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To: Members of the Executive Board

From: The Secretary

Subject: Policy Orientation and Balance of Payments Assistance of Bilateral  
and Multilateral Aid Agencies - Status and Current Issues

Attached for consideration by the Executive Directors is a report on policy orientation and balance of payments assistance of major bilateral and multilateral aid agencies, which will be brought to the agenda of the Executive Board on a date to be announced. Issues for discussion appear on pages 16-22.

Mr. Hino (ext. 8379) or Mr. S. Brown (ext. 8619) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

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INTERNATIONAL MONETARY FUND

Policy Orientation and Balance of Payments Assistance  
of Bilateral and Multilateral Aid Agencies--  
Status and Current Issues

Prepared by the Exchange and Trade Relations Department

(In consultation with other departments)

Approved by J.T. Boorman

November 28, 1989

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Policy Orientation and Balance of Payments Assistance  
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Status and Current Issues

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I. Introduction

It has been reported in the OECD Development Assistance Committee (DAC) and elsewhere that bilateral aid agencies increasingly take macro-economic and structural policies of recipient countries into account in their aid decisions and that many agencies extend balance of payments assistance specifically in support of policy reform. Moreover, the Asian Development Bank (AsDB) and the African Development Bank (AfDB) now extend 25 percent of their assistance in this form, and the Inter-American Development Bank (IADB) has decided to begin such lending on a similar scale. The European Commission (EEC) has significant resources for balance of payments assistance and the establishment of a structural adjustment facility is being considered in the context of Lomé IV. Given their increased involvement in policy matters with recipient countries and desire to be informed of Fund's views on and activities with regard to these countries, many aid agencies have called for closer working relationships with the Fund.

Recipient countries have correctly emphasized that they must play the central role in the formulation of Fund-supported programs and that the coordination of aid flows is principally their responsibility, with the assistance of the World Bank and UNDP. At the same time, they have reported instances in which commitments of balance of payments assistance did not materialize or became available only in a form that was difficult to utilize, complicating the implementation of Fund-supported programs. Moreover, recipient countries maintain that the Fund staff has an important role to play in assisting them to mobilize the external resources, especially those related to quick disbursing balance of payments support and debt relief, necessary to ensure that the program is adequately financed.

Executive Directors have discussed issues relating to aid flows in the context of discussions of individual member countries, as well as in connection with the report of the seminar on the PFP in May 1988, the March 1989 review of the structural adjustment facility (SAF) and enhanced structural adjustment facility (ESAF), and the review of conditionality in June 1989. Directors have expressed concerns at reports of shortfalls in aid disbursements, stressed the potential role of the PFP process in better coordinating donor assistance, and underscored the importance of assuring that adjustment efforts are adequately supported.

In order to assess the implications for the Fund of bilateral and multilateral aid agency practices, the staff sought to understand better the recent changes in the the policy orientation of aid operations, the magnitude and modalities of official balance of payments assistance provided by such agencies, and the role that aid agencies would like the

Fund to play to facilitate their operations. The staff felt that based on better understanding of aid practices and Board guidance on the role of the staff in these matters, it could discuss with the authorities of recipient countries how best to assist them, taking into account particular circumstances of the country concerned. For these purposes, the staff visited a number of bilateral and multilateral agencies, and information was sought from other aid agencies through Executive Directors' offices. <sup>1/</sup> Also, as background for these discussions and to help ascertain the experience with aid flows in connection with Fund-supported programs, a survey was conducted of staff experience with regard to a number of SAF-eligible countries.

The World Bank has close working relationships with aid agencies and a special role with regard to aid coordination and multilateral donor groups. The Bank staff provided considerable information not only on its own activities and experience, particularly in the context of the Special Program of Assistance (SPA) for sub-Saharan Africa, but also on the practices of bilateral aid agencies and regional development banks. In addition, the Bank staff joined in visits to the bilateral agencies and contributed to the preparation of this paper.

The purpose of this paper is to describe salient features of the discussions with bilateral and multilateral agencies and to seek guidance on certain aspects of the relationship between such agencies and the Fund. It reports on donors' practices regarding the policy orientation of both project and balance of payments aid operations (Section II) and the modalities and volume of balance of payments assistance, including that provided through the SPA (Section III); and reviews aid agencies' contacts with the Fund staff and their involvement in the PFP process (Section IV). The last section of the paper (Section V) presents a number of issues for consideration by Executive Directors. These include:

- (a) the appropriate scope and mechanisms for providing aid agencies with access to Fund assessments of macroeconomic policies in recipient countries;
- (b) strengthening the linkage between policy performance and aid availability;
- (c) ways to protect adjustment programs against shortfalls in aid disbursements; and

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<sup>1/</sup> Staff discussions were held in Canada, France, Germany, Italy, Japan, the Netherlands, the United Kingdom, and the United States; with representatives of the African, Asian, and Inter-American Development Banks and the Commission of the European Communities; and with the DAC Secretariat.

(d) modalities for Fund staff contacts with aid agencies and further strengthening of the PFP process.

## II. The Policy Orientation of Aid

Bilateral donors have stressed that decision-making with regard to aid matters is necessarily complex, as it must balance the relative importance of historical ties, bilateral political relationships, commercial interests, and long-term developmental and humanitarian concerns, as well as take account of the economic policy environment in recipient countries. Nevertheless, reflecting the focus in donor and recipient countries on the need for economic adjustment to lay the basis for sustainable growth, in recent years most donors have taken economic policies importantly into account in determining the size and composition of aid programs for individual countries and in the timing and forms of disbursements, and have increasingly attached specific policy conditions to their assistance.

Bilateral and multilateral agencies are fully aware of the danger of inconsistent conditionality, and a number of them have stressed that this could be avoided only by association of their aid operations with programs supported by the Bank and the Fund and/or by a sharing of views with the Bank and Fund on major policy issues. Several agencies emphasized that this could be facilitated by greater openness on the part of the Fund about its activities and policy concerns.

