429	15.8	2711	100.0
Consortia a/	1065	57.4	521	28.1	269	14.5	1855	100.0
Consultative Groups b/	373	51.8	207	28.8	140	19.4	720	100.0
Multilateral Funds c/	99	72.8	17	12.5	20	14.7	136	100.0
Sub-Total d/	1623	58.7	1142	41.3	429	----	(2711) f/	-----
Aid Outside of Coordination Arrangements g/	2011	46.1	1617	37.1	734	16.8	4363	100.0
Total Official Flow	3634	56.8	2760	43.2	1163		(7074) f/	

a/ India, Pakistan, Turkey, Greece
b/ Colombia, Nigeria, Sudan (Inactive), Tunisia, Malaysia, Thailand, Korea, Peru, Ecuador, and Ceylon Aid Group.
c/ Indus Basin Development Fund, Social Progress Trust Fund
d/ Excludes programs of Alliance for Progress other than consultative groups.
e/ Due to timing of encashments contributions were unusually low in 1966. Estimated contributions for 1967 are $300 million or 42.8% of DAC total official flow.
f/ Excludes Contributions to Multilateral Agencies since total equals flows to LDC's.
g/ Outflows additional to total from contributions and coordination arrangements.

TABLE 8

Official Assistance Through Multilateral Agencies and Coordination Arrangements (Net Disbursements)-CY 1966

(Amounts in Millions of U.S. Dollars)

	U.S. Amount	U.S. Percent	OTHER DAC Amount	OTHER DAC Percent	TOTAL DAC Amount	TOTAL DAC Percent	MULTILATERAL AGENCIES Amount	MULTILATERAL AGENCIES Percent	TOTAL Amount	TOTAL Per.
Contributions to Multilateral Agencies:	86	2.4 e/	398	14.4	484	7.6	----	----	----	----
Multilateral Coordination Arrangements:	1537	42.3	745	27.0	2282	35.7	429	36.8	2711	38.3
Consortia a/	1065	29.3	521	18.9	1586	24.8	269	23.1	1855	26.2
Consultative Groups b/	373	10.3	207	7.5	580	9.1	140	12.0	720	10.2
Multilateral Funds c/	99	2.7	17	.6	116	1.8	20	1.7	136	1.9
Sub-Total d/	1623	44.7	1142	41.4	2765	43.2	429	36.9	(2711) f/	(38.3)
Aid Outside of Coordination Arrangements: g/	2011	55.3	1617	58.6	3629	56.8	734	63.1	4363	61.7
Total Official Flow	3634	100.0	2760	100.0	6394	100.0	1163	100.0	(7074) f/	(100.0)

a/ India, Pakistan, Turkey, Greece

b/ Colombia, Nigeria, Sudan (Inactive), Tunisia, Malaysia, Thailand, Korea, Peru, Ecuador, and Ceylon Aid Group.

c/ Indus Basin Development Fund, Social Progress Trust Fund

d/ Excludes bilateral programs of Alliance for Progress

e/ Due to timing of encashments, contributions were usually low in 1966. Estimated contributions for 1967 are $300 million or 7.1% of the U.S. total official flow.

f/ Excludes contributions to Multilateral Agencies since total equals flows to LDC's. Total may not add due to rounding.

g/ Outflows additional to total from contributions and coordination arrangements.

NET OFFICIAL FLOWS TO LDC'S, TO MULTILATERAL AGENCIES AND THROUGH MULTILATERAL FRAMEWORK - CY 1966
(dollar millions)

	Bilateral Aid 1/		Disbursements to Multilateral Agencies		Aid through Multilateral Framework 2/		Total	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Major Donors								
France	670	93	27	4	26	3	723	100
U. K.	263	52	56	11	183	36	502	100
Germany	269	55	36	7	185	38	490	100
Japan	121	42	51	18	113	40	286	100
Canada	30	14	28	13	151	73	208	100
Other Donors								
Australia	94	73	14	11	21	16	129	100
Italy	12	10	90	74	19	16	121	100
Belgium	66	81	14	17	1	1	81	100
Netherlands	33	50	15	23	18	27	66	100
Sweden	13	23	33	58	11	19	57	100
Austria	19	51	7	18	11	30	37	100
Denmark	4	15	16	62	6	23	26	100
Portugal	22	92	2	8	-	-	24	100
Norway	2	15	8	61	3	23	13	100
Total DAC Excluding U.S. 3/	1,617	59	398	14	745	27	2,760	100
U. S.	2,011	55	86	2	1,537	42	3,634	100
TOTAL DAC 3/	3,628	57	484	7	2,282	36	6,394	100

1/ Bilateral aid in this instance is that which is given strictly on a bilateral basis, i.e., through no coordinating arrangement of any kind. As such, it is not comparable to any other statistics on bilateral aid.
2/ Does not include contributions to multilateral agencies.
3/ Totals do not always add due to rounding.
Source: 1967 Annual Aid Review Statistical Tables.

ANNEX I

COMPENSATORY FINANCING

The Compensatory Financing Scheme of the IMF was established in 1963 to assist those countries whose total export earnings in a particular year fall below "the medium-term trend", which is calculated as the estimated five-year moving average centered on the shortfall year. A country may draw up to 50 percent of its IMF quota, though not more than 25 percent of the quota may normally be drawn in any 12-month period. In early 1968, the LDC's had combined IMF quotas of $4.9 billion, and thus the potential total borrowing under this scheme is almost $2.5 billion.

Loans are to be repaid within 3 - 5 years, with the interest rate ranging from 2 percent to 3.5 percent per annum, depending on the country's total borrowings from the IMF.

As shown in the table, between 1963 and mid - 1966 only three drawings were made under this scheme, for a total of $87 million. In September 1966 the scheme was liberalized, mainly by increasing the amount that could be drawn and by changing the repayment provisions. Since September 1966 there have been 9 drawings under the scheme by LDC's for a total of $191 million.

Most of the "panel" had had no experience with the Compensatory Financing Scheme. Of those that had an opinion, the majority felt that it was working well and that the IMF was giving the LDC's the benefit of the doubt on requests for assistance; one person felt the decisions were too ad hoc and that LDC's were being discouraged from using the scheme.

DRAWINGS UNDER COMPENSATORY FINANCING SCHEME BY LDC'S

Year	Country	Amount ($ million)
1963	Brazil	60
	UAR	16
1964	None	
1965	Sudan	11
1966	Dominican Republic	7
	Ghana	17
1967 1/	Burma	8
	Ceylon	20
	Colombia	19
	Haiti	2
	India	90
	Iraq	18
	Syria	10
	Total above:	$278

1/ Iceland and New Zealand drew a total of $33 million in 1967.

Source: International Financial Statistics

PROJECTED COMMITMENTS TO MULTILATERAL AGENCIES

In the text, on the basis of known increases in commitment levels projected for IDA and the IDB, multilateral agency commitments are estimated to rise from $1.4 billion in 1966 to $1.5 billion in 1970.

That projection can be broadened to include activities of the Asian and African Development Banks and the EEC Development Fund, even though their availabilities are less certain. The increase in their availabilities and of those of IDA and IDB can be estimated on the basis of DAC country commitments to this broadened list of multilateral agencies. The commitments by DAC countries to these agencies (see attached table) are projected to rise from $729 million in 1966 to $1,075 million in 1976, i.e., by $350 million.

This projected increase in donor commitments to the multilateral lending agencies would permit a greater increase in multilateral agency lending than the $0.1 billion increase from $1.4 billion to $1.5 billion based strictly on the known rise in the IDA and IDB commitment level.

DAC COUNTRY COMMITMENTS TO MULTILATERAL AGENCIES, 1966 AND ESTIMATED 1970 (Millions of U.S. $)

	1966						1970					
	IBRD	IDA	IDB	ASDB	AFDB	EEC	IBRD[a/]	IDA[b/]	IDB[c/]	ASDB[d/]	AFDB[e/]	EEC[f/]
Australia		7		9				8		17		
Austria	1	2		1				3		1		
Belgium		6		1		7		7		1		14
Canada		14		3				25		5		
Denmark		3		5				4		1		
France		21				14		32				49
Germany	3	24		3		85		39		7		49
Italy		10		2		27		16		4		20
Japan		14	10	20				33		40		
Netherlands		6		1		13		10		2		13
Norway		2		1				4		1		
Portugal												
Sweden		10		1				17		1		
U.K.		32		3				52		6		
Total Excluding U.S.	4	149	10	47		145	4	250	10	86	30	145
U.S.		104	250	20				160	300	70	20	
Total DAC	4	253	260	67		145	4	410	310	156	50	145

Total 1966 DAC Country Commitments:	$729
of which U.S.:	374
Others	355

Total 1970 DAC Country Commitments:	$1075
of which U.S.:	550
	525

a/ Based on 1966.
b/ Second IDA replenishment and supplementary contributions.
c/ Based on 1966 ordinary capital and increased U.S. contribution to FSO.
d/ Subscriptions and special fund in equal amounts.
e/ Based on $150 million three-year special fund of which U.S. contribution 40 percent.
f/ Based on replenishment in same amount and shares of Second European Development Fund.

FILES.

Mr. Andrew M. Kamarck
(through Mr. George Kalmanoff)
John Hulley JH

April 17, 1968

Study on "Multilateral Regional Financing Institutions".

The above study has been distributed in the Bank, and Mr. Rist tells me that he has received a number of favorable comments from E.Ds. Twenty-five copies have also been sent to Paris to be available for the DAC meeting on Multilateral Organizations, scheduled on May 7th. Would it be suitable to submit this to the Editorial Committee for consideration for publication as an Occasional Paper or Study?

Sec-Subs Cal. Fo.

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(7-61)

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INTBAFRAD
Paris

DATE: 10th April 1968.

CLASS OF SERVICE: TELEX

COUNTRY: FRANCE.

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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT ASSOCIATION

SecM68-86

FROM: The Secretary

April 2, 1968

MULTILATERAL REGIONAL FINANCING INSTITUTIONS

Attached is a copy of a study entitled "Multilateral Regional Financing Institutions" prepared by Mr. Leonard B. Rist, Special Adviser to the President.

Additional copies of the document are available upon request from the Secretary's Document Office (Ext. 3411).

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FORM No. 26
(6.65)

AFRICA DEPT.

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MAR 25 1968

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57 FOR RIST AND EL EMARY.

VINCENT ADB HAS FOLLOWING FINAL COMMENTS YOUR PAPER

PRIMO PAGE 40 PARAGRAPH ONE MIDDLE LAST SENTENCE "WAS FORMALLY OPENED FOR BUSINESS" SHOULD READ "STARTED OPERATIONS"

SECUNDO PAGE 43 PARAGRAPH 12 THIRD LINE REPLACE "COMMON FUND" BY "MULTINATIONAL SPECIAL FUND"

TERTIO PARAGRAPH 12 REPLACE LAST SENTENCE "IT IS ALSO SUGGESTED THAT SPECIAL ARRANGEMENTS ECT" BY "THE BANK HAS PROPOSED THE CREATION OF A JOINT ADMINISTRATIVE COUNCIL WHICH WOULD ADMINISTER THE FUND. THE COUNCIL WOULD BE COMPOSED OF THE DIRECTORS OF THE BANK AND THE REPRESENTATIVES OF CONTRIBUTORS."

QUARTO PAGE 44 PARAGRAPH 13 LAST SENTENCE ADD THE NETHERLANDS, BELGIUM AND SWEDEN TO COUNTRIES WHICH HAVE INDICATED SUPPORT FOR FUND

QUINTO PAGE 44 PARAGRAPH 16 FIRST LINE SUBSTITUTE "FUND" FOR FUNDS". BEHEIRY HAS CLEARED DRAFT

LUTOLF

FOR INFORMATION REGARDING CABLES, PLEASE CALL THE COMMUNICATIONS UNIT EXT. 2021

cc: Mr. Calika

IR

DUPLICATE

TYPED
MAR 25 11 49 AM 1968
GENERAL FILES
COMMUNICATIONS

Sev. B. Mult. Lat. Dev. F.

February 23, 1968

Dear Mr. Dengo:

With reference to our conversation this morning, I attach herewith a copy of a draft chapter (on the Central American Bank for Economic Integration) of our study on "Multilateral Regional Financing Institutions". I shall be obliged to have your valuable comments on the draft as early as possible. As I mentioned, I look forward to personally discussing with you some of the points made in the enclosed draft. It will therefore be helpful if you could kindly let me know (my telephone number is 381-2359) as soon as you are through with the draft so that I could come over to your room and have the benefit of your advice. I am indeed grateful to know that you will be in a position to meet me sometime next week.

With regards,

Sincerely yours,

S. N. Kao
Economics Department

Attachment

Mr. Jorge Manuel Dengo
Inter-American Development Bank
Rm. 834
808 17th St. N. W.
Washington, D. C. 20577

SNKao:cc

cc: Messrs. L.B. Rist
J.C.L. Hulley

Headquarters:
Washington, D.C., U. S. A.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
Cable Address - INTBAFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION
Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:
4, AVENUE D'IÉNA, PARIS (16E) — FRANCE
Telephone - 553-2510

February 20, 1968

Dear Mike:

This is just an interim acknowledgement to your letter dated February 14 regarding the centralizing of data on the policies, procedures and structures of the various national and international agencies. As you say, this is something that we must discuss with Arthur and I shall send him a copy of your incoming letter and of this interim reply so that he is au fait with your proposal.

Let me just make a few personal comments, at this stage, giving my first reactions. I myself have been thinking very much about the future work of the Liaison Unit here. I should like to produce a paper setting out my ideas for discussion, in the first instance, with Arthur but I am pretty busy at the moment and this may have to wait for a week or two. However, one of the things I am sure about is that we, in this Unit, would like to know more about the policies and procedures of the various national agencies than we do at present. OECD/DAC are getting into much more detail on national procedures since they are now discussing subjects such as "Procurement Policies". Martijn Paijmans' study on EEC has been a great help to me personally and I know it was also appreciated in Washington. How far this office, and I particularly refer to the Liaison Unit, can carry out the further studies you mention, and follow up on these studies, will depend, as I see it, on the staff I am provided with and on the other calls on the time of that staff. This needs discussion.

