

CHAPTER III  
MULTILATERAL ASSISTANCE

Total Flow - The total net flow of ODA from DAC member countries to multilateral institutions in the form of grants, capital subscriptions and concessional lending amounted to \$3.06 billion in 1974 as compared with \$2.26 billion in 1973. As a proportion of net ODA flows, these disbursements to multilateral institutions represented 27 per cent in 1974 as against 24.5 per cent in 1973. The table below sets out the disbursements to the recipient institutions:

	\$ million	
	<u>1973</u>	<u>1974</u>
World Bank Group:		
IBRD	40.0	46.5
IDA	<u>648.7</u>	<u>1,120.8</u>
Total	688.7	1,167.3
IDB:		
Ordinary Capital	4.7	42.5
Special Fund	<u>209.6</u>	<u>204.6</u>
Total	214.3	247.1
Asian Development Bank:		
Ordinary Capital	92.5	25.8
Special Fund	<u>143.5</u>	<u>84.0</u>
Total	236.0	109.8
African Development Fund	23.9	28.4
EEC:		
EDF	181.5	199.6
Other grants <sup>1</sup>	145.3	346.7
Through EIB	36.4	27.5
UN Agencies	660.1	831.3
Other	<u>82.2</u>	<u>102.4</u>
Total	<u>2,268.2</u>	<u>3,060.1</u>

<sup>1</sup>Food aid and other contributions financed out of the EEC Budget.

Source: Development Co-operation, 1975 Review, OECD, Paris.

Flow from Commonwealth Countries - Net disbursements of ODA to multilateral institutions by the four major Commonwealth donor countries amounted to \$484.4 million in 1974, an increase of 35.2 per cent over the 1973 figure of \$358.2 million.

Commonwealth donor countries continued, as in previous years, to provide the greater portion of their development assistance on a bilateral basis. Canada, Australia and New Zealand, however, have all declared their intention to increase the flow of funds to multilateral institutions, Canada to at least 35 per cent of net disbursements and New Zealand to 30 per cent; the percentages in 1974 were 29.7 for Canada, 9.4 for Australia and 24.7 for New Zealand. Commonwealth countries continue to contribute to international bodies such as the World Bank and the UN agencies in their regular activities, and play an active part in the various attempts made to cope with emergency situations; these include participation in the proposed World Food Council, the UN Emergency Fund and contributions of food aid for disaster relief. The Commonwealth Fund for Technical Co-operation has also been enlarged. In addition to international organisations such as the World Bank, other regional development bodies, such as the Asian Development Bank, the African Development Bank and the Caribbean Development Bank also receive increasing support from the Commonwealth donor countries who regard contributions to these agencies as a means of fostering regional co-operation on the one hand, and of meeting their multilateral commitments on the other.

EEC Development Assistance - On February 28, 1975, forty-six African, Caribbean and Pacific (ACP) States signed a new convention with the EEC at Lome, Togo with the aim of co-operation between both groups to speed up the development of the ACP countries. These forty-six countries include 20 Commonwealth countries<sup>1</sup> who previously were not included in the First and Second Yaounde conventions.

In addition to provisions for trade and market access the Lome Convention also provides for technical and financial co-operation between the EEC and the ACP countries. The amount decided upon for this purpose was fixed at 3,390 million units of account<sup>2</sup> plus UA 160 million for the overseas countries, territories and departments making a total of UA 3,550 million, approximately 44 per cent of the UA 8,000 million originally sought by the ACP countries. The Community agreed to an ACP proposal by which the Convention, which is scheduled for a five-year period, will run from the date of signature and not from the date of entry into force. This will result in the funds provided by the Community for the ACP countries having to be brought into operation in four years rather than five.

---

<sup>1</sup>Bahamas, Barbados, Botswana, Fiji, Gambia, Ghana, Grenada, Jamaica, Kenya, Lesotho, Malawi, Mauritius, Nigeria, Sierra Leone, Swaziland, Tanzania, Trinidad and Tobago, Uganda, Western Samoa, Zambia.

<sup>2</sup>1 unit of account = \$1.20.

The ACP total will be made up of UA 2,100 million in non-repayable grants, UA 430 million for loans on special terms, UA 95 million risk capital, and UA 375 million for stabilising export receipts - Stabex. The European Investment Bank will provide UA 390 million for loans on normal terms to bring the total to UA 3,390 million.

The terms of the special loans provide for repayment periods of 40 years, 10 years grace and 1 per cent interest.