### 1. Aid programs and policy performance

In response to staff inquiries, most bilateral donors indicated that the macroeconomic environment usually affects the amount and/or the forms in which they are willing to make new aid commitments. A number of agencies noted that a favorable macroeconomic environment typically leads to an increase in total aid commitments, particularly in the form of cofinancing with the World Bank, while protracted failure to adopt appropriate macroeconomic policies would lead, gradually, to a reduction in new commitments. Some other agencies indicated that, while macroeconomic performance would not necessarily affect the total amount of aid, it could lead to a change in the mix--e.g., inappropriate policies might lead to a winding down or suspension of balance of payments type assistance and a relatively greater reliance on project assistance.

In most cases, bilateral agencies' responses to changes in recipient countries' economic policies would be limited and gradual because, inter alia, budgetary processes often require that country allocations be planned with a fairly long lead time or because their budgetary authority lapses unless disbursements take place within a given year. However, a few agencies have recently adopted flexible noncountry-specific facilities for a part of their external assistance. While this has been motivated primarily to enable them to participate more effectively in the SPA, it can also be expected to provide some

shortening of the time required to respond to changes in policy stance by recipient countries.

The regional development banks generally have greater flexibility to increase or reduce the level of nonproject lending in response to changes in economic policies in a recipient country, although several months to a year may be required to finalize new lending commitments. The scope for increased assistance may be limited in some cases by notional country allocations under concessional lending facilities. For the AfDB, the level of new commitments of project lending is usually independent of macroeconomic policy considerations, but commitments of adjustment lending are made in support of sectoral reforms or of programs of macroeconomic and structural adjustment. For the AsDB, commitments of program lending are made only after a judgment that macroeconomic and sectoral policies are appropriate. The policies of the IADB in this regard are being determined in the context of the introduction of policy-based lending.

The overall amounts of assistance provided by the EEC to individual countries are determined in light of the indicative country programs established on a multiyear basis under the Lomé Convention. The adoption of an adjustment program may lead to a shift toward more quick-disbursing forms and, in the case of low-income countries in sub-Saharan Africa, to some additional aid through the EEC's special program of assistance. In addition, the EEC is able to provide substantial amounts of compensatory financing in response to shortfalls in exports of primary commodities, without policy conditionality.

## 2. Policy conditionality in aid operations and linkages to Fund-supported programs

Most bilateral donors have regular annual or biennial consultations with their major aid recipients, which provide an opportunity to review economic policies and priorities. The range of issues covered in such discussions varies, with some donors concentrating on sectoral policies and the implementation of specific development projects, while others also engage in an exchange of views across a broad range of macroeconomic and structural issues.

With only a few exceptions, bilateral donors have indicated that they do not wish to associate macroeconomic conditionality directly with their aid operations. Reasons for this preference included the prior existence in most recipient countries of a broad macroeconomic and structural policy dialogue involving the authorities, the Fund, and the World Bank; the perception that donors' comparative advantage lay in sectoral issues; and a reluctance to introduce macroeconomic issues into the relationship with the recipient country. As a result, most bilateral donors typically rely on the Fund and the World Bank to provide the indication of appropriate macroeconomic and structural policies, and the vast majority of bilateral agencies require macroeconomic conditionality only through association with programs supported by the Fund and World

Bank or through cofinancing with the Bank. This leads them to attach considerable importance to the assurance that the Fund and the Bank are collaborating closely to address all of the important macroeconomic and structural issues; several donors underscored the difficulties that could arise for them when this was called into question.

Many bilateral donors attach sectoral policy conditionality to both balance of payments assistance and project assistance. Multilateral agencies frequently associate sectoral conditionality with their project lending, and both macroeconomic and sectoral conditionality with their balance of payments assistance. In addition, the sectoral policy conditions attached by both bilateral and multilateral aid agencies to their project aid frequently have macroeconomic implications (e.g., those relating to public sector tariffs in conjunction with utility projects, or to producer prices or subsidies in conjunction with agricultural or industrial development projects).

Most bilateral agencies reported that the linkage of their aid operations to programs supported by the Fund (or to the views of the Fund on policy issues) was informal and indirect. For example, agreement on a program that could be supported by the Fund may be followed by new commitments of balance of payments assistance, without the specification of a formal policy in this regard or any specific reference to the program in the bilateral aid agreement; or conversely, the finalization of such commitments may be delayed until after such a program is agreed or key policy measures under the program are implemented. There may in some cases be a more direct (but still generally informal) linkage between the timing of disbursements and program implementation. For many bilateral donors, a recipient's protracted failure to reach understandings with the Fund and Bank on necessary adjustment measures, or the protracted interruption of program implementation, would in most cases result in a winding down of balance of payments aid disbursements over time--and, in some cases, project aid as well--as the level of new commitments is reduced.

AsDB management seeks the views of the Fund staff on the adequacy of the overall economic environment through a letter prior to the submission to its Executive Board of any program lending proposal. In the cases of the AfDB and EEC, there is a desire to coordinate balance of payments assistance more closely with the activities of the Fund and World Bank; but generally no systematic procedures have yet been developed to assure consistency of individual operations with the activities of the Fund. The AfDB staff has indicated that it would take the views of the Fund on macroeconomic policies importantly into account when these are available to it on a timely basis. In recent years, some of its major adjustment lending operations have been in countries that had not adopted Fund-supported programs, despite severe domestic and external imbalances, or whose Fund-supported programs were interrupted. The EEC Council of Development Ministers has repeatedly emphasized the need for effective coordination between the EEC Commission and the Bank



and Fund, to avoid inconsistencies while ensuring that the EEC point of view is taken into account.

3. Assistance in the presence of overdue obligations to the Fund

Most aid agencies indicated that they do not take arrears to the Fund or the Bank directly into account in their aid decisions. Bilateral donors indicated that they were likely to maintain at least a certain minimum level of their aid operations in countries where there were particularly close ties, even if overdue obligations to the Fund existed. In addition, emergency and humanitarian assistance extended by bilateral and multilateral agencies is generally not affected by the existence of overdue obligations. One multilateral agency and one bilateral donor suggested that their continued assistance to countries in arrears to the Fund was an important channel for the international community to maintain a dialogue with such countries. Only one major agency has a policy of withholding both new commitments and disbursements from previous commitments of balance of payments type assistance in cases where there are arrears to the Fund. More generally, however, the existence of overdue obligations to the Fund may have an impact due to its implications for the assessment of adequacy of macroeconomic policies and the creditworthiness of the recipient country, and would affect in varying degrees and ways the availability of balance of payments assistance.