The report on the Swedish International Development Authority is most interesting and useful. We were aware of this study and are glad to have a copy. In fact, Martijn Paijmans wrote the other day to the Africa Department asking them to send a copy here.

I spoke with Leonard Rist when he passed through Paris and I drew his attention to the two DAC documents on "Procurement Policies" which I thought he would be interested in in light of his own study. I promised to send him copies of these documents but find we are rather short here. Could you arrange for Research Files to make their copies available to Leonard for his perusal?

Mr. Michael L. Hoffman
Associate Director
Development Services Department
I. B. R. D.
Washington, D.C.

./.

ack. Feb. 29/68

Lastly, I shall look forward to meeting with John King when he gets here next week and having a preliminary talk with him.

Yours sincerely,

G. C. Wishart

Multilat. dev. fin. inst.

February 14, 1968

Mr. George Wishart
Chief Liaison Officer
European Office
International Bank for Reconstruction
and Development
4 Avenue d'Iena
Paris 16e, France

Dear George:

This is something you will want to discuss with Arthur, but for a number of reasons I thought I would write you now so we can begin planning a few things.

In connection with this Department's new responsibility for coordinating policy on joint financing, we have started to centralize data on the policies, procedures and structures of the various national and international agencies which provide aid directly or indirectly or which assist private investment or contracting in the less developed countries through insurance or export guarantee schemes. I think that the Paris Office can be helpful in this work in several ways. I have already mentioned to Arthur the desirability of your helping to keep the Rist study up to date. And, of course, the material on the EEC prepared by Martijn Paijmans should be kept current, as you are planning to do.

12/27/67

But we also need to have current information on the major national aid and credit agencies. I enclose a copy of a report on the Swedish International Development Authority, prepared in the Africa Department, as an example of the sort of thing we have in mind. The ODI in London has produced studies on French, British and, I believe, German aid programs which need to be kept up to date. You or Arthur may have discussed this with them and know what, if any, plans they have for further work in this field. I will be in London in late March and could investigate, if desirable. Perhaps we could contract out the whole job on the national aid programs to the ODI. There are various possibilities.

John King will be in charge of this work here, for the time being at least. He expects to be in Paris at the end of February in connection with

acn. Feb. 20/68

the Tunisian conciliation and I am asking him to discuss these matters with you and the Paris Office staff.

Sincerely,

Michael L. Hoffman
Associate Director
Development Services Department

MLH

JAKing/MLHoffman/pnn

IBRD - Multilat. Dev. F. Inst.

Mr. Franz Lutolf

February 6, 1968

S. N. Kao

Mr. Rist's "Study on Multilateral Development Financing Institutions"

1. With reference to our conversation and the last paragraph of your letter No. 34 dated January 24, 1968 to Mr. Rist, attached are two copies of the revised chapter on the African Development Bank.

2. As I mentioned, Mr. Rist is out on tour but before his departure he asked me to forward to you the attached copies. You will observe that this takes into account most of Mr. Vincent's comments.

3. Since we are now a little short of time, it would be helpful if Mr. Beheiry's comments on the revised chapter could be obtained and sent to us as early as possible.

Attachment

SNKao

SNKao:cc

cc: Mr. Rist (on return)
Mr. Hulley

IW.B. Multilat Dev. Fi Inst.

January 31, 1968

Mr. Stanley Katz
Director
Office of International Investment
Bureau of International Commerce
U. S. Department of Commerce
Washington, D.C. 20230

Dear Stanley:

I am pleased to enclose the material you requested.

I hope this will be of some help to you.

With best personal regards,

Sincerely yours,

Samir K. Bhatia
Economics Department

Enclosures - (~~EC-153~~, ED Working Paper No. 1 & 4,
Bhatia "Multilateral Development Financing Institutions")
SKBhatia:rk

Investm. - gen.

Mr. Richard H. Demuth January 30, 1968

S. R. Cope

Foreign lending institutions

1. There is frequently a need for reasonably up to date information about the constitution, finances and operations of national and international institutions engaged in foreign lending. For example, when we receive a visit from representatives of the Swedish financing agency SIDA, the senior officers who meet them should have readily available an outline of SIDA as an institution and a list of our joint activities.

2. I would suggest that the best course would be to prepare loose-leaf books which would contain outlines of this sort and which would be kept up to date continuously. An example of what I have in mind, a note on SIDA dated December 27, 1967, prepared by Mr. W.A. Mutsune, is attached.

Attachment
SRCope:mmr
cc: Mr. J. Burke Knapp
Mr. J. H. Williams

Mr. Leonard B. Rist

January 25, 1968

Hubert F. Havlik

Draft of Study on Multilateral Development
Financing Institutions

1. Attached is the text of the draft of the chapter on the IADB which I had arranged to have reviewed by Elting Arnold, General Counsel of the IADB. He and Arnold Weiss, the Assistant General Counsel, have written in a number of suggestions for changes in the text. As you will note from Mr. Arnold's transmittal slip, Mr. Weiss will be available to discuss any questions which you may have on the notations. I will be here today and tomorrow (in Mexico City next week); if I can be of further assistance, please let me know.

HFH

HFHavlik:jm

JAN 31 1968
Dev - Unilateral Div. For. Inst. ~~ADB~~

Op Files

January 24, 1968

Letter No. 34

Mr. Leonard B. Rist
Special Adviser to the President
International Bank for Reconstruction
and Development
1818 H Street, N. W.
Washington, D. C. 20433

Dear Leonard:

I have had a chance to discuss the chapter on ADB in your study with Mr. Vincent and the two pages on the Entente Fund with Mr. Mery. I also tried to contact the people in the Conseil but they are all on mission. Let me begin with Mr. Mery's comments on pages 48 and 49.

II. "Member's contributions" (p. 48)

The last two sentences should read as follows: "It has been increased to CFA francs 700 million ($2.83 million) since then. As of January 1968, the member countries . . ." At the end of the paragraph a sentence should be inserted saying that the Ivory Coast Government has agreed not to utilize the Fund's resources for the purpose of guaranteeing loans and credits for projects in the Ivory Coast during the first five years of the Fund's operations (1966 to 1971).

2. "Grants or subsidies and other resources" (p. 49)

It is FAC, not the French Caisse Centrale, that has contributed CFA francs 100 million to the Fund by August 1967. The last sentence in that paragraph should read "A decision has recently been taken to deposit the Fund's resources with the French Caisse Centrale de Coopération Economique in Paris."

III. "Operations"

The very last sentence should read "one of the borrower was Upper Volta, another Dahomey".

IV. "Organization"

Mr. Mery suggests a sentence at the end of the paragraph saying that Mr. Paul Kaya, former minister in the Government of Congo (Brazzaville), has been appointed Administrative Secretary of the Fund.

On Chapter 4, "African Development Bank", Mr. Vincent makes the following observations:

He wonders what the year 1965 (under the title) stands for.

I. "Introduction" - last sentence

Mr. Vincent recalls that the agreement came into force on September 10, 1964, the Inaugural Board of Governors Meeting took place in Lagos July 4 - 11, 1964, and the Bank was opened for business on July 1, 1966.

II. "Membership" - Paragraph 2 (para. 1 on p. 41)

Burundi became a member on January 2, 1968. The Bank therefore has now 30 member countries and the capital allotted to them is $216.2 million. Gabon is now also in the category of countries that have announced their interest in membership. For Footnote 1, Mr. Vincent suggests: "The accounting is expressed in 'units of account', 0.88867088 gramme of fine gold, at present equivalent to US$1.00 each."

III. "Loanable Resources" - Paragraph 1, first sentence (p. 41)

The authorized capital is divided into 25,000 (not 2,500) shares.

= Paragraph 3 (p. 42) should read: " As at the beginning of January 1968, the aggregate capital subscriptions of the thirty members amounted to $216.2 million of which $108.1 million is in 'paid-up' shares. As of January 3, 1968, the amount called in cash was $71.8 million and the amount actually received by the Bank was $44.96 million."

In the last paragraph under A. (p. 42) little (c) should read "income from loans and from guarantees made from these resources". (d) should read "any other funds or income received by the Bank (Article 9) which do not form part of its special resources".

B. "Special Funds"

Mr. Vincent wonders whether it is really necessary to discuss the difference between "established" and "entrusted" the way it was done in the paper. He says that for instance the Bank now wishes to establish the African Development Fund. Any member country is free to contribute to the Fund if it wants to do so. He adds that the word "entrust" could be used to describe the situation where the initiative comes from a government - African or non-African - or for ad hoc funds. I would suggest that you leave the text substantially as it is but add that as a result of recent developments the words "entrust" and "establish" have acquired somewhat different meanings.

Page 43

Paragraph 3 - Mr. Vincent suggests that this paragraph be deleted.

The last paragraph on page 43 is no longer correct. The British Government's offer is now to be considered under the subscriptions to the proposed ADF. I suggest that you record this fact but abstain from mentioning any figures. And of course no agreement has been announced yet.

Mr. Vincent was astonished to see Footnote 1. He said he did not know how we got hold of that letter and that reference to it and the banks should be omitted in the footnote. You might say that an important group of European and American private banks has expressed an interest in sponsoring eventual bond issues in the US and Europe.

Page 44

Paragraph 1 - The UNDP contribution is spread over five (not three) years. It amounts to $2.7 million (not $2.99 million) and will be matched by an ADB contribution of $2.2 million. These contributions will be utilized to pay for the salaries and equipment of a Pre-Investment Unit which has been set up within the ADB. The purpose of the Unit is to formulate and evaluate development projects (including the preparation of feasibility reports) which ADB may be interested in financing. These contributions are not to be confused with the so-called "special funds" since they are not for re-lending.

Paragraphs 2 and 3 - Mr. Vincent said that the fact should be mentioned that draft rules and regulations have been circulated (they are attached to the July 31, 1967 memorandum on mobilization of external resources, a copy of which you have). He felt that the essence of the draft rules and regulations might be summarized in your paper.

Page 45

First few lines - Mr. Vincent does not like the reference to the countries and he asked whether this could not be made less precise, mentioning no countries. He also felt that it was wrong to say that the establishment of the ADF was not imminent. ADB is determined to get the Fund started in 1968. Also, ADB would not consider the creation of ad hoc funds until after the ADF has been established.

C. "Use of Currencies" (p. 45)

The word "speculative" in the third paragraph is unfortunate in Mr. Vincent's opinion. He said that the procurement policy was clearly spelled out in the draft rules. He also disliked the implication in this paragraph which he said creates the impression in the reader's mind that ADB is unclear and is contradicting itself. He said that the procurement policy was the same as for IBRD. We too exclude financing of goods and supplies from non-member countries (except Switzerland) with the proceeds of Bank loans and IDA credits.

IV. "Loan Policy"

The last sentence on p. 45 should say that the cost of preinvestment studies may (not will) be included in any possible loan for the projects studies. The Bank has the authority to make separate loans for preinvestment studies.

V. "Operations"

Mr. Vincent suggests that the reference to Tanzania and Zambia should read roughly as follows: "The Bank is also assisting Tanzania and Zambia in carrying out additional feasibility studies relating to the proposed Tanzania-Zambia railway line which will provide an alternative rail link between the copper belt in Zambia and the port of Dar es Salaam in Tanzania, a distance of some 1,250 miles". He further suggests that reference be made, in a vague way, to studies and projects under consideration in a number of African countries for various productive sectors.

* * * *

Mr. Vincent had the feeling that the paper displayed a tendency to emphasize uncertainties where they exist and maybe did not stress enough the positive points. When I noticed his sentiments I asked him whether he felt the paper was accurate and fair. He did not really answer that question but said that apart from the points mentioned above nothing in the paper was "incorrect". But he clearly felt uncertain and asked me who would get to see the paper. I replied that as far as I knew the intention was to present it together with chapters on a number of other multilateral financing institutions in one single volume to our Board of Directors. He suggested that Mr. Beheiry be given a chance to see the final draft. I quickly added that this was of course our intention and that we would not go any further without having Mr. Beheiry's comments. You may know that he is sick in Khartoum but expects to be back in his office in about two weeks time. Mr. Vincent and I agreed that I would communicate his comments to you immediately so that you could revise the relevant passages and send a new draft to Abidjan in time for Mr. Beheiry's return.

With best regards.

Sincerely yours,

Franz Lutolf
Chief of Mission

cc: Mr. El Emary

Bd.-Multi Cat. Fin. Inst.

FORM No. 26
(6-65)

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

INCOMING CABLE

DATE AND TIME OF CABLE: JANUARY 23, 1968 1115

LOG NO.: RC 5 / 24

TO: RIST INTBAFRAD

FROM: ABIDJAN

ROUTING

ACTION COPY: MR. RIST

INFORMATION COPY:

DECODED BY:

TEXT:

21

HAVE AIRMAILED COMMENTS ADB AND ENTENTE TODAY. VINCENT INSISTS BEHEIRY SEE PAPER WHEN HE RETURNS IN ABOUT TWO WEEKS

LUTOLF

IR

FOR INFORMATION REGARDING CABLES, PLEASE CALL THE COMMUNICATIONS UNIT EXT. 2021

DUPLICATE

January 19, 1968

Timothy Atkeson, Esq.
General Counsel
Asian Development Bank
Metropolitan Bank Building
Ayala Avenue, Makati
Rizal, Philippines

Dear Tim,

Leonard Rist has been in charge in the Bank of preparing a review of the main regional financing institutions, among which the Asian Development Bank is an important element. It is his intention to distribute this study to our Executive Directors and possibly to make it available outside the Bank sometime in February if possible. But before that, he would like to have some assurance that the contents are accurate.

I wonder whether I could impose upon you and ask you to look at the attached essay on the ADB and let me have the benefit of your comments. Irrespective of any suggestions Mr. Rist may have received from within the Bank, your own suggestions would be most welcome as well as any more recent information than that included, namely facts and figures available in October 1967.

My request to you is personal rather than official. We would not like to engage the ADB's responsibility in preparing this document. But your help would be highly appreciated and we would be very grateful for it.

I'm trying to get away for three week's leave, so this is necessarily short, and without gossip.

