

CHAPTER III

MULTILATERAL ASSISTANCE

Net ODA Flows to Multilateral Institutions

According to DAC practice, total ODA flows include qualifying contributions from members to multilateral institutions rather than disbursements by these agencies, only part of which are on concessional terms.

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 \$3.77 billion in 1975 compared with \$3.06 billion in 1974. As a proportion of net ODA flows these disbursements represented 27.7 per cent in 1975 as against 27.0 per cent in 1974, reflecting a continuing trend of an increased share of multilateral contributions in total ODA. The table below sets out the disbursements to the recipient institutions.

	<u>\$ million</u>	
World Bank Group:	<u>1974</u>	<u>1975</u>
IBRD	46.5	3.6
IDA	<u>1,120.8</u>	<u>1,189.9</u>
Total	1,167.3	1,193.5
IDB:		
Ordinary Capital	42.5	267.0
Special Fund	<u>204.6</u>	<u>2.1</u>
Total	247.1	269.1
Asian Development Bank:		
Ordinary Capital	25.6	92.7
Special Fund	<u>84.0</u>	<u>107.8</u>
Total	109.6	200.5
African Development Fund	28.4	59.1
EEC:		
EDF	199.6	259.3
Other grants ¹	7.1	412.0
Through EIB	<u>27.6</u>	<u>9.9</u>
Total	234.3	681.2
UN Agencies	830.8	1,197.2
Other	<u>102.0</u>	<u>169.0</u>
Total	<u>3,059.6</u>	<u>3,769.6</u>
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¹ Food aid and other contributions financed out of the EEC Budget.

Source. Development Cooperation, 1975 Review, OECD, Paris.

OPEC countries also provide concessional funds to these and other multilateral institutions. Although details of their contributions are not available, it is estimated that their net disbursements to multilateral institutions increased from \$347 million in 1974 to \$559 million in 1975. As a percentage of net ODA, OPEC contributions to multilateral agencies amounted to 20 per cent in 1975 compared with 14 per cent in the previous year. Other developing countries subscribe to the capital structures of multilateral financial institutions and provide contributions to multilateral technical assistance programmes, particularly the UNDP and the CFTC¹.

Flow from Commonwealth Countries

Net disbursements of ODA to multilateral institutions by the four major Commonwealth donor countries amounted to \$650.7 million in 1975, an increase of 33 per cent over the 1974 figure of \$487.6 million. Commonwealth donor countries subscribed 17 per cent of the funds paid in to the multilateral institutions by DAC countries in 1975.

As a proportion of their total net ODA flows Commonwealth disbursements constituted 28.1 per cent compared with 25.5 per cent in 1974. The proportion of multilateral aid in Britain's total aid programme rose from 30.2 per cent to 34.4 per cent; this is expected to continue to rise over the next four years as a result of Britain's policy to use British concessional funds to stimulate matching contributions from other governments. The share of Australian ODA going to multilateral institutions rose from 9.4 per cent to 13.9 per cent in line with Australia's declared intention of increasing these flows. Neither Canada nor New Zealand, however, made any further advance towards their respective targets of 35 per cent and 30 per cent; the Canadian percentage was unchanged at 30.4 while the New Zealand percentage remained largely unchanged at about 24 per cent.

Each of the Commonwealth donor countries increased its contribution to UN agencies and its subscription to IDA. Canada, Australia and, to a lesser extent, Britain gave greater support to the Asian Development Bank in 1975 and Canada also substantially raised its contribution to the African Development Bank.

EEC Development Assistance

The Lome Convention, which came into force on 1st April 1976, provides for 3,390 million units of account for financial and technical cooperation between the EEC and the ACP countries (of which 20 are Commonwealth countries) for the period to 1st March 1980. The amount is made up of UA3,000 million which constitute the new European Development Fund (UA2,100 million non repayable grants, UA430 million loans on special terms, UA95 million risk capital and UA375 million Stabex) and UA390 million European Investment Bank loans on normal terms. The Lome Convention replaced the earlier Yaounde Convention under which Commonwealth developing countries did not benefit.

In accordance with the general aims of the Convention, special attention will be paid to the needs of the least developed ACP States, which receive the major part of their aid on very soft terms. About a tenth of the financial aid has been reserved for projects likely to promote regional and inter-regional cooperation and special provision has been made for financing small and medium scale projects.

¹See Chapter IV.

Disbursements by Multilateral Lending Institutions

Total net disbursements¹ by multilateral institutions² increased from \$4.6 billion in 1974 to an estimated \$5.8 billion in 1975, an increase of 27 per cent. Grants accounted for only 27 per cent of this total compared with 32 per cent in 1974; concessional flows in total represented only 54 per cent of net disbursements compared with 62 per cent in 1974. Multilateral institutions play a leading role in certain key sectors, notably agriculture which accounted for 30 per cent of multilateral assistance in 1975.