A number of bilateral agencies have reported that they used their bilateral policy dialogue with member countries to encourage a normalization of relations with the Fund and other institutions. Some bilateral donors have also provided financial assistance in connection with efforts to clear overdue obligations and normalize the recipient countries' relations with the Fund, Bank, and other creditors. However, most of these agencies anticipated that such assistance would continue to be available only on an exceptional basis for countries with which they had particularly close ties. A large number of donors who had participated in Support Groups stressed the difficulty of mobilizing resources for this purpose, given the nature of their aid facilities and policies. In one case, however, a donor has made a special facility available for use in connection with such efforts.

4. Experience in SAF-eligible countries

The policies and practices of major bilateral and multilateral aid agencies discussed above would tend to suggest that, while it is difficult to generalize, aid flows to a given country would tend to increase in response to the adoption of a Fund-supported program and decrease when policy performance weakens, but that the response would vary depending on the country involved and would tend to involve possibly long lags. An examination of the recent experience in SAF-eligible countries indicates that there was usually a fairly prompt increase in aid disbursements, particularly for balance of payments

assistance, during the first year under a SAF arrangement. Overall, of 26 countries examined, there was a significant increase in aid disbursements for 20 during their first annual program under the SAF, compared with the previous year. In one case, aid commitments rose but were not translated into increased disbursements, perhaps because the program under the SAF was abandoned rather quickly. In four of the remaining five cases, the country concerned had had at least one other Fund arrangement immediately prior to the approval of its arrangement under the SAF and was already benefiting from increased support from the donor community.

The experience with regard to five SAF-eligible countries with serious payments imbalances that did not have arrangements under the SAF or ESAF <sup>1/</sup> shows that in all these cases, noneconomic factors appeared to be important determinants of the level and composition of aid flows: significant increases in aid flows occurred in response to changes in political orientation and urgent needs for famine relief or rehabilitation of infrastructure. However, for most of the countries, a protracted period of inappropriate policies led over time to a reduction in aid flows, particularly for balance of payments assistance. In one case, disbursements of both project and balance of payments assistance have continued to increase.

Of the five countries examined, two countries had been declared ineligible to use Fund resources. For these two countries, in recent years most aid agencies appeared to have reduced the availability of quick-disbursing assistance and concentrated on development projects; while for some agencies this reflected a response to the policy environment or the arrears to the Fund, for others it was a response to the emergence of arrears on their own previous lending. However, in both cases a few bilateral and multilateral agencies have continued to provide balance of payments assistance.

### III. Official Balance of Payments Assistance

While all aid flows and the policy conditions attached to them are important in the context of Fund-supported adjustment programs, the balance of payments assistance extended by aid agencies is of particular interest as it can either complement Fund resources or substitute for them. Bilateral donors reported that they had responded to the calls for increased balance of payments assistance in support of policy reforms mainly by utilizing the instruments that have traditionally been

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<sup>1/</sup> Each of these countries had had at least one upper credit tranche arrangement since 1980; all but one had at least two such arrangements. However, none had successfully implemented a Fund-supported program since 1984.

available to them. <sup>1/</sup> While a variety of modalities are used, balance of payments assistance is provided mostly in the form of financing for merchandise imports (generally referred to as import support or commodity assistance), and its disbursement is typically subject to certain procurement, competitive bidding, and other administrative requirements. Donor agencies acknowledged that these characteristics of import support made it difficult both to judge the extent to which funds are truly available to finance the balance of payments deficit and to determine precisely when disbursements would take place. Thus, while the aid resources potentially available for balance of payments support are large, donors called for caution in making assumptions about expected disbursements of such resources in the context of Fund-supported adjustment programs.

A survey of experience under SAF arrangements reveals that actual disbursements of balance of payments assistance fell short of the programmed level in nearly half of the programs examined. Such shortfalls occurred most often in cases where program implementation was relatively unsatisfactory. While causation seems to run more often from poor policy performance to aid shortfalls than vice versa, there are several other important causes for delays and shortfalls in disbursements of balance of payments assistance and it is not usually possible to pinpoint precisely the reasons in any particular case. But whatever their cause, such shortfalls may have negative consequences for the attainment of program objectives.

#### 1. Volume of balance of payments assistance

As defined broadly for the purpose of this paper, balance of payments assistance includes disbursements of external grants and loans that either provide resources directly to finance balance of payments deficits, or free other resources for this purpose. In addition to import support, a few bilateral donors provide significant amounts of balance of payments assistance as freely usable foreign exchange, including general budgetary support, and a number of other agencies can provide small amounts of cash assistance, usually on an exceptional basis. Other forms of assistance that may, in some cases, provide balance of payments support include assistance to cover specific categories of budgetary expenditures in local currency that is disbursed in foreign exchange, and some types of assistance in kind.

The volume of official balance of payments assistance is difficult to measure precisely, due both to the difficulty of defining exactly which aid operations provide such assistance and to data limitations. Data provided by the DAC Secretariat would suggest that commitments of aid by the 18 DAC donors in 1987 that could potentially provide balance

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<sup>1/</sup> The forms in which a number of major official donors extend assistance that may provide balance of payments support, as well as their related policies and procedures, are summarized in the Appendix.

of payments support totaled about US\$5.0 billion, or 17 percent of their total bilateral official development assistance (see Appendix Table 1). <sup>1/</sup> Commitments of balance of payments assistance by the three major multilateral development banks--the African Development Bank Group, the Asian Development Bank, and the World Bank Group--totaled about US\$5.5 billion in 1987 (Appendix Table 2). Partial data suggest that both commitments and disbursements rose sharply in 1988, continuing a broad trend that had been evident for several years, due mainly to increases in assistance from Japan, the EEC, and the multilateral development banks (Appendix Tables 2-3). <sup>2/</sup>

For the period 1989-91, the World Bank's SPA is contributing to a further increase in the availability of official balance of payments assistance. The SPA was initiated in December 1987 when a group of major bilateral donors, the EEC, and the AfDB agreed to make available substantial amounts of concessional, quick-disbursing assistance in association with adjustment programs supported by the Bank and Fund for debt distressed low-income countries in sub-Saharan Africa. Such assistance is provided in combination with expanded IDA adjustment lending and assistance from the SAF or ESAF; the SPA-eligible countries are also among the low-income countries eligible for exceptional debt relief from the Paris Club. Other key features of this initiative are the monitoring of the performance of both recipient countries and donors through semiannual multidonor meetings and, for the latter, a regular reporting system on aid commitments and disbursements under the SPA. Such commitments now total about US\$5.5 billion (Appendix Table 4).