The risk capital is being provided by the Community for industrial, mining or tourism projects of general interest to an ACP country's economy to supplement the funds of local firms.

Stabex has been introduced into the Lome Convention "to provide a remedy for the adverse effects on unstable export receipts and thus help the ACP countries to secure economic stability, profitability and steady growth". The stabilization fund has UA 375 million for the 5 years of the agreement divided into 5 annual instalments of UA 75 million. At the end of each year any surplus remaining will be carried forward into the next to 20 per cent of the next year's instalment (except in the final year).

Normal loans granted by the European Investment Bank are usually accompanied by an interest subsidy lowering the effective rate of interest paid by the borrower by 3 per cent. The cost of this subsidy will be charged against the provision for non-repayable grants and UA 100 million has been earmarked for this purpose.

#### Disbursements by Multilateral Lending Institutions

Total net disbursements by multilateral institutions increased from \$3.2 billion in 1973 to \$4.2 billion in 1974, an increase of more than 30 per cent.

The major multilateral lending organizations had to pay higher interest charges on the money they borrowed on international markets in 1974. As a result the World Bank increased its normal lending rate from 7.20 per cent to 8 per cent in 1974 and in 1975 increased it further to 8.50 per cent; while the Asian Development Bank increased its normal lending rate from 7.50 per cent to 8.20 per cent in 1974 and to 8.70 per cent in Feb 1975.

UN Assistance - Net disbursements<sup>1</sup> by the United Nations Agencies increased by 5.6 per cent in 1974 to \$576 million.

The sixth Special Session of the UN General Assembly was held in April 1974 to study problems related to raw materials and development. At this session, the Assembly adopted a Declaration on the Establishment of a New International Economic Order and a Programme of Action to mitigate the current economic difficulties facing the developing world. The Programme proposed the establishment of a Special Fund under the auspices of the UN through voluntary contributions from the industrialised countries and other potential contributors. The statutes for the Special Fund were adopted by the General Assembly at its 29th Session and a Board of Governors also elected. The first meeting was scheduled to be held from 31 March to 4 April 1975.

---

<sup>1</sup> All in the form of grants.

While awaiting the establishment of the Special Fund the UN Emergency Operation was set up to provide emergency relief and development assistance to the most seriously affected countries. Bilateral and multilateral commitments for emergency assistance to this group of countries entered into in 1974 totalled \$2.7 billion of which \$223 million was committed to the Secretary-General's Special Account. Of these commitments, about \$1.0 billion were from the oil-exporting countries.

World Bank - Disbursements under its ordinary operations by the World Bank for the fiscal year 1974 amounted to about \$1.5 billion, as compared with \$1.2 billion in 1973. Disbursements by IDA rose by 44 per cent to \$711 million in 1974. Lending and investment commitments approved by the Bank rose by 57 per cent over the 1973 figure of \$2.0 billion to \$3.2 billion in 1974. IDA commitments fell to just over \$1 billion, some 20 per cent less than the 1973 total of \$1.3 billion. The replenishment agreement reached in 1973 among 24 contributing members of IDA and Switzerland provided for \$4.5 billion, equivalent to a 55 per cent increase over the previous replenishment. In real terms, this replenishment, because of inflation, could be smaller than the third. Because of this reduction in the real value, the World Bank plans to reallocate the IDA resources in order to concentrate them on the most seriously affected countries.

The Inter-American Development Bank - Disbursements by the IDB amounted to \$673 million in 1974 as compared with \$582 million in 1973. Loan commitments showed an even greater increase of 26 per cent from \$884 million in 1973 to \$1.1 billion in 1974, exceeding the target set by the Bank at the beginning of the year of \$1 billion. Twelve industrialized countries<sup>1</sup> outside the Western Hemisphere declared their intention to seek membership in the Bank and when this is achieved there will be a broadening of the Bank's financial resources. The Bank continued to provide a higher proportion of its loans to the less developed countries of the region and to those with limited markets. The Fund for Special Operations provides loans to the less developed countries at more concessional terms than to the other members and in 1974 the former group received 62 per cent or \$292 million of the total concessional lending of \$475 million extended from the Fund. In all, the less developed countries received \$426 million in loans in 1974 as against \$316 million and in percentage terms these figures represent 38 per cent and 36 per cent of total disbursements respectively, a pattern of steady growth from 22 per cent in 1970.