With best regards to all,

Sincerely yours,

/Signed/ Ellsworth

Ellsworth E. Clark
Deputy General Counsel

Attachment

EEClark/ams
cc: Mr. Rist

Form No. 27
(7-61)

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OUTGOING WIRE

TO: ~~FRANZ~~ LUTOLF
INTBAFRAD
ABIDJAN

DATE: January 18, 1968

CLASS OF SERVICE: NL

Rcc

COUNTRY: IVORY COAST

TEXT:
Cable No.: 251 ~~#25~~ - REUR 19 I SUGGESTED MERY BECAUSE HE GAVE ME INFORMATION STOP DONT KNOW MER FEEL FREE CONSULT HIM IF YOU PREFER

REGARDS

RIST-~~INTBAFRAD~~

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME Leonard RIST, Special Adviser

DEPT. President

SIGNATURE L Rist
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

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Form No. 27

INTERNATIONAL FINANCE CORPORATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL DEVELOPMENT ASSOCIATION

OUTGOING WIRE

TO: ~~[illegible]~~ LUTOLF
INTBAFRAD
ABIDJAN

DATE: January 18, 1968

CLASS OF SERVICE: NL

COUNTRY: IVORY COAST

TEXT:
Cable No.: 25 - REUR 19 I SUGGESTED MERY BECAUSE HE GAVE ME INFORMATION STOP DONT KNOW MER FEEL FREE CONSULT HIM IF YOU PREFER

REGARDS

RIST-~~INTBAFRAD~~

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME Leonard RIST, Special Adviser

DEPT. President

SIGNATURE
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

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JAN 18 5 34 PM 1968

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INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

INCOMING CABLE

DATE AND TIME OF CABLE: JANUARY 18, 1968 1640

LOG NO.: RC 26/18

TO: RIST INTBAFRAD

FROM: ABIDJAN

ROUTING

ACTION COPY: MR. RIST

INFORMATION COPY:

DECODED BY:

TEXT:

19

THANKS URCAB 21. BEHEIRY OUT OF TOWN BUT AM TRYING CONTACT VINCENT TO GIVE ME HIS REACTION ON PERSONAL BASIS. YOU SUGGEST I CONTACT MERY ON ENTENTE FUND. ENTENTE FUNDS TECHNICAL ADVISER IS MER. PLEASE CONFIRM THAT YOU WANT COMMENTS FROM MERY RATHER THAN MER REGARDS

LUTOLF

MT

ans. Jan. 18/68

FOR INFORMATION REGARDING CABLES, PLEASE CALL THE COMMUNICATIONS UNIT EXT. 2021

DUPLICATE

Form No. 27
(7-61)

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OUTGOING WIRE

TO: ~~Franz~~ LUTOLF
INTBAFRAD
ABIDJAN

DATE: January 17, 1968

CLASS OF SERVICE: LT

RCH

COUNTRY: IVORY COAST

TEXT:
Cable No.: 21/ ~~#20~~ - ANXIOUS EDIT STUDY ON REGIONAL BANKS FOR DISTRIBUTION TO BOARD IN FEBRUARY STOP COULD YOU SHOW MERY PAGES ON ENTENTE FUNDS AND ADB PAGES CONCERNING THEM STOP I SUGGEST APPROACHING PERSONALLY BEHEIRY OR VINCENT OR MANCINI STOP TRY KEEP CONSULTATIONS NON OFFICIAL THEIR COMMENTS OR UPDATING DATA RATHER URGENT REGARDS

RIST-~~INTBAFRAD~~

acn. Jan 18/68

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME Leonard Rist, Special Adviser

DEPT. President

SIGNATURE L. Rist
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

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Form No. 27
(7-61)

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OUTGOING WIRE

TO: Frank LUTOLF
INTBAFRAD
ABIDJAN

DATE: January 17, 1968

CLASS OF SERVICE: LT

COUNTRY: IVORY COAST

TEXT:
Cable No.: 2/ 20 - ANXIOUS EDIT STUDY ON REGIONAL BANKS FOR DISTRIBUTION TO BOARD IN FEBRUARY STOP COULD YOU SHOW MERY PAGES ON ENTENTE FUNDS AND ADB PAGES CONCERNING THEM STOP I SUGGEST APPROACHING PERSONALLY BEHEIRY OR VINCENT OR MANCINI STOP TRY KEEP CONSULTATIONS NON OFFICIAL THEIR COMMENTS OR UPDATING DATA RATHER URGENT REGARDS

RIST-INTBAFRAD

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME: Leonard Rist, Special Adviser

DEPT.: President

SIGNATURE: (SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

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Checked for Dispatch:

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

Mr. Leonard B. Rist January 12, 1968

Badri Rao

Multilateral Development Financing Institutions

We have received a number of comments on our study of the above subject. All of them are complimentary; some of them ask for clarification and others seek additional information.

I am taking up the substantative comments chapter by chapter and have added my own comments thereon.

I shall be happy to discuss these with you.

Attachments

BR

BRao:mk

Mr. Leonard Rist PF January 10, 1968

Patrick de Fontenay

Study of Regional Development Financing Institutions

1. I have read the general comments, generally favorable, made on the study and those pertaining to the chapters for which I was responsible. I agree with the following suggestions:

(a) That the points made by Mr. Delaume should be incorporated, i.e.:

- that all institutions are "lenders of last resort;"

- that none is required to obtain a governmental guarantee for its loans;

- that all are required to obtain the consent of the country in whose market it borrows;

- that reference could be made to the maintenance of value provisions (although this is less important).

(b) That each institution reviewed be asked to look at the chapter where it is discussed (Broches).

(c) That more editing is needed to remove typing errors (Hoffman).

2. In addition, I have some suggestions of my own:

(a) EDF and EIB may be asked to update the figures in the text (given as of March 1967).

(b) The table on EDF's special loans given in Mr. Auclert's letter could be inserted in Chapter 7.

(c) In Annex III, page 70, FED should be changed to EDF.

3. I was quite impressed by Mr. Paijmans' memos on the EEC. Although not directly useful for our purpose, they certainly make interesting and valuable reading.

cc: Messrs. Stevenson
Kalmanoff
Hulley

PdeFontenay:mk

2-

Form No. 27
(7-61)

INTERNATIONAL DEVELOPMENT ASSOCIATION	INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT	INTERNATIONAL FINANCE CORPORATION

OUTGOING WIRE

TO: PAIJMANS
INTBAFRAD
PARIS

DATE: 10 January 1968

CLASS OF SERVICE: ~~Night Letter~~ Telex

ZIT

COUNTRY: FRANCE

TEXT: 27 THANKS CABLE 29. TRY KEEP CONSULTATION FED ON PERSONAL
Cable No.:

BASIS. REGARDS

RIST

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY: L. Rist

NAME L. Rist

DEPT. Office of President

SIGNATURE L. Rist
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

CLEARANCES AND COPY DISTRIBUTION:

cc; Mr. Broches

For Use by Archives Division

ORIGINAL (File Copy)
(IMPORTANT: See Secretaries Guide for preparing form)

Checked for Dispatch: [illegible]

Form No. 27 (7-61)

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OUTGOING WIRE

TO: PALUMANS
INTERFRAD
PARIS

DATE: 10 January 1968

CLASS OF SERVICE: Night Letter

COUNTRY: FRANCE

TEXT:
Cable No.:

THANKS CABLE 29. TRY KEEP CONSULTATION FED ON PERSONAL BASIS. REGARDS

RIST

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY: L. Rist

NAME: L. Rist

DEPT. Office of President

SIGNATURE
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

CLEARANCES AND COPY DISTRIBUTION:

cc: Mr. Broches

COMMUNICATIONS
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JAN 10 6 47 PM 1968

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Form No. 26
(6.65)

Dev. Banks. Study. Multilateral Banking Institutions

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

INCOMING CABLE

DATE AND TIME OF CABLE: JANUARY 10, 1968 523PM

LOG NO.: WU TELEX/10

TO: INTBAFRAD

FROM: PARIS

ROUTING

ACTION COPY: MR. RIST

INFORMATION COPY:

DECODED BY:

TEXT:

29 FOR RIST

VANDEN HOUTEN WILL GLADLY REVIEW EIB CHAPTER AND READ FED CHAPTER BUT SUGGESTS WE ASK FED TO CHECK THEIRS. I WOULD BE ABLE TO SEEK FEDS ADVICE THOUGH ENGLISH TEXT MAY BE A PROBLEM FOR FED. GRATEFUL YOUR INSTRUCTIONS. MY OWN OBSERVATIONS ON REPORT SENT TODAY REGARDS

PAIJMANS

AB

ack Jan 10 cable

TYPED

JAN 10 11 42 AM 1968

GENERAL FILES
COMMUNICATIONS

SPARE

SWEDISH INTERNATIONAL DEVELOPMENT AUTHORITY (SIDA)

OBJECTIVES, ORGANIZATION AND OPERATIONS

Prepared By:
W. A. Mutsune
Africa Department
December 27, 1967

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SIDA: OBJECTIVES, ORGANIZATION AND OPERATIONS 1/

I. PURPOSE, ORGANIZATION, MANAGEMENT, AND FINANCIAL RESOURCES

A. Objectives

1. The Swedish International Development Authority (SIDA) undertakes the planning and administration of all bilateral assistance given by Sweden to other countries. Bilateral assistance is acknowledged by Sweden as being only complementary to the multilateral financial and technical assistance extended through international organizations - in particular, the U.N. and its specialized agencies. However, the activities of bilateral assistance are considered to be "more tangible" for those in the donor country and hence to be much more likely to induce persons in the donor country to engage themselves in field work for technical assistance than would multilateral programs (2,p.28) 2/. Sweden, therefore, favors bilateral assistance over multilateral assistance mainly because "the majority" of donor countries today do likewise, and bilateral assistance is considered the best means of paving the way for technical assistance.

B. Organizational Structure and Management

2. SIDA is an agency under the Swedish Ministry for Foreign Affairs. It enjoys "considerable"autonomy and independence as an administrative agency. SIDA is headed by a Director-General who is also the Chairman of its Board of Directors. The Board is made up of eight persons, representing major political parties, business, trade unions, cooperative movement, and voluntary organizations.(7). The Director-General is also SIDA's representative on the Interministerial Consultative Committee which coordinates Swedish official aid policy. Other representatives on the Committee are the Minister of State responsible for foreign aid (who is Chairman of the Committee), and the Undersecretaries of State for Foreign Affairs, Finance, Commerce and Industry.

3. On matters of policy, SIDA specifically influences the conduct of Swedish foreign aid program through its:

(a) intimate participation with the Ministries of Foreign Affairs and Finance in the formulation of Swedish official policy regarding Sweden's contributions to multilateral programs and her membership to international organizations;

1/ The revised version of this report has benefited from suggestions by Mr. O. H. Calika

2/ This and subsequent citations in the text correspond to the numbering given to the references, as listed in Annex 1.

(b) recruitment of experts and the administration of scholarships financed by multilateral programs;

(c) collection and analysis of information on the various aspects of development assistance;

(d) formulation of long-term plans and recommendations to the Cabinet on the composition and direction of all Swedish aid; and

(e) cooperation with the Export Credits Guarantee Board regarding credits to less developed countries, and the formulation of trade policies towards those countries -- particularly the proposals for a bilateral program of assistance in export promotion for less developed countries.

4. SIDA also coordinates the work of Swedish committees aiding the efforts of U.N. specialized agencies such as F.A.O., UNESCO, and acts as the Swedish Government's agent for Swedish voluntary organizations. Often SIDA gives financial support to projects by private organizations (particularly missionary societies), undertaken principally in the fields of education and health. This assistance is normally concentrated to countries where SIDA has projects of its own, and is generally given in the form of enlargement or improvement of activities already established - e.g., the financing of equipment and buildings.

5. SIDA is in close contact with other government departments and agencies, as well as industry, agriculture, building trade and others, through panels and expert bodies. On behalf of the Swedish Government, SIDA informs the public about international assistance, and tries to enlist popular support for increased Swedish aid.

6. Working immediately under SIDA's Director-General are the Director of Information and Documentation, and the Secretary of the Governing Board and of the Director-General. But SIDA's main functions are carried out under two major departments: (1) technical and humanitarian assistance, and (2) economic and financial assistance. The latter department is headed by Mr. Lars Kaldren, formerly an IBRD employee. (An organizational chart for SIDA appears as Annex 2).

C. Types of Assistance Provided by SIDA

7. The Swedish interpretation of bilateral aid covers all forms of assistance other than contributions to the "regular programs of international organizations" -- such as the U.N. and its specialized agencies. The categories of Swedish bilateral aid which can be readily identified with the SIDA operation are: (1) financial assistance, and (2) technical assistance. Financial assistance is defined as aid whose financial element -- i.e., the transfer of capital --

is the dominant factor. Technical assistance is defined to include "all efforts to further economic and social development through the transfer of knowledge in all fields of human activity and on every level of education" (2,p.7). The indicative feature of technical assistance is "the contribution in terms of services and personnel involved" (2,p.7).

8. In addition to financial assistance and technical assistance categories outlined above, Swedish aid is also classified under: (1) trade assistance, (2) commercial assistance, and (3) humanitarian assistance (2,p.7). Trade assistance covers measures to facilitate exports including export stabilization in underdeveloped countries. Commercial assistance is described as the flow of private capital and know-how to underdeveloped nations "through purely commercial transactions as well as public measures designed to increase this flow" (2,p.8). Humanitarian assistance is defined as short-term activities intended primarily to satisfy "acute material needs" or "to relieve misery and physical suffering through medical and other welfare" (2,p.7). Included under humanitarian aid are gifts of food, medicine and clothes, social and medical welfare, plus refugee relief work. In practice, however, a specific Swedish measure may well fall under more than one category.

D. Financial Resources

9. The Swedish aid program relies "exclusively on annual appropriations by the Swedish Parliament" (6,p.3). Bilateral financial assistance funds are requested and monitored through the Ministry of Finance, and the funds for technical assistance by the Ministry of Foreign Affairs. Swedish aid extended as grants as well as credits both draw on funds appropriated by the Swedish Government for the current expenditure of each fiscal year.