The dependence on official flows, particularly balance of payments assistance, in Fund-supported programs is substantial. In a sample of countries with SAF arrangements in 1987-88, official balance of payments assistance accounted on average for 31 percent of the total flows of external financing, with the share ranging between 13 percent and 65 percent. In some programs, official balance of payments assistance was expected to support exchange and trade liberalization measures; and in a few instances, such financing was also expected to facilitate a reduction in external payments arrears. In all cases, balance of payments support was expected to contribute to the maintenance of an adequate level of imports in conjunction with the accumulation of gross official foreign reserves.

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<sup>1/</sup> Over half of this represented cash balance of payments or budgetary assistance. However, at least US\$2.0 billion of this cash assistance represented assistance to a relatively small number of non-SAF-eligible countries by one major donor.

<sup>2/</sup> A number of bilateral donors have indicated that it would be difficult to increase their balance of payments assistance because of the limit on overall aid budgets, medium-term fiscal objectives, conflicting demands for concessional resources for multilateral replenishments, and the desire to retain a significant orientation toward traditional project and technical assistance.

## 2. Predictability of balance of payments assistance

Most official balance of payments assistance for low-income countries is provided in the form of import support. Donor-determined restrictions and administrative procedures for import support are typically complex and can vary significantly among donors, leading to a considerable administrative burden for the recipient country. They may include:

- a. eligible imports--multilateral agencies often define these broadly, with reference to a short "negative list" of prohibited imports, but many bilaterals specify eligible imports more narrowly;
- b. targeting of certain sectors, projects, or end-users; some agencies also channel import support in some cases directly to the private sector or to support activities of nongovernment organizations;
- c. procurement, documentation, and disbursement procedures--these may be designed to ensure donor control or strict accountability for both foreign currency and use of local currency counterpart funds; and
- d. tying--in virtually all cases, bilateral assistance is largely tied to procurement from the donor country and, in cases where it is not formally tied, the approval process for imports from other sources may be lengthy. 1/

Bilateral donors indicated that in countries where they have been extending import support for a number of years, the administrative complexities frequently do not present a major problem because both donors and recipients are familiar with their respective requirements. In the other cases, they stressed that it is rather difficult, even for themselves, to predict the amounts and timing of disbursements, and advised the staff to be mindful of this difficulty.

To assess the predictability of balance of payments assistance, a comparison was made between the actual and programmed levels of disbursements during the program period in 36 annual SAF arrangements for which a full program year had been completed by June 1989. Actual disbursements of official grants and loans were lower than programmed levels in 22 of the programs examined, with 17 of these cases involving discrepancies in the level of balance of payments assistance.

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1/ Several bilateral donors and one multilateral donor provide freely usable cash for balance of payments or budgetary support. For most of these donors such cash assistance is also usually subject to complex decision-making processes, including in one case consultations with Parliament. In addition, donors typically seek to influence the ways in which such "freely usable" assistance is spent and to develop procedures to enhance accountability.

In most--but by no means all--of these 17 cases, the major policy measures were largely not implemented as envisaged. While lower-than-expected disbursements thus may often have reflected donor's perceptions of inadequate policy performance, in general it is not possible to pinpoint precisely the reasons for delays and shortfalls in disbursements of balance of payments assistance or the impact these may have had on the implementation of Fund-supported adjustment programs. Particularly difficult to ascertain is the impact that these shortfalls may have had on the political commitment to, and public support for, the adjustment effort.

There were also several other factors that tended to result in lower-than-programmed disbursements of balance of payments assistance. First, in a number of cases, shortfalls in balance of payments assistance occurred due mainly to delays in implementing specific policy measures agreed with donors or in reaching agreements with donors on policy elements--notably, with the World Bank. In some instances, the conditions for disbursements of IDA adjustment lending were not met despite both broadly satisfactory performance under a Fund arrangement and close cooperation between the Fund and Bank staffs. In such cases, typically the completion of studies or agreement on the details of structural policy reforms took longer than had originally been foreseen.

A second factor in such aid shortfalls has been administrative problems, including lack of familiarity by borrowers and donors with one another's procedures, administrative weaknesses in recipient countries, and delays by donors in their internal procedures for finalizing aid commitments.

Finally, there have been a number of cases in which restrictions or administrative procedures required by donors were not fully compatible with the intended utilization of assistance by recipients (particularly those which made import support difficult to use in conjunction with the establishment of a foreign exchange auction or import liberalization).

An additional factor, which emerged primarily in cases where there was also relatively weak program implementation, was incomplete information. In countries where there was a history of both donor and Fund involvement with the adjustment process and local mechanisms for donor coordination existed, the staff has usually been able to obtain extensive information on expected disbursements, and also in many cases on donors' conditionality, restrictions, and administrative procedures. Such information was obtained from the authorities of the recipient country and the World Bank staff, supplemented as appropriate by contacts with donors. However, in some other cases where there had not been recent Fund involvement, in which donors had not had a strong presence, and/or in which civil disturbances or other events had interrupted the continuity of public administration, the information base was weak and the timing of disbursements often had to be estimated from information on commitments and previous drawdown experience in the recipient or other countries. At times, little was known about donors'

restrictions and administrative procedures or their impact. The resulting inadequacy of information on aid flows has been a contributing factor in aid shortfalls. However, it must be emphasized that even where information was quite comprehensive (including a few cases in which formal financing assurances had been obtained from donors), actual disbursements at times fell short of what had been estimated under the program for the reasons discussed above.