The share of multilateral concessional funds going to countries with GNP below \$200 per head rose from 36 per cent in 1974 to 50 per cent in 1975. This represents a softening of the terms of concessional flows since disbursements to these countries are in the form either of grants or of extremely soft loans. Normal loan terms from multilateral institutions hardened in 1975 owing to the increased cost of borrowing on international markets. The World Bank increased its normal lending rate from 8 per cent to 8.5 per cent in January 1975 and the Asian Development Bank raised its normal lending rate from 8.25 per cent to 8.75 per cent in February 1975.

World Bank - Disbursements under the ordinary operations of the World Bank in fiscal year 1976 amounted to \$2.5 billion compared with \$2.0 billion in FY 75 and \$1.5 billion in FY 74. Disbursements by IDA rose to \$1,252 million in 1976 from \$1,026 million in 1975 and \$711 million in 1974. Lending and investment commitments approved by the Bank rose by 15 per cent to \$5.0 billion and IDA commitments rose by 5 per cent to \$1.7 billion. In real terms, however, the increase in World Bank lending was only 9 per cent while IDA commitments were down 1 per cent.

The World Bank and IDA continued to expand their assistance to the poorest among their member countries. These countries accounted for 92 per cent of IDA commitments in 1976 as against 84 per cent in 1975 and for 39 per cent of combined Bank and IDA commitments (38 per cent in 1974).

For the second consecutive year agriculture was the largest recipient sector of loans and credits. Sixty-five projects were approved in 1975, involving commitments of \$1,627.6 million or 25 per cent of total commitments. Thirty-eight of these were rural development projects in which the majority of these benefits accrue to the rural poor. The second largest sector in 1976 was transportation (21 per cent), followed by electric power (14 per cent) and development finance companies (11 per cent).

World Bank and IDA loans and credits to 18 Commonwealth countries were approved in FY 1976, totalling \$1,578 million. Loans of \$15 million to the East African Development Bank and \$20 million to the Caribbean Development Bank were also approved.

¹ From a recipient country's point of view, disbursements received from a multilateral institution e.g. the World Bank would be comparable with ODA flows if the terms resulted under the present definition in a grant element of at least 25 per cent. Figures for disbursements by individual agencies, given later in this section, include both concessional and non-concessional disbursements. ODA figures are, however, based on contributions from donor countries and not on disbursements from the multilateral institutions.

² World Bank Group, United Nations and Regional Institutions (EEC, IDB, AsDB, AfDB, CarDB, AFESD, OAPC, SAFA).

Asian Development Bank - Disbursements by the Asian Development Bank almost doubled in 1975 and reached \$339 million net. Loan commitments rose by 21 per cent to \$660 million of which \$152 million was to 5 Commonwealth countries. Much of the lending in 1975 was directed to sectors where needs are most urgent and the benefits will be widespread, particularly among the poor; 37 per cent went to agriculture and related industries and 29 per cent to public utilities, mainly for exploitation of indigenous power resources. In December 1975 agreement was reached to replenish the Asian Development Fund, which makes loans on concessional terms (40 years maturity and 1 per cent service charge) to the poorest and least developed member countries. The target for the replenishment was set at \$830 million but some developed country members were unable to commit themselves to the amounts allocated and so provision was made for adjustments in the individual contributions to be made at the Ninth Annual Meeting in 1976.

The Inter-American Development Bank - Disbursements by the IDB amounted to \$712 million in 1975 compared with \$673 million in 1974, an increase of 6 per cent. There was an even greater increase, of 24 per cent, in loan commitments, which rose from \$1,110 million in 1974 to \$1,375 million in 1975. This amount was made up of \$634.2 million from the Fund for Special Operations, which provides loans at concessionary terms; \$83.2 million from the Venezuelan Trust Fund, which was established to finance large-scale projects in energy, in developing natural resources and in export market development in the relatively less developed member countries of IDB and those with limited markets; \$646.2 million from ordinary capital resources; and \$11.4 million from other resources administered by the Bank.

The Bank continued to increase its lending to countries of relatively less economic development and with limited markets. These countries received 41 per cent of the Bank's loans compared with 38 per cent in 1974 and 65 per cent of its concessionary lending compared with 62 per cent in 1974. The sector receiving the most Bank lending in 1975 was agriculture, with a total of \$332 million or 17 per cent of total commitments. The second largest recipient sectors were electric power and transport and communications, each accounting for 15 per cent, followed by industry and mining with 9 per cent.

Nine Countries¹ outside the Western Hemisphere became members of the Bank in July 1976 and four others² have indicated their intention of joining. The thirteen countries will provide the Bank with \$868 million over a three-year period. Half of this amount is to be paid through the subscription of shares in the new inter-regional capital stock, of which \$72 million will be paid-in and \$362 million will be callable capital, and half will be contributions to the Fund for Special Operations.

¹ Belgium, Britain, West Germany, Israel, Japan, Spain, Switzerland and Yugoslavia.

² Austria, France, Italy and the Netherlands.