II. SIDA'S APPROACH TO INTERNATIONAL DEVELOPMENT

A. Choice of Countries and Areas for Assistance *

10. Sweden's bilateral assistance is mostly confined to a relatively small number of countries, including Ethiopia, Kenya, Tanzania, Uganda, and Tunisia (in Africa), and Pakistan, India and Ceylon (in Asia) (4,p.1;7). By concentrating on these few countries, SIDA expects to make "a useful contribution" towards economic development (7). There are about a dozen other countries including Sudan, Turkey, etc., where Sweden's "present activities are very limited and are likely to remain so, if not actually being phased out" (7).

11. Projects related to family planning are excepted from the above general rule, in that they are considered for Swedish (bilateral) assistance "wherever a meaningful contribution can be made". (7) Swedish assistance in family planning takes the form of Swedish "cooperation" in the national family planning program in each given case. Both Swedish funds and Swedish experts enable the implementation of specific projects including:

(a) supply and financing of contraceptives;

(b) organization of pilot clinics for family training facilities;

(c) training of medical and premedical personnel;

(d) preparation and production of audio-visual aids for the dissemination of knowledge in the field of contraception; and

(e) programs linking the services in maternal and child health with the teaching of contraceptive techniques.

The last named form of assistance in family planning has been given in Tunisia and in the Gaza strip for Palestine refugees. The other forms have been extended mainly in Ceylon, Pakistan and Turkey (4,p.8). Sweden is reportedly negotiating with a number of African and Asian countries with regard to Swedish participation in their national family planning programs.

12. To become better equipped in meeting the requests for assistance in family planning, SIDA recently made studies of family planning projects in countries that included Japan, Korea, Hong Kong, Singapore, Tanzania, Egypt, Turkey, Morocco, Tunisia and Taiwan, and also studied "different activities" at American universities in research and training (3,p.9).

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* See List of Swedish Bilateral Projects - Annex III

B. Selection of Projects

13. In giving financial assistance, Sweden has followed the specific project approach as against general development financing or program aid. Much of the country's financial assistance has been extended through investment in projects in the areas of irrigation and rural water supplies (Sudan and Tanzania); dairy farming and electric power (India); hydroelectric power (Turkey); fishing harbour (Tunisia); gifts of paper for school books (South Asia) and grain storage (Pakistan).

14. Sweden's technical assistance has been concentrated in the following fields: health services, with emphasis on preventive medicine and family planning; food production, grain storage, agricultural credit and cooperatives; training, especially for teachers and other vocations; and education including adult education for both men and women. Some of the Swedish technical assistance is given in Sweden or through a third country - e.g. in the form of scholarships.

C. Cooperation with the Bank/IDA and other Lenders

15. The SIDA credit operations generally follow "very closely" the IDA pattern (7). Whenever possible, SIDA prefers Bank/IDA-Swedish joint (bilateral) financing schemes, such as the food grain storage project in Pakistan (6,p.8). SIDA has also proposed a more active role for the Bank and IFC to help UNIDO and other U.N. specialized agencies that might need Bank or IFC technical assistance.

16. SIDA favors the channelling of bilateral aid through established regional development institutions. For example, a Swedish Development Fund for Latin America has been established to be administered by Inter-American Development Bank (IDB). Loans from the Fund may be made jointly with loans from the IDA, for specific development projects in the member countries of IDB (6,p.8). SIDA is similarly in favor of giving financial assistance through the Asian Development Bank, of which Sweden is a member.

17. SIDA seems to favor a procedure of joint financing arrangements similar to that used in the Bank/IDA/Kreditanstalt fur Wieder Aufbau financing of the Roseires project in the Sudan in 1961 (7). This would provide for sharing of the amount required for external financing; Sweden would execute an agreement with the Borrower, but the supervision of the project would be left to IDA. Normally, SIDA is willing to assume the role of a "sleeping partner" in SIDA/IDA joint financing. While prepared to assist, SIDA would in this case leave to IDA the responsibility for appraisal and end-use inspection of projects. It is believed that Sweden could make available approximately $20 million for joint financing over a two-year period, beginning from 1966. Therefore, the amount would be in the range of $5 million - $10 million annually (7).

III. TERMS OF LENDING AND RELEVANT CONSIDERATION

A. Interest Rate and Terms Repayment

18. The terms of Swedish development credits are uniform: a 2% per annum interest charge, with repayments made over a period of 20 years, including a five-year grace period. Unless agreed otherwise, SIDA prefers to disburse for foreign requirements. SIDA lending procedures follow very closely those of IDA (7). *

B. Tied vs. Untied Aid Procurement

19. All Swedish development aid is currently untied as regards the source of procurement of goods and services, and it is expected to continue to remain so. Sweden believes that tied aid reduces the benefits derived from the aid by the recipients, and that it "distorts" the foreign trade of the donor countries (7). Therefore, Sweden considers tied aid to be justified only in cases where serious balance of payments difficulties exist.

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* As an example, see Annex 4 for specific relevant points relating to a development credit agreement signed between Sweden and Tanzania.

ANNEX I

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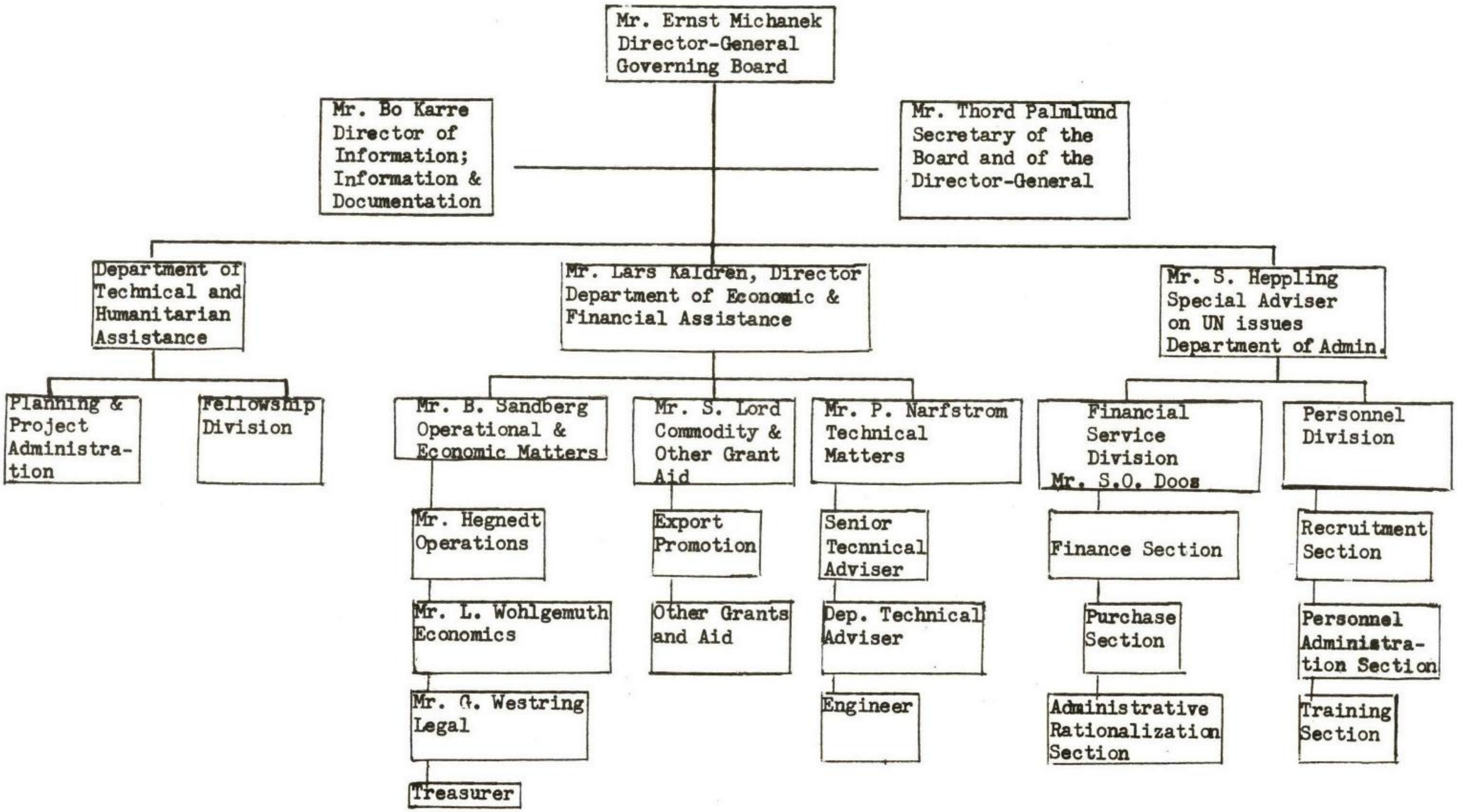
8. Sweden and the United Republic of Tanzania. Development Credit Agreement. (Rural Water Supply Development Program 1966/67-1965/69).

ANNEX II

S I D A - Organizational Chart*



*Based on information given in References 4 and 7 (see Annex 1).

ANNEX III

LIST OF SWEDISH BILATERAL PROJECTS 1/

Ethiopia

Ethio-Swedish Institute of Building Technology
Ethio-Swedish Paediatric Clinic
Paediatric Department at the Medical Faculty of the Haile Selassie I Univ.
Children's Nutrition Unit
Ethio-Swedish Health Centre Project
Preparatory Study for a Regional Development Project
Volunteer Service

Kenya

Kenya Science Teachers' College
- in collaboration with Uppsala University

A Veterinary Project for an Insemination Programme
- in collaboration with the Swedish Society of Animal Husbandry (SHS), Hallsta.

Scandinavian Project in the Field of Consumers' and Producers' Cooperation
Financing of Secretarial Courses administered by the ILO
Financing of a Mobile Book Distribution Unit covering Kenya, Tanzania and Uganda and administered by the UNESCO

Tanzania

The Nordic Tanganyika Project:

- a comprehensive centre at Kibaha established through the collaboration of the Governments of Denmark, Finland, Norway and Sweden and including
  - a Farmers' Training Centre
  - a Secondary School
  - a Health Centre

Financing of a Secondary Boarding School for Girls in the Tanga Region administered by the UNESCO
Financing of a Training School for Instructors of Rural Economics in the Musoma district administered by the FAO
Development Credit for
- the Execution of the Rural Water Supply Programme
- the Construction and Equipping of New Buildings for the International Cooperative College at Moshi

---

1/ Source: Reference 4, pp. 2-6 (see Annex I)

In the course of preparation: Experts Programme for the Tanzanian Administration and Housing Project for Foreign Experts, Volunteer Service and Adult Education

Tunisia

Combined Development Project at the Cap Bon peninsula comprising:
- a credit for the enlargement of a fishing harbour at Kelibia
- a credit for a survey of the development potential of the Cap Bon peninsula
- a vocational training centre for fishermen
- a Maternal and Child Health Centre
- family planning

Pakistan

The Sweden Pakistan Family Welfare Project including clinical and communication media services
The Swedish-Pakistani Institute of Technology at Landhi (West Pakistan) (ready-made clothing, carpentry, joinery, welding, electricity and mechanics)
The Swedish-Pakistani Institute of Technology at Kaptai (East Pakistan) (electricity, metal works, mechanics, carpentry)
The Swedish-Pakistani Institute of Technology at Gujrat (West Pakistan) (instrument engineering, electricity, and motor mechanics)
Expert Programme in the Field of Telecommunications
Electrification of Coastal Islands in East Pakistan
Grant of Paper for School Books
Development Credit for the Construction of Grain Silos - forming part of an IDA programme for the improvement of grain storage in East Pakistan

India

Grant of Paper for Schools Books
Physiological study with a view to developing suitable tools for forestry in India and grant of such tools
Grant of powdered milk for the victims of the 1966 famine in Gujarat, Mysore, Maharastra and Rajasthan mainly for children, mothers with small children and pregnant women
Grant for fertilizers for the improvement of the 1966 autumn crop in Gujarat and Madras
Study on Grain Storage, especially the need for grain silos in Indian ports
Development Credit for the procurement abroad of dairy and electric equipment and for the purchase of raw materials etc. used by Indo-Swedish joint ventures
Grant for the financing of two fishing trawlers and a study of the appropriate types of trawlers for Indian Waters

A Second Development Credit mainly for the purchase of 25 fishing trawlers and of mining and drilling equipment
The Vocational Training Institute of Paper Technology at Saharanpur
Contribution to All India Institute of Medical Sciences in New Delhi for research in biophysics
Expert programme in the field of consumers' cooperation

Other Countries

Financial Assistance

Sudan - Development Credit in support of the Rural Water Development Programme aiming at the provision of drinking water for the inhabitants and their livestock mainly in the provinces of Darfur, Kassala, Kordofan and Blue Nile.

Turkey - Development Credit for the construction of part of a Hydroelectric Scheme designed to exploit the water power potential of the Harzil River in North - Eastern Turkey

Afghanistan, Burma, Nepal - Paper for school books has been given yearly since 1963 to different countries in Southern Asia, including also India and Pakistan, and previously Indonesia.

Technical Assistance

Algeria - Agricultural Project located at the farm of Si Lakhdar, south of Algiers.

Ceylon - The Sweden Ceylon Family Planning Pilot Project, including training of medical personnel, provision of contraceptives and research work.

Gaza - Contribution to an Educational and Public Health Project including Family Planning for Palestine Refugees administered by the UNRWA.

Ghana - Financing of a Secondary School for Girls administered by the UNESCO

Korea - The Scandinavian Training Hospital in Seoul

Lebanon - Contribution to the Training Institute at Siblin administered by the UNRWA

Liberia - The Vocational Training School at Yekepa, Nimba (foremen and skilled workers in auto repair, mechanics, electrical work and woodwork)

Sierra Leone - Financing of a Primary Teachers' Training College for Women administered by the UNESCO and to a Vocational Training Project for Girls administered by the ILO

Turkey - Provision of Contraceptives

Zambia - Volunteer Service

SWEDISH DEVELOPMENT CREDIT TO TANZANIA FOR RURAL WATER SUPPLY DEVELOPMENT PROGRAM 1/

The Credit and the Special Account

The agreement, signed on June 10, 1967, is for a development credit totalling thirty million Swedish Kronor (SKr 30 million). The balance of this credit is to be subject to appropriations by the Swedish Parliament, at SKr 10 million each, for the fiscal years 1967/68 and 1968/69. The credit is granted "to assist in financing a project" in support of the Tanzanian Rural Water Supply Development Program (8,p.2).