Aid shortfalls can have negative implications for public investment and other important categories of expenditures, and shortfalls in disbursements of balance of payments assistance may have particularly serious consequences when these have been counted upon to finance essential imports and alternative sources of financing are limited. In most cases where disbursements of balance of payments assistance were below the programmed level, this contributed to the nonobservance of one or more of the SAF benchmarks. In a few cases, shortfalls contributed to the inability to liberalize exchange or trade systems to the extent foreseen under the programs and to difficulties in reserve management. Shortfalls in balance of payments assistance may also have contributed to the emergence of overdue obligations to the Fund during the course of one or two other programs. However, there were very few instances in which the failure of a program appeared to be attributable mainly to the lower-than-programmed aid availability. Some programs had incorporated automatic adjustment clauses in benchmarks and, more generally, where programs remained on track, the program policies and/or targets were usually adjusted in light of the actual availability of external assistance.

### 3. Restrictions on the use of local counterpart

Import support generates local currency counterpart funds when the foreign exchange or imported commodities are sold to the private sector. The counterpart funds are usually deposited in a special account and drawn when they are used for prespecified purposes. Aid agencies reported that outstanding balances in the special account could be large (in one extreme case, one half of the broad money supply) and the control of money and credit could be substantially affected by the pace and timing with which the counterpart funds are withdrawn. They also reported that government expenditure financed by local currency counterparts could form a large part of total expenditure, influencing the overall efficiency of expenditure programs, limiting the flexibility with which the authorities of recipient countries modify their adjustment programs in response to changing circumstances, or contributing to a slackening of the domestic fiscal effort.

Many bilateral agencies are aware of the possible implications of restrictions on the use of local counterpart for the design and implementation of Fund-supported programs. Some also felt that the design of credit and fiscal targets under Fund-supported programs had at times unduly constrained the utilization of counterpart funds. While some agencies have begun to de-restrict the use of local counterpart, a

number are limited by the desire to direct the utilization of local counterpart to expenditures that they judge to be desirable, as well as the need to account for the utilization of those funds. Agencies thought that many of the potential difficulties could be avoided if the Fund staff were to seek a fuller understanding of policies of the donor and the recipient toward the use of local counterpart. However, an analysis of the government's overall expenditure policy will be warranted when the local counterpart constitutes a substantial share of expenditure.

#### IV. Contact with the Fund staff and the PFP process

##### 1. Staff contacts and availability of Fund documents

The Fund staff has contact with aid agencies in a variety of multilateral fora, including consultative groups, SPA multidonor meetings, and meetings of the DAC. A number of agencies considered the usefulness of such contacts for discussions of country-specific policy issues to be limited, as they were typically highly formalized and the timing was sometimes dictated by considerations other than the policy dialogue in recipient countries, and thus sought opportunities for more direct interaction with the Fund staff.

The extent of such direct contacts by bilateral agencies with Fund staff varies considerably, depending on the degree of financial and economic involvement in recipient countries, the working arrangements between the financial authorities and aid agencies in donor countries, the scale of aid operations, and, perhaps, the tradition that has evolved over time. Thus, in a few larger donor countries, informal contacts with the staff in their capitals take place fairly regularly and officials of the aid agencies visit Fund headquarters as the need arises. These are complemented by contacts with their local representatives in some recipient countries. For most bilateral donors, however, the staff contacts in their capitals are generally limited to occasions on which major additional aid resources are solicited. Moreover, direct contacts with their local representatives usually occur only in a few recipient countries, most often in the context of local coordination mechanisms.

Staff contacts with regional MDBs and the EEC are ad hoc and sporadic. Such contacts occur occasionally when missions overlap in the field or in the context of local coordination mechanisms. Visits to respective headquarters on country matters take place only in a few cases where exchange of views is thought to be of particular importance.

All bilateral agencies responsible for aid decisions receive copies of Fund papers dealing with countries where they are actively involved. Regional MDBs and the EEC receive copies of REDs and PFPs



only, the former under standing procedures after approval by the Executive Director representing the member concerned and the latter at the initiative of the member.

Virtually all donors stressed that they saw a need for better channels of communication with the Fund staff, essentially for two reasons. First, most donors wished to base their policy-based operations on the macroeconomic and structural framework developed with the assistance of the Fund and Bank staffs, and therefore wanted to be informed promptly of policy changes with important implications for their aid operations. Second, aid agencies have substantial information and expertise on certain sectoral issues and about social sensitivities of some adjustment measures, and would like to be assured that their concerns about sectoral and social issues have been reflected in that framework. A number of donors emphasized that the aid community, in particular nongovernmental organizations, were of the view that the Fund does not devote sufficient care to social issues, and that this perception limits their ability to collaborate with the Fund. <sup>1/</sup> Moreover, they noted that this, as well as more direct information on the modalities and expected disbursements of their balance of payments assistance, could help improve the quality of Fund-supported programs. All donors expressed a desire to hold discussions with the Fund and Bank staffs on countries of major interest to them at an early enough stage for their suggestions and concerns to be taken into account in program design.

A variety of ways were suggested to accomplish this. Some bilateral donors saw scope to increase the role of their Executive Directors' offices in contacts with the staff on countries of importance in their aid operations. Donors with relatively decentralized operations and appropriate local representation were primarily interested in more regular contacts in the field. The preferred means was through local coordination mechanisms with the active participation of the recipient government; where these did not exist, more informal contacts were also considered potentially beneficial. Those agencies without a strong presence in the field generally would prefer to have regular

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<sup>1/</sup> The Fund has been strengthening its efforts to deal with social issues in the context of Fund-supported adjustment programs by identifying poverty issues and, whenever possible, incorporating measures to deal with undesirable side effects of certain adjustment measures. The Fund staff has also intensified its contacts with representatives of key international organizations (which, besides the World Bank, include UNICEF, the UNDP, and the ILO, as well as some NGOs). These efforts are having a visible impact in an increasing number of cases; all recent PFPs have incorporated a discussion of the positive and negative social impacts of the adjustment program and, in several cases, described measures to deal with adverse impacts (examples of countries whose programs have incorporated such measures include Bolivia, The Gambia, Ghana, Guyana, and Madagascar).

discussions in their own capitals on countries of major concern to them; some of these countries indicated that they would be satisfied with increased contact in the field, but at least one major donor preferred that there be no staff bilateral contact with representatives of its aid agencies in the field. A number of European donors (including some with strong local representation) indicated that they would be prepared to attend joint meetings of aid representatives with Fund missions on the way to or from the field, at a central point such as London, Paris, or Brussels. All donors recognized, however, that it is unrealistic to expect the Fund staff to visit individual capitals, except in special circumstances, and that the responsibility for aid coordination and program formulation rests principally with the authorities of recipient countries.