In April 1974 the IDB entered into an agreement with Venezuela, to administer a Trust Fund of \$500 million. The Fund was established for 25 years and its finance will be provided in five annual instalments of \$100 million by the Venezuelan Investment Fund which was established to manage the surplus derived from increased petroleum income. The basic income of the Fund is to provide financing for projects which will make the greatest possible contribution to the development of the region. The Bank will use the resources of the Fund to finance large-scale projects utilising natural resources in the relatively less-developed member countries and those with limited markets. The Fund may also provide funds to enable the Bank to

---

<sup>1</sup> Austria, Belgium, Denmark, Germany, Israel, Italy, Japan, the Netherlands, Spain, Switzerland, the UK, Yugoslavia.

expand its programme for financing exports of capital goods in the developing member countries and may make loans as well as equity capital investments. Loans from the Fund will be made for amortization periods of up to 25 years, with grace periods generally of up to 5 years, interest rate of 8 per cent per year and a commitment fee of 1½ per cent yearly on undisbursed amounts.

Asian Development Bank - The Asian Development Bank disbursed loan funds to a total of \$187.5 million in 1974, as compared with disbursements of \$146 million in 1973. Loan commitments increased by 30 per cent from \$421 million in 1973 to \$547.7 million in 1974. The Asian Development Fund for concessionary lending came into operation in June 1974 when ten developed member countries of the Bank pledged contributions totalling \$225 million. Initial contributions setting up the Fund called for a total of \$525 million, \$210 million to be provided by the three regional members (Australia, Japan and New Zealand) and the balance of \$315 million by the European members, Canada and the United States.

African Development Bank - Disbursements by the African Development Bank reached a total of \$42.7 million in 1974, as against \$23.5 million in 1973. The African Development Fund was formally inaugurated in 1973; unlike the ADB the ADF has non-regional as well as regional membership. Capital subscriptions to the Fund amounted to \$100 million and Canada, Germany and Japan were among the largest contributors. The Fund will provide loans on concessional terms up to a maximum of \$5.5 million for each project. Loan commitments for 1974 were expected to be about \$4.4 million.

The OPEC countries have established a number of multilateral institutions to provide concessional assistance and funds for investments in Arab, African and Islamic countries.

The Arab Fund for Economic and Social Development (AFESD) was established in May 1968 and includes all 20 members of the Arab League and Palestine. Its subscribed capital was raised from \$347 million in 1974 to \$1.4 billion in April 1975 to be paid in over 8 years beginning in 1977. In 1974 disbursements amounted to \$6 million but commitments were \$126 million and were equivalent to its then total resources as only half of its subscribed capital had been paid in. Loans to the least developed Arab countries have a grant element of between 39 and 41 per cent while loans to other borrowers have a grant element of between 25 and 27 per cent. A special account administered by AFESD of \$80 million was established in 1974 by the Organisation of Arab Petroleum Exporting Countries for emergency assistance to non-oil producing Arab countries and the entire amount was paid in and disbursed in 1974.

A decision to establish a Special Arab Fund for Africa of \$200 million was reached in January 1974. Disbursements began in October 1974 and had reached \$155 million by mid-1975. The terms of these loans were 1 per cent interest and 15 years' repayment after a 10 year grace period.

The Arab Bank for Economic Development in Africa (ABEDA), opened in January 1975 in Khartoum. Its capital of \$231 million is already fully subscribed and at least \$40 million has so far been paid in. ABEDA's purpose is to foster economic, financial and technical cooperation between Arab and African countries with all African countries who are not members of the Arab League being eligible to borrow. The institution intends to finance medium and small sized projects in cooperation with the World Bank, FAO, AFDB and the various Arab funds. The terms of its lending will be determined by the general economic situation of the recipient country and the nature of the project.

Agreement was reached at the Islamic Conference in May 1974 to establish an Islamic Development Bank with an authorised capital of \$2.4 billion. The purpose of the Bank is to foster the economic development and social progress of member countries and of Muslim communities in non-member countries. The Bank will not charge interest and it is expected to operate largely with equity capital.

A request was made to the Economic Council of the Arab League in April 1974 to examine the feasibility of establishing an Arab Monetary Institution to engage in balance-of-payments financing for members in deficit. The Governors of Arab Central Banks agreed in February 1975 to establish an Arab Monetary Fund with a capital of SDR 750 million (\$910 million) and with functions similar to those of the IMF and World Bank.

### Other Multilateral Institutions

Other regional development institutions such as the East African Development Bank, the Caribbean Development Bank and the Central American Bank for Economic Integration also provided loans to their developing country members in 1974; details of their operations are not available.