The Sveriges Riksbank, in Stockholm, acting as agent for Sweden (the Lender) is to hold an account (the Special Account) in favor of the Bank of Tanzania, in Dar es Salaam, acting as agent for Tanzania (the Borrower).

The Bank of Tanzania is authorized to withdraw from the Special Account 80% of the amounts already expended for the "reasonable cost" of goods and services to be financed by the development credit.2/ The withdrawals are limited to those costs incurred from July 1, 1966 to December 31, 1970, or other dates as agreed upon by both Sweden and Tanzania. Applications for withdrawals are made quarterly in arrear, to reimburse the Borrower for expenditures already had.

Service of the Credit

The Borrower pays to the Lender interest at the rate of 2% per annum on the principal amount of the credit withdrawn from the Special Account and outstanding. The interest is payable semi-annually (on June 30 and December 31) each year, beginning on June 30, 1968. The Borrower is expected to repay to the Lender the principal of the credit withdrawn from the Special Account in semi-annual installments starting June 30, 1972, and ending December 31, 1986.

The repayment of the principal amount of the credit withdrawn from the Special Account and outstanding is to be made with interest at the rate of 2½% for each installment payable from June 30, 1972 through December 31, 1981. Thereafter, the interest is to be 5% of such principal amount. The Borrower has the option to repay in advance of maturity all or part of the principal amount of a specified number of maturities of the credit.

1/ Based on Reference 8 (see Annex 1), except where indicated otherwise.

2/ In general, SIDA assists and supervises the borrower regarding the methods and procedures for procurement of goods and services to be financed by the credit, without trying either to determine the prices obtained for all individual purchases or to judge their soundness (vis-a-vis the prevailing conditions in the factor market) (6,p.17).

Both the principal and the interest on the credit are payable in Swedish Kronor to the Sveriges Riksbank in favor of the Lender. All the repayments of the principal and the interest on the credit are to be made "without deduction for, and free from, any taxes and charges and free from all restrictions imposed under the laws of the Borrower or laws in effect in its territories" (8,p.3). The Borrower is also expected to give the Lender "no less favorable treatment than that accorded to other foreign creditors" (8,p.3).

Particular Covenants and Miscellaneous

It is the Borrower's responsibility to insure that the project is carried out with "diligence and efficiency", according to sound technical and financial practices. The Borrower has to make available, at all times, the necessary "sums and resources" required for the operation of the project, including maintenance. The Borrower is also to insure that adequate records are maintained -- sufficient to identify the goods and services financed by the credit, and to record the progress of the project (including cost). The Borrower is expected to grant "reasonable opportunity" for visits by representatives of the Lender to "any part of the territories of the Borrower for purposes related to the Credit and to inspect all relevant goods, records and documents" (8,p.4).

The Borrower is to identify to the Lender the person or persons authorized to represent the Borrower in executing the credit agreement. All notices or requests between the Lender and the Borrower are to be in writing, and are "deemed to have been duly given or made when delivered through diplomatic channels" (8,p.4).

The credit agreement is considered effective thirty days after the date it has been signed. Its termination comes on the date upon which both the Lender and the Borrower will have fulfilled all the obligations under the credit agreement.

Mr. Badri Rao December 26, 1967

Michael L. Hoffman

Study on Multilateral Development Financing Institutions

The following comments are of varying importance, but I thought I would pass them all on to you for what they are worth. It is regrettable that some of the purely editorial slips were not corrected before the paper was put into blue covers.

Page 17. There seems to be some double counting in the first two sentences of the second paragraph.

It would be interesting to know whether the Japanese credit was to be drawn on, within the percentage limits indicated, to finance all procurement in Japan or only pari passu with the Bank's regular resources.

Page 18. The word "not" has been omitted in the second line.

It would be interesting to have more details about the Spanish participations. Does the last sentence mean that they will buy strips of bonds equal to Spanish procurement during some period? It is not quite clear.

Page 20. Again, with reference to the first two paragraphs, it would be interesting to know whether the credits have to be drawn on pari passu with regular resources, or whether the IDB can use up all of these credits before disbursing anything of its own resources in the respective countries.

Page 21. Under (iii) the funds obtained under bilateral arrangements "Procurement limited to domestic goods, etc.". But on page 20 it is stated that the Swedish contribution is completely untied. There seems to be some contradiction here.

In the first unnumbered paragraph, it is stated that "non-US dollar local currency subscriptions (other than those of Mexico and Guatemala, mentioned above) are freely usable for international procurement." Should not this read "for procurement in member countries of the IDB"? Or does it really mean procurement anywhere?

Page 23. I would be interested to know why Kuwait was included in the list in paragraph 3. Was there really any procurement consideration involved?

I wonder if it is really correct to say that "the IDB's contribution to Latin America's economic development is measured" by its financial stake in the area, plus other capital associated with its projects. In the first place, I suspect that the 5 billion figure is a very shaky one. At least when we try to get a corresponding figure for our operations our Treasurer is very reluctant to provide a firm one. At any rate, I should think this Bank's contribution would be more than purely financial, and thus not really "measured" by any financial figure.

It might be worth mentioning somewhere here that IDB can lend without government guarantee. The point is made, with reference to the IDB, under the discussion on the Asian Development Bank. But it seems to me it should be made in the section on the IDB itself, where I do not find it. It is important in explaining why the IDB can lend to ADELA, as mentioned at the bottom of page 23.

Page 24. If equity participations are not provided for in the Charter, it seems hardly necessary to say that none has been acquired.

It would be interesting to know whether they follow our practice with respect to technical assistance loans. Namely, that such credits would normally be folded into a project loan before the 8 to 10 year period expires.

In connection with the discussion of interest and other charges, one wonders whether the IDB converts interest payments received in local currencies into dollars. If not, how does it account for such income? Does it have a maintenance of value provision with respect to amounts accumulated as interest or service charge payments?

Page 26. In the penultimate paragraph, would it not be possible to indicate how large this preinvestment fund is?

In view of our own relations with FAO and Unesco, I think it would be worth providing somewhat more detail about the IDB's agreements with these organizations, indicating how they differ from ours, if they do.

Page 37. In the last paragraph it is stated that CABEI requires competitive bidding only for infrastructure. What does it do in other cases? For instance, for equipment used in a power or industrial project.

Page 38. I was fascinated to see that "by September 30, 1967, CABEI has financed 179 projects." It seems to me that this calls for some comment about how they process projects. They certainly could not process them according to World Bank standards if they put them through at this rate.

MLHoffman/pnn

cc: Mr. Rist

Mr. Leonard Rist December 20, 1967

A. David Knox

Study on Multilateral Development Financing Institutions

I found this study very useful and I hope that when it is in final shape copies of it will be made available. I regret that I do not have a sufficient knowledge of any of the institutions dealt with to be able to make any useful comments. It did occur to me, however, that it might be helpful to say a little bit more about the Inter-American Bank's policy for regional representatives and resident engineers. This differs so markedly from our own approach that it would be interesting to know what led the IDB to their decision.

There are a couple of misprints. On page 17 the first sentence of the second paragraph is repeated in part. On page 45 Sweden is misspelled in the first line.

cc: Mr. Chadenet
Mr. Rao

ADKnox/mv
IBRD

FORM No. 75
(2-60)

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE CORPORATION

INTERNATIONAL DEVELOPMENT ASSOCIATION

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REMARKS

From

Dev. B. Multilat Dev. Inst.

Mr. Badri Rao

December 19, 1967

O. M. Calika

Study on Multilateral Financing Institutions - African Development Bank

I read with interest Chapter IV of the Study dated October 1967 on the above. It gives a useful account of the organization, membership, capital sources and operations of the African Development Bank (ADB). As requested in Mr. Rist's memorandum dated November 14, 1967, I am glad to give you my comments.

As a general comment, I would suggest that it would be useful to indicate that ADB is a very young institution and its operational policies and procedures are still in the process of formation. I would also suggest that, to avoid any possibility of embarrassment in our relations with ADB, we should not include in the Study "unpublished reports" regarding the proposed contributions to an African Development Fund. This suggestion refers in particular to the British offer of £1 million (last paragraph of page 43) and the judgment which appears at the top of page 45 that "the establishment of an African Development Fund with contributions endorsed by several donors does not seem to be imminent, etc." My suggestion is that, on the basis of ADB's latest annual meeting documents, we should simply report that approaches were made by ADB to 27 capital exporting countries and that we have at this time no information about these countries responses.

The following are some specific comments which are given in the order of the presentation of the chapter.

Page 40, first paragraph

The last sentence states that ADB "was formally opened for business on September 10, 1964". This may well be the date by which ADB came into being as a legal entity; it formally opened its doors for business only on July 1, 1966. Unless I missed it in the text, it is highly desirable to state somewhere that Abidjan has been selected and became ADB's headquarters.

Page 41, second paragraph

I am not sure whether this information is needed in such a brief summary. Perhaps we can say that membership of non-African countries in ADB would require an amendment of its existing Charter.

Page 43, second paragraph

It may be useful to indicate that ADB wants to have an African Development Fund not only to increase its capital resources, but also and, probably more compellingly, to obtain a soft lending window. I do not see the need for reporting in the footnote the approach made to ADB by a number of investment banks to assist it in possible bond issues in the U.S. and European markets.

Page 43, third paragraph

I was somewhat puzzled by the Brazilian offer of $20 million. Was this related to controlling coffee plantings in Africa?

Page 43, fourth paragraph

As I mentioned before, I suggest that this paragraph (the U.K. offer of £1 million to ADB) be deleted.

Page 44, first paragraph

As far as I know, the UNDP grant was quite different from the exercise to set up a capital development fund. It was made for the specific purpose of setting up within ADB a pre-investment unit for the evaluation and formulation of the development projects which may be suitable for eventual ADB financing. The amount of the grant was $2,993,000 to be spent over a three-year period (reference UNDP Document No. DP-SF-R3-ADD.64 dated November 18,1966). Since this amount is not for re-lending purposes, it should not appear in the present study under the heading "Special Fund" but either under "Introduction" or "Organization and Management".

Page 44, last paragraph

Should not the first sentence of this paragraph appear at the end of the second paragraph on this page. As I mentioned before, the remainder of this paragraph, which spreads to page 45, should either be deleted or rephrased.

Page 45, third paragraph

Perhaps this paragraph should be entitled "Procurement".

Page 45, fourth paragraph

I suggest that the word "speculative" at the end of the first sentence should be replaced by "still to be negotiated". Obviously ADB wants to encourage contributions to the proposed African Development Bank by holding the offer of restricting procurement in non-contributing countries.

Page 45, last paragraph

Perhaps a distinction should be made between restrictions imposed by the Charter and the ADB Board of Directors' authority to introduce such restrictions from case to case. In discussing ADB's "loan policy" it may be advisable to mention the concepts of "additionality" and "multinationality", concepts which are described in Mr. Beheiry's latest annual meeting speech regarding ADB's lending and the selection of its projects respectively.

Page 47, last paragraph

For comparison with other institutions, it may be advisable to indicate the number of professional and non-professional staff. It may also be of interest to state that the ADB has English and French as its official languages and its staff consists predominantly of African personnel.

cc: Messrs. McIver/El Emary (o/r)
Rist
Lutolf
Gordon

OH lka/fo

Mr. Rist December 19, 1967

Georges R. Delaume

Study on Multilateral Development Financing Institutions Comments

Mr. Nurick has asked me to give you my comments on the Study. They are as follows:

1. Title of the Study. I wonder whether the title of the Study is quite accurate. The Study is devoted only to regional development financing institutions. I therefore think that there would be advantage in inserting the word "regional" between the words "multilateral" and "development" in the title of the Study. Without this precision, the reader might wonder why the Study does not refer also to the UNDP and the IBRD group.

2. Chapter I. I believe that several points could be added to Section F:

(a) One is that all the lending institutions involved are "lenders of last resort" (see e.g. the Articles of Agreement of the IDB, Article III, Section 7(a)(ii); African Development Bank, Article 17(c); Asian Development Bank, Article 14(v); East African Development Bank, Article 13(i).

(b) The point could also be made that, unlike the IBRD, none of the other institutions is required, in the case of a loan to a borrower other than a member, to obtain a governmental guarantee. The language of the charters of the other institutions is always permissive rather than mandatory (see e.g. Articles of Agreement of the IDB, Article III, Section 8; African Development Bank, Article 18(3); Asian Development Bank, Article 15(2); EIB, Article 18(3)). In this connection, Chapter 6 on the Asian Development Bank (at p. 55) is the only chapter which refers to this issue.

(c) I would also believe that some reference ought to be made to the maintenance of value provision of the charters of the institutions concerned. Reference to the maintenance of value appears in several chapters. There may be advantage at some stage to point out that these maintenance of value provisions are not necessarily identical. Some correspond to ours (including the ED's Interpretation); such is the case of the IDB (Article V, Section 3; African Development Bank, Article 28; Asian Development Bank, Article 25 and the EIB, Article 7). In the case of CABEI (Article 5), the maintenance of value is not tied to a gold dollar but merely to the US dollar. The maintenance of value of the East African Development Bank, Article 25, is similar to that found in the IDA's Articles of Agreement.

(d) Section F should probably also contain a paragraph regarding the policies of the institutions involved as to the financing of foreign exchange versus local expenditures.

3. Insofar as I have been able to ascertain Chapter 6 (p. 53) is the only place where it is mentioned that a development institution is required to obtain the consent of the country in whose market it borrows. This is a requirement which is common to all development institutions (see the Articles of Agreement of the IDB, Article VII, Section 1; African Development Bank, Article 23; Asian Development Bank, Article 21; EIB, Article 22(2); East African Development Bank, Article 19(a)(i)). In addition, the Articles of Agreement of several of these institutions require them (like the IBRD) to obtain the consent of the member in whose currency the borrowings are to be denominated. This is true in regard to the Asian Development Bank (Article 21), (though no reference is made to this particular requirement at p. 53 of Chapter 6); the IDB (Article VII, Section 1) and the African Development Bank (Article 23).