## 2. The PFP process

Aid agencies receive a copy of PFPs, and most regard them as an important assurance of an appropriate policy environment for their aid operations and as evidence of a commonality of views on the part of the Fund and the Bank regarding a country's adjustment program. In addition, most felt that there had been some improvement in the content of PFPs, as well as in the opportunities to influence them indirectly through contacts with the Fund and Bank staff and participation in appraisal missions for Bank adjustment lending operations. Nevertheless, bilateral agencies noted that their involvement in the process of formulating the PFPs themselves remains limited, and that PFPs are often given to them only a week or two before Board reviews of the document. They thus considered that an adequate mechanism does not yet exist to fully reflect their views and concerns about the framework described in the PFP. Because they are not represented in the Fund's Executive Board, the multilateral agencies typically have even less opportunity for expressing their views and concerns about the programs formulated in the context of the PFP. Partly as a result, PFPs have yet to become a major influence on specific aid decisions by most agencies.

Some expressed a desire in principle to review PFPs in draft, and indicated that they would prefer that additional stages be added to the PFP process, if necessary, to accommodate this. One agency repeated a request to participate in PFP discussions for a few countries of particular importance to its aid program. Some multilateral donors raised the possibility of parallel missions to certain countries. Finally, two bilateral donors proposed that informal joint seminars of Executive Directors of the Fund and the Bank be convened from time to time to discuss the content of PFPs, either before or after their formal circulation by the managements of the two institutions. To facilitate all of the above suggestions, most agencies were also interested in receiving advance notification of the schedule of forthcoming Fund missions to countries of concern to them.

## V. Issues for Discussion

Donors have suggested closer and more direct channels of communication with the Fund, to enable them both to contribute their experience to the design of certain aspects of Fund-supported programs through advice on sectoral and social issues and the provision of more comprehensive information on aid flows, and, in turn, to base their aid operations on a macroeconomic and structural framework developed with the assistance of the Fund and the Bank staff that they feel is reflective of their concerns. Additional input from donors would be useful to the Fund staff, especially as the importance of official balance of payments assistance for Fund-supported programs is likely to remain considerable for the foreseeable future.

However, decision-making with regard to aid matters is necessarily complex, the criteria for aid decisions may be quite different from those of the Fund, and members' views on staff contacts with their aid agencies may be affected by the differing division of responsibilities for aid matters and Fund-related matters within their governments. In addition, the Fund's principal objective is to assist recipient countries in adopting sound macroeconomic policies and the Fund staff works, first and foremost, with the authorities of the recipient countries; moreover, assisting in aid coordination is one of the major responsibilities of the World Bank. These considerations necessarily circumscribe the Fund's involvement in aid matters.

Against this background, the following issues are presented for consideration by Directors:

### 1. Role of the Fund in aid decisions

Most aid agencies do not wish to be directly involved in macroeconomic conditionality, but rather would prefer to operate on sectoral and social issues with the assurance that a satisfactory macroeconomic and structural framework has been put in place with the assistance of the Fund and the Bank. Even those who do require separate macroeconomic conditionality have indicated that they would like to be able to take that framework into account. Thus, given the broad delineation of responsibilities embodied in the recent joint memorandum of the Managing Director and the President of the World Bank (SM/89/54, Revision 1, 3/31/89), what aid agencies would like to have from the Fund in this context is a timely assessment of macroeconomic policies that could be drawn upon in their aid decisions.

In conjunction with some strengthening of staff contacts, as discussed below, the Fund is already equipped to serve this role for countries that have reached agreement on a PFP. Indeed, this is one of the functions envisaged for the PFP when it was introduced. Close collaboration with the World Bank, to which the donors attach the greatest importance, is embodied in the existing procedural requirements for assisting SAF-eligible countries in the preparation of PFPs. The

authorities update these documents regularly and generally request that the Fund and Bank staffs provide them directly to aid agencies.

For countries without PFPs, the Article IV consultation process can, in principle, perform the desired function. Directors will recall that the joint memorandum on Bank-Fund collaboration provided for the possibility that the Fund could update its assessment, if requested to do so by the Bank, in cases where the most recent Article IV consultation was no longer current or where the periodicity of the Article IV consultation was considered insufficient. Such updating in appropriate cases could be useful to the aid community. In addition, Bank participation in consultation missions, which was also envisaged in the joint memorandum, could facilitate the coverage of important structural issues.

If the Article IV consultation process were to serve this function, a question also arises as to circulation of staff reports and other documents. While in most cases bilateral agencies generally have access to Article IV staff reports on countries of interest to them (and in some cases also to staff reports on the use of Fund resources), multilateral agencies such as the AfDB, AsDB, and EEC do not have access to Article IV staff reports or use of Fund resources documents. <sup>1/</sup> The circulation of Fund documents is, of course, a sensitive matter, and a decision on one document for one institution could have implications for other documents or other institutions. The possibility of wider circulation might also affect the openness of the authorities' discussions with the Fund staff or the reporting of such discussions in Fund documents. However, despite the willingness of these multilateral agencies to coordinate their operations more closely with those of the Fund and Bank, there have been some instances of working at cross-purposes, due in part to a lack of systematic exchange of information, and the probability of this occurring can only increase as the scale of balance of payments assistance by these agencies grows. Moreover, even though some of these agencies wish to take the Fund's assessment of macroeconomic policies importantly into account in their decisions, this assessment could not be reported to their Executive Boards unless it had been provided to them formally. Furthermore, there already exists a procedure for the transmittal of Article IV staff reports for members of the GATT, EEC, and OECD to these organizations, and decisions have been taken in certain cases to provide staff reports to certain institutions for countries that are not members (e.g., to the European Investment Bank) or to commercial banks.