African Development Bank - The African Development Bank's commitments amounted to \$103.6 million in 1975, which was 17 per cent more than the 1974 figure of \$88.5 million. Public utilities accounted for 45 per cent of total commitments, transport for 30 per cent and agriculture for only 8 per cent. The low share of agriculture was compensated for by increased lending to that sector from the African Development Fund. The Fund's commitments in 1975 were \$100.9 million of which 35 per cent was directed to agriculture; for the first time the Fund financed socially important sectors such as health (6 per cent) and education (16 per cent). \$41.2 million, or 40 per cent of the Bank's commitments in 1975, were to 12 Commonwealth countries. The Fund approved loans of \$19.7 million (20 per cent) to 6 Commonwealth countries. During the year negotiations took place on the first general replenishment of the Fund for three years 1976-1978. A target was set of about \$362 million but it subsequently became clear that this would not be met. At 31st December 1975 subscriptions to the replenishment stood at \$266 million.

Caribbean Development Bank - There was an acceleration in 1975 in the rate of disbursement of loans by the Caribbean Development Bank. Disbursements totalled \$22.3 million compared with \$4.8 million in 1974 and \$7.0 million between 1972 (when disbursements were first made) and 1974. Loans totalling \$23.7 million were approved during 1975 compared with \$31.6 million in 1974 and the ratio of total disbursements to total approvals since the Bank's operations began in 1970 rose to 32.3 per cent from 10.5 per cent in 1974. All borrowers from this Bank were Commonwealth countries.

OPEC Special Fund - In January 1976 OPEC member countries signed an agreement establishing the OPEC Special Fund, with contributions from eleven countries totalling \$800 million. The Fund, which has been set up for one year, has allocated \$400 million to the projected International Fund for Agricultural Development, subject to the contribution by developed countries of at least \$600 million. The remainder is to be used for extending long-term interest-free loans for balance-of-payments support and for the financing of development projects and programmes in developing countries without geographic or political restrictions.

The Arab Fund for Economic and Social Development (AFESD) - Commitments by the AFESD increased in 1975 from \$127 million in 1974 to \$193 million, almost half of which was accounted for by Egypt. The grant element of loan commitments was between 37 and 42 per cent for the least developed Arab countries and between 22 and 26 per cent for others. In future greater emphasis will be given to projects for social development, which may lead to a softening of terms. Commitments are expected to reach \$400 million in 1976. Disbursements rose from \$6 million in 1974 to \$41 million in 1975 and are expected to exceed \$90 million in 1976.

Special Arab Fund for Africa - The Special Arab Fund for Africa, which was set up in January 1974 by Arab oil-exporting countries to provide soft loans to African countries, has been administered by the Arab Bank for Economic Development in Africa since April 1976. Loan disbursements amounted to \$24 million in 1974 and \$118 million in 1975 and went to 28 countries including 11 Commonwealth countries, which together accounted for 46 per cent of total disbursements over the two years. The grant element of loans is 71 per cent.

The Arab Bank for Economic Development in Africa (ABEDA) - The purpose of ABEDA, which was established in January 1975 with a capital of \$231 million, is to foster economic, financial and technical co-operation between Arab and African countries. In the first 18 months of operation, 21 loans totalling \$143 million were approved, of which 8 loans totalling \$46.5 million were to Commonwealth countries. The terms of ABEDA's lending vary from 28 to 57 per cent grant element depending on the general economic situation of the recipient country and the nature of the project. In 1976 the emphasis has been on rural/agricultural development projects. Particular attention is paid to regional projects and most are co-financed with the World Bank, the African Development Bank, Arab funds or an aid agency in a DAC country.

Islamic Development Bank - Established in 1974 with a subscribed capital of about \$900 million, the Islamic Development Bank was due to become operational in 1975 but administrative and technical difficulties have resulted in delay. 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 through project and programme loans, equity participation, technical assistance and research. Loan terms will be determined by the economic and financial situation of the recipient and by the nature of the project.

OAPEC Special Account - Established in 1974 and administered by AFESD, the Special Account provides emergency assistance to the poorest Arab countries in the form of interest-free loans with 20 years' maturity and a 10 year grace period (i.e. 75 per cent grant element). In May 1975 it was decided to replenish the Special Account. Of the pledged amount of \$62 million, a total of \$5 million was paid in during 1975 and was immediately disbursed.

The following table shows commitments to Commonwealth countries from multilateral institutions.

Commitments by Multilateral Institutions in 1975
(\$million)

	<u>Commonwealth</u>	<u>Non- Commonwealth</u>	<u>Total</u>
World Bank Group (1975-76)			
IBRD	594.3	4,382.8	4,977.1
IDA	983.5	671.8	1,655.3
Asian Development Bank			
Ordinary capital	67.6	426.5	494.1
Special Funds	84.0	82.2	166.2
Inter-American Development Bank	30.9	1,344.3	1,375.2 ¹
African Development Bank	41.2	62.4	103.6
African Development Fund	19.7	81.2	100.9
Caribbean Development Bank	23.7	-	23.7 ²
AFESD	-	193.0	193.0
OAPEC	-	62.0	62.0

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1. Of which \$634.2 million from the Fund for Special Operations, which provides loans at concessionary terms.
 2. Of which \$16.1 million at concessionary terms from the Special Development Fund and other Funds.