4. Miscellaneous. There is a repetition (i) between the first two sentences of the second paragraph on p. 17 and (ii) between the statement (last sentence of paragraph 3) on p. 62 and the last paragraph on p. 66.

I note on p. 24 (second paragraph under the heading "Repayment Provisions" the statement that loans made out of IDB's ordinary capital resources are always repayable in the currency or currencies lent. This statement may be correct. I wonder, however, whether the IDB does not make an exception to this general rule as we do (Loan Regulations No. 3, Section 3.03(a)) when the withdrawal is made in a currency which the IDB may have purchased for the purpose of such withdrawal.

Finally there are a few typographical errors: on p. 58, bottom paragraph, 3d line, the word "relationships" is misspelled; on p. 60; 3d paragraph, 8th line, the word "followed" should be substituted for "gollowed"; on p. 82, first paragraph, 4th line, the word "administration" is misspelled. On p. 87, 1st paragraph, 8th line, the accents are missing on "Union douanière économique, etc."

5. All in all this is a useful study. Taking note, however, that the study excludes on purpose a detailed analysis of the covenants used (including Loan Regulations) by the various institutions concerned, I am wondering whether the next stage should not be an attempt to determine concretely what kind of problems the various policies and practices of these institutions, or at least some of them, may have raised on the occasion of joint operations with them. To end up on a famous quotation: "This is another story...", but perhaps it ought to be given some attention.

cc. Mr. Rao
Mr. de Fontenay
Mr. Broches
Mr. Nurick

GRDelaume/cl

Paris

Mr. Leonard B. Rist December 19, 1967

Michael L. Hoffman

Study on Multilateral Development Financing Institutions

This is a very timely study. I have made a number of detailed comments in the attached memorandum to Mr. Badri Rao.

To me the most interesting aspect of the activities of these other institutions is the variety of funds they have accepted that are tied in one way or another. While this paper tells us a good deal about this, it also indicates that there are a number of matters that need further investigation. Most of these are suggested by various parts of the memorandum dealing with procurement. It seems to me, on reflection, that they are not really matters of procurement policy but of policy concerning the kinds of funds the institutions are prepared to administer. The procurement policy is purely derivative. In fact, I should imagine that disbursement policy might be a better heading under which to bring out differing consequences of accepting various kinds of tied money.

Encl.

cc: Mr. Badri Rao

MLH/c

Paris

Mr. Richard H. Demuth December 18, 1967

Michael L. Hoffman

Study on Multilateral Development Financing Institutions

On the 'plane coming over I read the Rist and associates paper on multilateral development finance institutions. I have two general sets of reactions.

The first is (a) it is high time we had a study like this, and (b) there is certainly a job to be done in keeping up to date on the policies and sources of finance of these institutions, and it is not likely to be done by the area departments in the course of their ordinary contacts with them.

My second general reaction is that we have probably been much too rigid in our attitude towards financial resources that are, in one way or another, "tainted", if not actually tied. The IDB has a bewildering variety of arrangements with capital suppliers. They are by no means all attractive, but it has somehow survived, and is still able to borrow untied money up to the limit of the US guarantee. We may be able to go beyond that, but so far we have not. On the other hand, it seems that of about \$77 million of money available to the IDB under "special arrangements", only \$8 million has been used. We ought to look more closely into this. It suggests that the effort involved in getting these special arrangements may not be worthwhile. Or it may simply be that not enough time has passed to enable the funds to be used.

So my reflections on this matter cut both ways. Perhaps we ought to be willing to use more tainted money, but maybe also we ought to be very careful to take only kinds we can use.

The Rist team's analysis does not really throw much light on the extent to which these special funds could be used, or have been used for financing orders placed in the countries supplying the funds as a result of international competitive bidding. This is because they have taken a structural rather than an operational approach. The fact, for instance, that the Canadian \$40 million is tied does not mean it has to be used to finance contracts placed as a result of restricted bidding, or at least it may not mean that.

I come back to the Demuth plan. I simply cannot see why (once some kind of IDA replenishment has been agreed) we should not agree to accept lines of credit, or "loans", in the form of non-interest bearing demand notes tied to procurement in the donor country, to be drawn on in some agreed proportion to IDA's general funds for financing procurement in that country. It could only be used for identifiable procurement, so for most of the main capital goods exporting countries the agreed proportion would be a maximum. When all the accounts were in they would generally end up having financed less than that proportion of orders placed in their market.

At the moment, this sort of deal is not likely to appeal to the US. But why should it not appeal to the UK, which is an IDA surplus country, and perhaps to others? It does not have to be negotiated with all Part I countries at the same time.

The EEC countries have taken a position in principle against any restrictions on IDA contributions. But they cannot stop IDA from borrowing or accepting supplementary contributions on any terms.

There are certainly problems about how to use these tainted funds. But the IDB has apparently tackled them. Perhaps we should talk about it to Cavanaugh and ask him to find out, if he does not know, how the IDB has gone about it. I have enough confidence in our financial team to believe that we can lick any technical problems there are.

On another point suggested by the Rist paper, the President of the Bank has said that he is determined to use the 90% local currency IDA subscriptions in some way or other. I suspect that the next President of the Bank will not look at this problem very differently, whatever the economists say. Therefore I suggest that we find out more about how the IDB has used its 50% of FSO money contributed in local currency.

As a final note, it is interesting that we are apparently the only one of the major international financial institutions that does not have an obligation to provide technical assistance written into its charter.

MAH

Mr. Leonard Rist

December 15, 1967

Hubert F. Havlik

Comments on Draft Study on Multilateral Development Financing Institutions (October 1967)

Chapter 1 - Summary

1. I suggest that the first paragraph on page 3 of Chapter I, which calls attention to the competition for capital resulting from the proliferation of multilateral financing institutions, should also call attention explicitly to the increase in the difficulty of achieving coordination in lending programs and policies with respect to a country or region served by several such agencies.

2. I suggest you add "and standards" or "and criteria" after "procedures" at the end of line 9, second paragraph on page 3. Differences in standards regarding project appraisal and likely to be more important than differences in procedures.

3. On page 9, second paragraph, it would be closer to the actuality of the present situation when referring to CABEI, to say that "its borrowings from IDB have not been tied" (instead of "are not tied") since recently CABEI declined a loan from FSO funds for industry since it did not wish to accept such tying.

Chapter 2 - IDB

4. Re new proposals for increases in IDB resources (p. 16), the third paragraph from the bottom has a flavor of implying that since a guarantee fund does not involve any immediate cash contribution it is costless; but cash will be called for if the guarantee fund is called upon to make good losses that may arise. Some slight change in wording, such as inserting "immediate" before "cash contribution", might meet this problem.

5. You may find, in the next few days, that the U.S. will have approved authorization of the first $300 for the F.S.O.; but the increase in callable capital as regards the U.S. will not come before the Congress until next year.

6. On page 16, at the end of line 7, you should insert "and agricultural" after the word "social".

Chapter 3 - CABEI

7. Page 35 - The tabulation does not really represent "Loanable Resources as of September 30, 1967"; it is a cumulative total of resources available up to September 30, 1967". As indicated on page 38, paragraph 2, $110.9 million had been committed from these funds by September 30, 1967; thus the "loanable resources" on that date amounted to some $50 million rather than $160 million.

8. The table on page 35 shows $32.2 million for IDB loans whereas the list of IDB loans on page 39 adds up to $38.7 million. Are these comparable and if so which is correct?

9. Page 37, fourth paragraph: Loans from the Integration Fund for "integration roads" thus far have been at 3-1/2%; this should be mentioned.

Andean Development Corporation

10. The objectives as stated are vague and probably the language should be left as it is in view of the fact that the specific objectives are still subject to change. The Declaration of Bogota (August 16, 1966) calls for the creation of a "corporacion de fomento encargada tanto de la promoción directa cuanto de la asistencion técnica al sector privado para la realización de los proyectos de interés común", which may be translated as "The creation of a development corporation charged with direct promotion of, as well as technical assistance to, the private sector for the execution of projects of common interest". The objective was also stated in a document prepared by the Mixed Commission of government experts which met at Vina del Mar in June 1967 as: "to provide an impulse to the process of sub-regional integration, to orient national specialisation and an equitable distribution of investments within the area, to promote the utilization of the opportunities and the resources within its area of action, by means of the creation of enterprises for production or for services and the expansion and modernization of those which exist".1/ Raul Saez's comments did not indicate whether the enterprises referred to would be public or private or both. But he laid heavy stress on the objective of "equitable distribution within the area".

11. Recently (December 6) Ramon Remolina, Manager of Banco Agropecuario of Peru and Peruvian representative in discussions of the

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1/ Quoted by Raul Saez, acting as Chairman of the Mixed Commission at its meeting in Quito in July 1967; see Boletin de la Integracion, August 1967, p. 422. This same language appears in the "Bases para la Corporacion Andina de Fomento", sent to Research Files with my memo of November 1, 1967.

Mixed Commission said that a principal issue in the debate in the meetings in Caracas (August) and Lima (November) was whether the Corporation would be a multi-national government-owned entity, or be set up as a private "sociedad anonima" with provision for public, private (domestic and foreign) participation and open to neighboring countries. In the Lima meeting, the former was decided upon. Accordingly a group of lawyers with economic advisers has now begun meetings on December 4 in Lima to develop a definitive draft of the statutes. The undated draft of "Bases para una corporacion" to be set up as a "sociedad anonima" (sent to Research Files with my memo to Mr. Zlatich, dated November 1, 1967) will thus be changed, according to Remolina, particularly as to capitalization, calling up of subscriptions, representation on the directorate; and we may see some broadening of the objectives to say specifically that they will include infrastructure or public projects (along the lines of CABEI). Hence the broad general language in your present draft should be left as it is.

12. I would suggest that the last two sentences of the concluding paragraph on page 92 be stricken; the difficulties with Venezuela are not the only ones so why should these (and Venezuela) be singled out. Moreover I do not see the basis for saying that it "may therefore be some time before ANDC takes final shape". It may or may not be. The present schedule is (according to Remolina): meeting of Government representatives in Bogota, February 5, 1968 to consider draft statutes now being worked out by experts in Lima; these, if approved would be scheduled for signature about May 1968. Delays may occur of course, but I think that all you need say in your report is that work on drafting of the charter has begun.

13. You should add that in August 1967, Bolivia joined the other five countries in the Declaration of Bogota. (The protocol of adherence was signed by Bolivia on August 18, 1967). It will therefore participate in the ANDC.

HFH

HFHavlik/z

cc: Messrs. Alter
Weiner
Mirza
Diamond (re Andean Develop.Corp)
Rao
de Fontenay

December 14, 1967

Mr. Franz Lütolf
World Bank Permanent Mission to
West Africa
B.P. 1850
Abidjan, Ivory Coast

Dear Franz,

I am sending you two copies of a study on "Multilateral Development Financing Institutions which we have just completed.

I would be grateful if you would look with particular care at the ADB and Entente Fund chapters (4 & 5) and send me any new or more detailed information or comments you would care to forward to me.

With all the best for Christmans and the New Year,

Very sincerely yours,

L.R.

Leonard Rist,
Special Adviser to the President

att.

December 14, 1967

Mr. David L. Gordon
World Bank Permanent Mission
to East Africa
P.O. Box 30577
Nairobi, Kenya

Dear Dave,

I am sending you herewith two copies of a study on "Multilateral Development Financing Institutions" which we have just completed.

I would be grateful if you would look with particular care at the ADB and East African Bank (proposed) chapters (4 & 9) and send me any new or more detailed information or comments you would care to forward to me.

With all the best for Christmas and the New Year,

Very sincerely yours,

L. R.

Leonard Rist,
Special Adviser to the President

att.

December 13, 1967

Mr. Martijn Paijmans
International Bank for
Reconstruction & Development
4, avenue d'Iéna
Paris, 16e

Dear Martijn,

I am sending you herewith a copy of a study on "Multilateral Development Financing Institutions" which we have just completed.

I would be grateful if you would look with particular care at the European Investment Bank and the European Development Fund chapters (7 & 8) and send me any new or more detailed information or comments you would care to forward to me.

I am also enclosing a self-explanatory memorandum concerning my cancelled trip to Niamey.

With all the best for Christmas and the New Year,

Sincerely yours,

L.R.

L. Rist,
Special Adviser to the President

P.S. Mr. El Emary may be interested by the chapter on the East African Development Bank since he will be concerned with that part of Africa while in Paris.

2 p.j.

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SecM67-151

FROM: The Secretary June 6, 1967

VOTES IN INTERNATIONAL FINANCIAL INSTITUTIONS

1. Attached for information are two tables, the first showing the voting power (Annex A) and the second showing the subscriptions (Annex B) of member countries of the Bank, the Fund, the Inter-American Development Bank, the African Development Bank and the Asian Development Bank.

2. The European Investment Bank has not been included in this tabulation inasmuch as its system of weighted voting differs from those of the other institutions, as will be seen from the attached excerpt from the Statute of the Bank setting forth its capital and voting structure (Annex C).