It would thus be for consideration whether and in what form to convey the Fund's assessment of the macroeconomic policies to multilateral agencies such as the AfDB, AsDB, and EEC. One possible method would be to put them on a more equal footing with most bilateral

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<sup>1/</sup> Except, as noted below, for the existing procedure under which Article IV staff reports for EEC members are made available to the EEC.

agencies by giving them access to Article IV staff reports, as appropriate and subject to agreement by the authorities of the member concerned. Consideration might also be given to transmitting to such agencies the views of the Fund as contained in the summings up of Article IV consultations, and possibly also certain staff reports on the use of Fund resources, subject again to agreement by the member concerned. Alternatively, if Directors judged the transmittal of staff reports or summings up to be inadvisable but still wished to have the Fund's views conveyed formally to these multilateral aid agencies, another approach might be for Fund management to be authorized to provide a brief summary of those views, drawing on staff reports and summings up. If Directors judged that Fund's assessment should be conveyed in some form, the eligibility of potential recipients would have to be carefully formulated so as to limit the circulation to a minimum, and in particular would need to be subject to an understanding to preserve the confidentiality of such documents.

## 2. Linkages between policy performance and aid availability

In the donor community there is a growing recognition that the effectiveness of aid operations depends in large part on the overall economic environment in recipient countries. Thus, considerable importance is being attached by donors to ways to help recipient countries adopt and sustain appropriate economic policies. Efforts have been made by donors to respond more promptly to improvements in policy implementation with increased financial assistance. In cases where policies may have been inappropriate, an improved policy environment would typically be indicated by adoption of an economic program supported by the Bank or the Fund. For many bilateral donors, the flexibility for increasing aid commitments in the face of improved policy performance by recipient countries is limited. The Fund staff will nevertheless need to continue to be alert to opportunities to assist the authorities to mobilize additional assistance in support of adjustment programs, in close collaboration with the Bank staff, and will also seek to strengthen its ability to predict and monitor the timing of disbursements, as discussed in the next section.

In some instances external assistance has continued despite an inadequate economic setting, which is reflected, inter alia, by lengthy interruption of Fund-supported programs or protracted program discussions. In these instances, continued availability of aid may have helped to prolong inappropriate policies or may have given rise to undue dependence on foreign aid in financing budgetary expenditures. The delay in adoption of more appropriate policies may also have made eventual policy reforms more difficult and costly in social terms. At the same time, external assistance may not have been put to the most effective use.

Thus, donors may want to consider mechanisms through which signals provided by their aid decisions would encourage recipient countries to adopt needed policy reforms on a more timely basis. For instance, in

cases where donors are in a position to support adjustment programs through "pure" balance of payments assistance in the form of cash or highly flexible import support, there might be gains in aid effectiveness if the availability of such assistance were geared more directly and immediately to policy implementation. Also, there might be scope for adapting the pace of new project/program commitments or disbursements more closely in line with current policy developments in recipient countries.

Under some circumstances when policy performance weakens significantly, it may be feasible and appropriate to slow commitments or even to disrupt disbursements for some forms of assistance, especially in cases where such assistance was committed initially in support of policy reform. However, caution would need to be exercised in such instances. Any signals that link aid assistance to policy implementation would need to be carefully calibrated, so as to avoid impairing the fundamental economic situation of the recipient countries. This would apply, for instance, to humanitarian and emergency assistance, and to disbursements of financing for essential imports (e.g., fertilizers, staple food) and disbursements of financing for an ongoing, long-term project (e.g., construction or maintenance of basic infrastructure) where disruption to aid flows could be counterproductive.

3. Protecting adjustment programs against shortfalls in aid disbursements

Aid agencies stressed that aid operations are fundamentally more complex than pure financial operations and the timing of disbursements is thus rather difficult to predict. They advised the Fund staff to make the best available estimate of aid flows by collecting as much information as possible, but also warned that, in a number of cases, delays and shortfalls were still likely to occur.

There has clearly been scope in some cases for the staff to obtain better information on the amounts, forms, and expected timing of disbursements as well as donors' conditionality, administrative procedures, and restrictions on utilization. Closer working relations, as discussed below, would help improve the information base, as will greater experience by recipient countries, the staffs of the Fund and Bank, and donors with the increased balance of payments type assistance being provided by many aid agencies.

Even with better information, however, the complexity of aid operations leads inevitably to considerable uncertainty. In a few recent cases, significant shortfalls occurred even after Fund management had sought firm assurances from aid agencies through Executive Directors' offices and/or through direct contacts. In light of this experience, it would not appear fruitful to try to formalize the current ad hoc practices for seeking financing assurances about aid availability, as is the case for financing from commercial banks.

While careful program preparation and good communication with donors during the program formulation process is essential, it remains necessary to monitor the flows expected to derive from donor commitments. This is, of course, in the first instance the responsibility of recipient countries. However, Fund staff needs to be alert of any deviations that begin to arise from programmed flows and there may be a role for Fund staff, especially resident representatives, to work more closely with the World Bank to assist the authorities in monitoring developments in this area. In those cases where substantial deviations threaten, donors would need to be alerted through informal channels of possible complications and ways to forestall them.

Some donor agencies have expressed the hope that they would be given authority to provide a larger amount of balance of payments assistance in more flexible forms, whose disbursements would not be subject to the complex requirements associated with most aid operations. In addition, some have suggested that there may be scope for themselves and others to improve the predictability of disbursements of balance of payments assistance through efforts to streamline their procedures, as well as through greater flexibility in the range of goods eligible for import support. For certain countries, this is being addressed through a multilateral initiative that was begun in late 1988 within the World Bank's SPA to standardize donors' procurement and disbursement procedures. Finally, there would appear to be considerable potential benefit from an expansion of technical assistance to recipient countries in coping with these administrative procedures.

Directors may also wish to consider the desirability of additional steps to protect Fund-supported programs by taking the inherent uncertainty of disbursements into account in the design of Fund-supported programs. One approach would be to provide a "cushion" in the form of a more ambitious programmed increase in international reserves, as is already being done in the context of arrangements under the ESAF, with a particularly ambitious approach being taken where the vulnerability to such shortfalls is judged to be relatively high; in this effort, of course, it will be important to avoid the substitution of ESAF resources for financing that would otherwise be expected from donors. Another approach would be to reach fairly clear understandings at the outset on ways in which certain categories of expenditure would be adjusted in the event aid flows differed from what was programmed. Clearly in such cases, considerable importance may need to be attached to midyear reviews--for instance, the pace of certain types of trade liberalization measures may at times need to be reassessed in light of aid availability. Care also needs to be taken that shortfalls in external financing do not lead systematically to a weakening of the adjustment effort.