Distribution:

Executive Directors and Alternates
President
President's Council
Executive Vice President, IFC
Deputy Executive Vice President, IFC
Department Heads (Bank and IFC)
Secretary, IMF

ANNEX A

INTERNATIONAL FINANCIAL INSTITUTIONS
(IBRD, IMF, IDB, ASIAN AND AFRICAN DEVELOPMENT BANKS)

VOTING POWER OF MEMBER COUNTRIES
WITH PERCENT OF TOTAL

Member	International Bank for Reconstruction and Development		International Monetary Fund		Inter-American Development Bank		Asian Development Bank #		African Development Bank #	
	No. of Votes	% of Total	No. of Votes	% of Total	No. of Votes	% of Total	No. of Votes	% of Total	No. of Votes	% of Total
Afghanistan	550	.22	540	.23	-	-	1,256	1.04	-	-
Algeria	1,050	.41	910	.39	-	-	-	-	3,075	7.76
Argentina	3,983	1.56	3,750	1.59	22,583	12.57	-	-	-	-
Australia	5,580	2.19	5,250	2.23	-	-	9,278	7.69	-	-
Austria	2,117	.83	2,000	.85	-	-	1,278	1.06	-	-
Belgium	4,750	1.86	4,470	1.90	-	-	1,278	1.06	-	-
Bolivia	460	.18	540	.23	1,937	1.08	-	-	-	-
Brazil	3,983	1.56	3,750	1.59	22,583	12.57	-	-	-	-
Burma	650	.25	550	.23	-	-	-	-	-	-
Burundi	400	.16	400	.17	-	-	-	-	-	-
Cambodia *	-	-	-	-	-	-	1,128	.94	-	-
Cameroon	450	.18	416	.18	-	-	-	-	1,025	2.59
Canada	8,170	3.20	7,650	3.25	-	-	3,278	2.72	-	-
Central African Rep	350	.14	335	.14	-	-	-	-	-	-
Ceylon	1,077	.42	1,030	.44	-	-	1,630	1.35	-	-
Chad	350	.14	330	.14	-	-	-	-	-	-
Chile	1,183	.46	1,250	.53	6,299	3.50	-	-	-	-
China	7,750	3.04	5,750	2.44	-	-	2,378	1.97	-	-
Colombia	1,183	.46	1,500	.64	6,294	3.50	-	-	-	-
Congo (Brazzaville)	350	.14	330	.14	-	-	-	-	775	1.95
Congo, Dem. Rep.	850	.33	724	.31	-	-	-	-	1,925	4.86
Costa Rica	357	.14	500	.21	1,036	.58	-	-	-	-
Cyprus	400	.16	400	.17	-	-	-	-	-	-
Dahomey	350	.14	330	.14	-	-	-	-	765	1.93
Denmark	1,983	.78	1,880	.80	-	-	1,278	1.06	-	-
Dominican Rep.	383	.15	528	.22	1,337	.74	-	-	-	-
Ecuador	421	.16	500	.21	1,337	.74	-	-	-	-
El Salvador	357	.14	500	.21	1,036	.58	-	-	-	-
Ethiopia	350	.14	440	.19	-	-	-	-	1,655	4.18
Finland	1,583	.62	1,500	.64	-	-	1,278	1.06	-	-
France	10,750	4.22	10,100	4.28	-	-	-	-	-	-
Gabon	350	.14	335	.14	-	-	-	-	-	-
Germany, Fed. Rep.	13,050	5.12	12,250	5.20	-	-	4,178	3.46	-	-
Ghana	717	.28	940	.40	-	-	-	-	1,905	4.81
Greece	917	.36	1,250	.53	-	-	-	-	-	-
Guatemala	357	.14	500	.21	1,337	.74	-	-	-	-
Guinea	450	.18	440	.19	-	-	-	-	875	2.21
Guyana	410	.16	400	.17	-	-	-	-	-	-
Haiti	400	.16	400	.17	1,036	.58	-	-	-	-
Honduras	330	.13	440	.19	1,036	.58	-	-	-	-
Iceland	400	.16	400	.17	-	-	-	-	-	-
India	8,250	3.24	7,750	3.29	-	-	10,078	8.36	-	-
Indonesia	2,450	.96	2,320	.98	-	-	3,278	2.72	-	-
Iran	1,536	.60	1,500	.64	-	-	-	-	-	-
Iraq	890	.35	1,050	.45	-	-	-	-	-	-
Ireland	1,103	.43	1,050	.45	-	-	-	-	-	-
Israel	1,209	.47	1,150	.49	-	-	-	-	-	-
Italy	6,910	2.71	6,500	2.76	-	-	2,778	2.30	-	-
Ivory Coast	450	.18	416	.18	-	-	-	-	1,225	3.09
Jamaica	570	.22	550	.23	-	-	-	-	-	-
Japan	7,976	3.13	7,500	3.18	-	-	20,778	17.23	-	-
Jordan	413	.16	387	.16	-	-	-	-	-	-
Kenya	583	.23	570	.24	-	-	-	-	1,225	3.09
Korea	500	.20	490	.21	-	-	3,778	3.13	-	-
Kuwait	917	.36	750	.32	-	-	-	-	-	-
Laos	350	.14	325	.14	-	-	820	.68	-	-
Lebanon	340	.13	340	.14	-	-	-	-	-	-
Liberia	400	.16	450	.19	-	-	-	-	885	2.23
Libya	450	.18	440	.19	-	-	-	-	-	-
Luxembourg	450	.18	408	.17	-	-	-	-	-	-

Member	International Bank for Reconstruction and Development		International Monetary Fund		Inter-American Development Bank		Asian Development Bank #		African Development Bank #	
	No. of Votes	% of Total	No. of Votes	% of Total	No. of Votes	% of Total	No. of Votes	% of Total	No. of Votes	% of Total
Malagasy Republic	450	.18	440	.19	-	-	-	-	-	-
Malawi	400	.16	362	.15	-	-	-	-	825	2.08
Malaysia	1,583	.62	1,350	.57	-	-	2,778	2.30	-	-
Mali	423	.17	420	.18	-	-	-	-	855	2.16
Mauritania	350	.14	335	.14	-	-	-	-	735	1.85
Mexico	2,330	.91	2,950	1.25	14,565	8.10	-	-	-	-
Morocco	1,210	.47	1,042	.44	-	-	-	-	2,135	5.39
Nepal	350	.14	350	.15	-	-	994	.82	-	-
Netherlands	5,750	2.25	5,450	2.31	-	-	1,878	1.56	-	-
New Zealand	1,917	.75	1,820	.77	-	-	3,034	2.52	-	-
Nicaragua	330	.13	440	.19	1,036	.58	-	-	-	-
Niger	350	.14	330	.14	-	-	-	-	785	1.98
Nigeria	917	.36	880	.37	-	-	-	-	3,035	7.66
Norway	1,850	.72	1,750	.74	-	-	1,278	1.06	-	-
Pakistan	2,250	.88	2,130	.90	-	-	3,978	3.30	-	-
Panama	340	.13	362	.15	1,036	.58	-	-	-	-
Paraguay	310	.12	400	.17	1,036	.58	-	-	-	-
Peru	600	.23	720	.31	3,143	1.75	-	-	-	-
Philippines	1,250	.49	1,350	.57	-	-	4,278	3.55	-	-
Portugal	1,050	.41	1,000	.42	-	-	-	-	-	-
Rwanda	400	.16	377	.16	-	-	-	-	745	1.88
Saudi Arabia	1,210	.47	1,150	.49	-	-	-	-	-	-
Senegal	583	.23	500	.21	-	-	-	-	1,175	2.96
Sierra Leone	400	.16	400	.17	-	-	-	-	835	2.11
Singapore	570	.22	550	.23	-	-	1,278	1.06	-	-
Somalia	400	.16	400	.17	-	-	-	-	845	2.13
South Africa	2,383	.93	2,250	.95	-	-	-	-	-	-
Spain	2,917	1.14	2,750	1.17	-	-	-	-	-	-
Sudan	850	.33	820	.35	-	-	-	-	1,635	4.13
Sweden	2,650	1.04	2,500	1.06	-	-	1,278	1.06	-	-
Syrian Arab Rep.	650	.25	630	.27	-	-	-	-	-	-
Tanzania	583	.23	570	.24	-	-	-	-	1,255	3.17
Thailand	1,263	.49	1,200	.51	-	-	2,778	2,30	-	-
Togo	400	.16	362	.15	-	-	-	-	725	1.83
Trinidad and Tobago	517	.20	500	.21	-	-	-	-	-	-
Tunisia	550	.22	600	.25	-	-	-	-	1,315	3.32
Turkey	1,400	.55	1,330	.56	-	-	-	-	-	-
Uganda	583	.23	570	.24	-	-	-	-	1,085	2.74
United Arab Rep.	1,671	.65	1,750	.74	-	-	-	-	3,625	9.15
United Kingdom	26,250	10.30	24,650	10.46	-	-	3,778	3.13	-	-
United States	63,750	25.01	51,850	22.00	76,311	42.47	20,778	17.23	-	-
Upper Volta	350	.14	335	.14	-	-	-	-	755	1.90
Uruguay	530	.21	550	.23	2,542	1.41	-	-	-	-
Venezuela	2,117	.83	2,750	1.17	12,162	6.77	-	-	-	-
Viet-Nam	550	.22	540	.23	-	-	1,978	1.64	-	-
Western Samoa *	-	-	-	-	-	-	784	.65	-	-
Yugoslavia	1,317	.52	1,750	.74	-	-	-	-	-	-
Zambia	783	.31	750	.32	-	-	-	-	1,925	4.86
Totals	254,935	100.00	235,719	100.00☆	179,682	100.00	120,618	100.00☆	39,625	100.00

* Not a member of the Bank or Fund.
☆ This figure may differ from the sum of the percentages shown for individual countries because of rounding.
Data as of April 1967.

Secretary's Department
June 6, 1967

INTERNATIONAL FINANCIAL INSTITUTIONS
(IBRD, IMF, IDB, ASIAN AND AFRICAN DEVELOPMENT BANKS)

SUBSCRIPTIONS OF MEMBER COUNTRIES WITH PERCENT OF TOTAL

Member	International Bank for Reconstruction and Development		International Monetary Fund		Inter-American Development Bank		Asian Development Bank #		African Development Bank #	
	Amount $ million	% of Total	Amount $ million	% of Total	Amount $ million	% of Total	Amount $ million	% of Total	Amount $ million	% of Total
Afghanistan	30.00	.13	29.00	.14	-	-	4.78	.50	-	-
Algeria	80.00	.35	66.00	.32	-	-	-	-	24.50	11.40
Argentina	373.30	1.63	350.00	1.67	224.48	12.68	-	-	-	-
Australia	533.00	2.33	500.00	2.39	-	-	85.00	8.81	-	-
Austria	186.70	.82	175.00	.84	-	-	5.00	.52	-	-
Belgium	450.00	1.97	422.00	2.02	-	-	5.00	.52	-	-
Bolivia	21.00	.09	29.00	.14	18.02	1.02	-	-	-	-
Brazil	373.30	1.63	350.00	1.67	224.48	12.68	-	-	-	-
Burma	40.00	.18	30.00	.14	-	-	-	-	-	-
Burundi	15.00	.07	15.00	.07	-	-	-	-	-	-
Cambodia *	-	-	-	-	-	-	3.50	.36	-	-
Cameroon	20.00	.09	16.60	.08	-	-	-	-	4.00	1.86
Canada	792.00	3.47	740.00	3.54	-	-	25.00	2.59	-	-
Central African Rep.	10.00	.04	8.50	.04	-	-	-	-	-	-
Ceylon	82.70	.36	78.00	.37	-	-	8.52	.88	-	-
Chad	10.00	.04	8.00	.04	-	-	-	-	-	-
Chile	93.30	.41	100.00	.48	61.64	3.48	-	-	-	-
China	750.00	3.28	550.00	2.63	-	-	16.00	1.66	-	-
Colombia	93.30	.41	125.00	.60	61.59	3.48	-	-	-	-
Congo (Brazzaville)	10.00	.04	8.00	.04	-	-	-	-	1.50	.70
Congo, Dem. Rep. of	60.00	.26	47.40	.23	-	-	-	-	13.00	6.05
Costa Rica	10.70	.05	25.00	.12	9.01	.51	-	-	-	-
Cyprus	15.00	.07	15.00	.07	-	-	-	-	-	-
Dahomey	10.00	.04	8.00	.04	-	-	-	-	1.40	.65
Denmark	173.30	.76	163.00	.78	-	-	5.00	.52	-	-
Dominican Rep.	13.30	.06	27.80	.13	12.02	.68	-	-	-	-
Ecuador	17.10	.07	25.00	.12	12.02	.68	-	-	-	-
El Salvador	10.70	.05	25.00	.12	9.01	.51	-	-	-	-
Ethiopia	10.00	.04	19.00	.09	-	-	-	-	10.30	4.79
Finland	133.30	.58	125.00	.60	-	-	5.00	.52	-	-
France	1,050.00	4.60	985.00	4.71	-	-	-	-	-	-
Gabon	10.00	.04	8.50	.04	-	-	-	-	-	-
Germany, Fed. Rep. of	1,280.00	5.60	1,200.00	5.74	-	-	34.00	3.52	-	-
Ghana	46.70	.20	69.00	.33	-	-	-	-	12.80	5.95
Greece	66.70	.29	100.00	.48	-	-	-	-	-	-
Guatemala	10.70	.05	25.00	.12	12.02	.68	-	-	-	-
Guinea	20.00	.09	19.00	.09	-	-	-	-	2.50	1.16
Guyana	16.00	.07	15.00	.07	-	-	-	-	-	-
Haiti	15.00	.07	15.00	.07	9.01	.51	-	-	-	-
Honduras	8.00	.03	19.00	.09	9.01	.51	-	-	-	-
Iceland	15.00	.07	15.00	.07	-	-	-	-	-	-
India	800.00	3.50	750.00	3.58	-	-	93.00	9.64	-	-
Indonesia	220.00	.96	207.00	.99	-	-	25.00	2.59	-	-
Iran	128.60	.56	125.00	.60	-	-	-	-	-	-
Iraq	64.00	.28	80.00	.38	-	-	-	-	-	-
Ireland	85.30	.37	80.00	.38	-	-	-	-	-	-
Israel	95.90	.42	90.00	.43	-	-	-	-	-	-
Italy	666.00	2.92	625.00	2.99	-	-	20.00	2.07	-	-
Ivory Coast	20.00	.09	16.60	.08	-	-	-	-	6.00	2.79
Jamaica	32.00	.14	30.00	.14	-	-	-	-	-	-
Japan	772.60	3.38	725.00	3.47	-	-	200.00	20.72	-	-
Jordan	16.30	.07	13.75	.07	-	-	-	-	-	-
Kenya	33.30	.15	32.00	.15	-	-	-	-	6.00	2.79
Korea	25.00	.11	24.00	.11	-	-	30.00	3.11	-	-
Kuwait	66.70	.29	50.00	.24	-	-	-	-	-	-
Laos	10.00	.04	7.50	.04	-	-	0.42	.04	-	-
Lebanon	9.00	.04	9.00	.04	-	-	-	-	-	-
Liberia	15.00	.07	20.00	.10	-	-	-	-	-	-
Libya	20.00	.09	19.00	.09	-	-	-	-	2.60	1.21
Luxembourg	20.00	.09	15.80	.08	-	-	-	-	-	-

Member	International Bank for Reconstruction and Development		International Monetary Fund		Inter-American Development Bank		Asian Development Bank #		African Development Bank #	
	Amount $ million	% of Total	Amount $ million	% of Total	Amount $ million	% of Total	Amount $ million	% of Total	Amount $ million	% of Total
Malagasy Rep.	20.00	.09	19.00	.09	-	-	-	-	-	-
Malawi	15.00	.07	11.25	.05	-	-	-	-	2.00	.93
Malaysia	133.30	.58	110.00	.53	-	-	20.00	2.07	-	-
Mali	17.30	.08	17.00	.08	-	-	-	-	2.30	1.07
Mauritania	10.00	.04	8.50	.04	-	-	-	-	1.10	.51
Mexico	208.00	.91	270.00	1.29	144.30	8.15	-	-	-	-
Morocco	96.00	.42	79.20	.38	-	-	-	-	15.10	7.02
Nepal	10.00	.04	10.00	.05	-	-	2.16	.22	-	-
Netherlands	550.00	2.41	520.00	2.49	-	-	11.00	1.14	-	-
New Zealand	166.70	.73	157.00	.75	-	-	22.56	2.34	-	-
Nicaragua	8.00	.03	19.00	.09	9.01	.51	-	-	-	-
Niger	10.00	.04	8.00	.04	-	-	-	-	1.60	.74
Nigeria	66.70	.29	63.00	.30	-	-	-	-	24.10	11.21
Norway	160.00	.70	150.00	.72	-	-	5.00	.52	-	-
Pakistan	200.00	.88	188.00	.90	-	-	32.00	3.32	-	-
Panama	9.00	.04	11.25	.05	9.01	.51	-	-	-	-
Paraguay	6.00	.03	15.00	.07	9.01	.51	-	-	-	-
Peru	35.00	.15	47.00	.22	30.08	1.70	-	-	-	-
Philippines	100.00	.44	110.00	.53	-	-	35.00	3.63	-	-
Portugal	80.00	.35	75.00	.36	-	-	-	-	-	-
Rwanda	15.00	.07	12.75	.06	-	-	-	-	1.20	.56
Saudi Arabia	96.00	.42	90.00	.43	-	-	-	-	-	-
Senegal	33.30	.15	25.00	.12	-	-	-	-	5.50	2.56
Sierra Leone	15.00	.07	15.00	.07	-	-	-	-	2.10	.98
Singapore	32.00	.14	30.00	.14	-	-	5.00	.52	-	-
Somalia	15.00	.07	15.00	.07	-	-	-	-	2.20	1.02
South Africa	213.30	.93	200.00	.96	-	-	-	-	-	-
Spain	266.70	1.17	250.00	1.19	-	-	-	-	-	-
Sudan	60.00	.26	57.00	.27	-	-	-	-	10.10	4.70
Sweden	240.00	1.05	225.00	1.08	-	-	5.00	.52	-	-
Syrian Arab Rep.	40.00	.18	38.00	.18	-	-	-	-	-	-
Tanzania	33.30	.15	32.00	.15	-	-	-	-	6.30	2.93
Thailand	101.30	.44	95.00	.45	--	-	20.00	2.07	-	-
Togo	15.00	.07	11.25	.05	-	-	-	-	1.00	.47
Trinidad and Tobago	26.70	.12	25.00	.12	-	-	-	-	-	-
Tunisia	30.00	.13	35.00	.17	-	-	-	-	6.90	3.21
Turkey	115.00	.50	108.00	.52	-	-	-	-	-	-
Uganda	33.30	.15	32.00	.15	-	-	-	-	4.60	2.14
United Arab Rep.	142.10	.62	150.00	.72	-	-	-	-	30.00	13.95
United Kingdom	2,600.00	11.38	2,440.00	11.66	-	-	30.00	3.11	-	-
United States	6,350.00	27.80	5,160.00	24.66	761.76	43.04	200.00	20.72	-	-
Upper Volta	10.00	.04	8.50	.04	-	-	-	-	1.30	.60
Uruguay	28.00	.12	30.00	.14	24.07	1.36	-	-	-	-
Venezuela	186.70	.82	250.00	1.19	120.27	6.80	-	-	-	-
Viet-Nam	30.00	.13	29.00	.14	-	-	12.00	1.24	-	-
Western Samoa *	-	-	-	-	-	-	0.06	.01	-	-
Yugoslavia	106.70	.47	150.00	.72	-	-	-	-	-	-
Zambia	53.30	.23	50.00	.24	-	-	-	-	13.00	6.05
Totals	22,843.50	100.00	20,922.15	100.00☆	1,769.82	100.00	965.00	100.00☆	215.00	100.00

* Not a member of the Bank or Fund.

☆ This figure may differ from the sum of the percentages shown for individual countries because of rounding.

\# Data as of April 1967.

Secretary's Department
June 6, 1967

Excerpts from "Statute of the European Investment Bank"

Article 4

1. The Bank shall be provided with a capital of one thousand million units of accounts subscribed by the Member States in the following amounts:

Germany	300 million
France	300 million
Italy	240 million
Belgium	86.5 million
Netherlands	71.5 million
Luxembourg.	2 million

The value of one unit of account shall be 0.88867088 grammes of fine gold. . . .

Article 148

1 Except where otherwise provided for in this Treaty, the conclusions of the Council shall be reached by a majority vote of its members.

2. Where conclusions of the Council require a qualified majority, the votes of its members shall be weighted as follows:

Belgium	2
Germany	4
France	4
Italy	4
Luxembourg	1
Netherlands	2

Majorities shall be required for the adoption of any conclusions as follows:

- twelve votes in cases where this Treaty requires a previous proposal of the Commission, or

- twelve votes including a favourable vote by at least four members in all other cases.

3. Abstentions by members either present or represented shall not prevent the adoption of Council conclusions requiring unanimity.

Secretary's Department
June 6, 1967

P&S - Lending Agencies

Mr. Leonard B. Rist May 26, 1967

Andrew M. Kamarck

Your Project

I am glad to say that Mr. Badri Rao will be available to you to help with your project. I gather that you will not be able to begin work on the project until you return from home leave in July but that you would like Mr. Rao to do some preliminary work while you are away.

As you know, I had a certain difficulty in making Mr. Rao available for this project. I would hope that in future cases of this kind that the Economics Department be brought in at a sufficiently early stage so that such decisions can be facilitated. In this particular case, we did not receive a copy of the original memorandum proposing the study until after a decision on it had been made even though this study is in a field in which we are interested and even though it was proposed that Economics Department personnel participate in the study. In the consideration of whether the study should go forward the Economics Department was not consulted. It was consequently very difficult for us to judge what kind of priority we should give to the study, how important it is compared to the other work people are engaged in and whether it is sufficiently important to disrupt other studies in process.

cc: Messrs. Knapp
Friedman
Broches
Williams

AMK/nme

Mr. Broches May 24, 1967

M. M. Mendels

Voting Rights - International Financial Institutions

1. In answer to your memorandum of May 10, 1967 requesting a comparative survey of voting rights in international financial institutions, I attach two tables, the first showing the voting power (Annex A) and the second showing the subscriptions (Annex B) of countries in IBRD, IMF, IDB, African Development Bank and Asian Development Bank.

2. The European Investment Bank has not been included in this tabulation inasmuch as its system of weighted voting differs from those of the other institutions, as will be seen from the attached excerpt from the Statute of the Bank setting forth its capital and voting structure (Annex C).

3. If you agree, copies will be sent to Senior Staff.

M. M. M.

Copies for information to:

Senior Staff

KSV/MMM/hmf

Mr. Mendels May 22, 1967

K. S. Venkatraman

Voting Rights - International Financial Institutions

1. Attached are two tables showing the status of our member countries in their subscriptions and voting rights in the Bank, IMF, IDB, African Development Bank and Asian Development Bank. We have not included the European Investment Bank in this compilation essentially because the voting system in that institutions differs significantly from those of the other international financial instituions. For purposes of reference, I attach relevant excerpts from the Statute of the European Investment Bank, setting forth the provisions on stockholding and voting rights.

2. These tables have been prepared by Miss Fleming and have been checked by me.

3. If it is the intention to have these tables reduced to 8½" x 11" size, we can get a few copies done for distribution to the Senior Staff.

4. The problem, of course, is one of keeping this information up to date. I feel that an annual revision should be adequate, particularly in view of the limited use of these tables and the problem of obtaining up-to-date information.

Attachments

KSV/hmf

P+S - Lending Ag.

Mr. George Kalmanoff May 22, 1967

Andrew M. Kamarck

Mr. Badri Rao

Attached are two memoranda by Mr. Rist May 11 and Mr. Broches. May 19 You will see that in these, Mr. Rist will be doing an analysis of the other lending agencies. This study has apparently been approved by Messrs. Broches, Friedman and Knapp.

We are asked to provide Mr. Rist with help. You will see that the job fits in perfectly with Mr. Badri Rao's general assignment. I have talked with Mr. Rist and he has indicated that he will be happy if Mr. Rao can work with him on this study.

Will you please handle the arrangements from this point on?

cc: Mr. Stevenson
Mr. Williams

AMK/vhw

Mr. Leonard B. Rist May 23, 1967

Gordon M. Street

Lending Agencies

Reference Mr. Broches' note to Messrs. Alter, Cargill, El Emary, Mendels and Nurick.of May 19. I am sending this note to let you know that I would be pleased to serve as the contact in the Asia Department.

GMStreet:mch
IBRD

Mr. Leonard Rist

May 22, 1967

S. Noel McIvor

Proposed Study of International Lending Agencies

With reference to your memorandum of May 11, 1967 to Mr. Broches on the above, I nominate Mr. Calika (and Mr. Lutolf during his absence) for liaison with the Africa Department.

cc: Messrs. Broches
Lutolf

OHCalika/fg

Mr. Rist May 19, 1967

L. Nurick /s/ L. Nurick

Paper on other lending agencies

For your study I think you should talk to Mr. Delaume for the Legal Department. He has worked on this subject generally in the past and is familiar with the various agencies.

You should know that a comprehensive study for part of the subject matter of your review has already been undertaken by Rudolf Schmidt. Mr. Schmidt is a German lawyer who came to the Legal Department for several months in order to see how we worked. While he was here he, at our request, undertook a study of a comparison of the standard clauses of loan agreements used by three international organizations and six national organizations. The study was restricted to direct capital loans for specific development projects. The organizations he studied are the following:

1. International Bank for Reconstruction and Development.
2. Inter-American Development Bank.
3. Agency for International Development.
4. Export-Import Bank of Washington.
5. Commonwealth Development Corporation.
6. Kreditanstalt fur Wiederaufbau.
7. Istituto de Credito per le Imprese di Pubblica Utilita.
8. European Investment Bank.
9. Caisse Centrale de Coopération Economique.

A copy of the study is available in the Legal Department when you need it.

LNurick:vv

cc: Mr. Broches
Mr. Delaume

Mr. A. Broches 11th May 1967.

Leonard Rist *I.R.*

Other Lending Agencies

The number of international agencies dealing with development finance has been growing steadily. The Inter-American Bank, the Asian Bank and the African Development Bank, not to mention the Brussels institutions (EDB and FED), are now playing an important role in a field where the IBRD and IDA used to be alone. Each of the Area Departments follows the operations of these organizations and is fairly conversant with their policies or intentions. But as time goes on and as these organizations accumulate more experience, their policies and influence tend to change. This has now become a matter of concern not only for the individual Area Departments but for the Bank at large, as outside observers inevitably compare our methods with those of others and vice versa.

Unfortunately, the documentation seems to be fairly scattered round the Bank and it is difficult to have over-all information of this rather complex picture. The time has come when it would be advisable to start a thorough study of this matter.

I would be glad to undertake it. At first sight it seems that it should cover the subjects mentioned in the attached tentative list. To carry this assignment out I would need:

(a) One full-time assistant, preferably from the Economic Department; someone with the qualifications of Mr. David Davis could be detailed for this purpose.

(b) The names of the staff members of a number of departments with whom I could have occasional contact and discussions, and who would act as liaison for their own departments. They would not have to write, but simply provide me with the necessary documentation, information and judgment. The Departments concerned are:-

Western Hemisphere
Asia Department
Africa Department
Secretariat
Legal Department, and possibly the Treasurer's Department.

It is too early to judge how much time a preliminary report may require, but I would guess that sometime during this summer, i.e. before the Annual Meeting, we could have something from the IDB and the Brussels group since the Asian Bank and the African Bank are only in their infancy.

If you agree with this proposal I would be glad if the Departments concerned could be informed accordingly so that I may enjoy their full cooperation from the outset.

L.Rist/mh

Subject to be investigated for each individual Organization

I. Background Information

Basic Charter
Composition of capital
Member countries
Voting rights
Origin and amounts of resources
Borrowing powers

II. Policies

General purposes
Form in which financial assistance is granted (loans,credits,grants)
Rates of interest and terms of lending
Types of projects
Lending contracts
Investigating procedures
Procurement procedures
Tying of assistance, etc.
Changes over time in the above policies

III. Sundry

Organization
Staff nationalities
Relationship to U.N.
Organization of our liaison with them.

Mr. M. M. Mendels May 10, 1967

A. Broches

Voting rights in international financial institutions

At the Senior Staff Meeting on May 3rd, Mr. Rist mentioned the desirability of having a comparative survey of voting rights in international financial institutions - the Bank, the Fund, the I.D.B., the African Development Bank, the Asian Development Bank and the European Investment Bank. What he would like to have is a set of tables showing the percentage of participation in capital and the percentage of voting rights for each of the members of these institutions.

I think this is a worthwhile exercise. I wonder whether you have someone in your department who could undertake the collection of this data. If not, I shall assign one of my people. However, we are rather shorthanded at the moment so that I hope you can take it on.

(Initialed) A. B.

ABroches:cml