#### 4. Fund staff contacts with aid agencies

Discussion of the above issues would help define the need for and nature of the contacts the Fund may have with aid agencies. In light of

this discussion, Directors may wish to consider how to respond to the calls of donors for closer contact and better communication with the Fund staff.

In general donors have been most likely to find their contacts with the Fund staff satisfactory, and the Fund staff for its part has been most likely to have adequate access to information from donors, in cases where the Fund, the Bank, and major donors had continuous involvement and local donor coordination mechanisms existed. In such circumstances, it is also easier for the recipient government to play the central role in program design and in mobilizing and coordinating donor assistance and, in general, there has been greater success in mobilizing such assistance. Thus, where appropriate, efforts could be made to encourage the development of effective local donor coordination mechanisms. Clearly, the World Bank staff would play a particularly important role in this process. The Fund staff, including importantly Fund resident representatives, could also assist the authorities and the Bank staff by developing informal working relationships with local donor representatives, subject to the wishes of the authorities involved.

However, institutional arrangements and the responsibilities of local representatives vary considerably among donor countries. Moreover, some key agencies do not have extensive local representation. Therefore, the appropriate approach would have to be formulated on a case-by-case basis, taking into account the particular circumstances of the recipient country and of donors with substantial financial involvement in that country, and in consultation with the offices of Executive Directors concerned. In this connection, it may be borne in mind that the number of agencies with substantial financial involvement typically is not very large. Existing practices of informal and ad hoc staff contacts in the capitals of bilateral donor countries and in Washington, which reflect the diversity of institutional arrangements and preferences of donors and recipients, would continue to the extent necessary to obtain the required financial support and to ensure the consistency of policy advice, subject to the wishes of the authorities involved.

At times, the ability of the staffs of the Fund and the Bank to respond to the views expressed by bilateral donors is limited by the different signals being sent by various ministries concerned with aid and financial matters to the Fund and the Bank. Indeed, conflicting signals of this nature may also contribute to difficulties in collaboration between the two institutions. Thus, another avenue for strengthening the effectiveness of the two staffs is through better coordination within donor capitals.

As regards EEC and regional development banks, it is suggested for consideration of Directors that, in addition to greater exchange of documents, there would be mutual benefit in establishing better channels of communication between the staffs. These could include contacts through the Fund resident representatives in the cities in which some



such organizations are headquartered, discussions in the field, more frequent visits by the staff of such organizations to Fund headquarters, and, where feasible, visits by Fund mission chiefs to the headquarters of such organizations.

#### 5. Strengthening the PFP process

In its April 1989 communiqué, the Interim Committee urged that the PFP process be used to improve the coordination of policy advice and to mobilize additional external assistance in support of adjustment programs in SAF-eligible countries. The suggestions to enhance local coordination mechanisms would tend to strengthen the PFP process and help the authorities of recipient countries in assuming central responsibility in the formulation of PFPs. This could also help to realize the informal involvement of interested donors at the early stages of the PFP process and draw upon their expertise in sectoral and social issues.

The circumstances under which the PFP process would have the greatest positive impact would be those in which the recipient country welcomed policy input from aid agencies and encouraged Fund staff contacts with those agencies, and the process led not only to better formulation and implementation of programs, but also to more effective channeling of aid in support of such programs and an improved record of aid disbursement. For this to materialize requires efforts on the part of the Fund staff, to be more open to input from donors and to make effective use of such input, and by aid agencies, to make the PFP a more central document in their aid decisions and to base their policy-based operations on the framework embodied in the PFP.

There may continue to be instances in which the few specific donors who have a significant role in a given country may not have an adequate opportunity for discussions with the Fund staff prior to the finalization of the PFP, despite efforts to strengthen coordination in general. Ultimately, some risk of this is inevitable and, bearing in mind the ongoing nature of the policy dialogue with recipient countries and the multiyear nature of the PFP process, the authorities of recipient countries, the staff, and the donors concerned will need to seek opportunities for further discussions as the program unfolds.

In addition, there would appear to be further scope to strengthen the content of PFPs in ways that would make them more operationally useful to aid agencies. These include: clearer prioritization of structural policy measures; specific information on the types of external financial assistance needed and the uses to which it would be put; and areas in which there is a particular urgent need for technical assistance to prepare structural measures, facilitate their implementation, and strengthen administrative capacity on a durable basis.

Australia--Summary of Facilities and Policies  
Toward Balance of Payments Assistance

Facilities	Terms	Restrictions on Utilization	Economic Policy Conditionality and Relation to Fund/Bank	Recipients
Import support				
Commodities Assistance Program	Grants	Financing for "developmental" imports, or imports of commodities for sale to the private sector to generate local currency counterpart funds for development projects. Tied to procurement from Australia. Donor administers procurement and pays suppliers.	No conditionality. Occasionally extended to countries with programs supported by the Fund or World Bank.	A number of countries in Southern Africa, Indian Ocean, and South Pacific.
Cash budgetary support				
Papua New Guinea post-independence core budget support	Grants			Papua New Guinea
Tuvalu Trust Fund	Grants			Tuvalu

Austria--Summary of Facilities and Policies  
Toward Balance of Payments Assistance

Facilities	Terms	Restrictions on Utilization	Economic Policy Conditionality and Relation to Fund/Bank	Recipients
Import support				
Sector-oriented commodity aid	Conces- sional and non- conces- sional loans	Financing for specific categories of imports. Generally tied to procurement from Austria. National (or, if relevant, international) competitive bidding.		

Belgium--Summary of Facilities and Policies  
Toward Balance of Payments Assistance

Facilities	Terms	Restrictions on Utilization	Economic Policy Conditionality and Relation to Fund/Bank	Recipients
Import support	Conces- sional loans and grants	Generally tied to procurement from Belgium. Use of local counterpart usually directed to projects of a social nature.	Usually has as prerequisite the adoption of a program supported by the Fund or World Bank.	Major recipients have been Burundi, Zaire, and a number of other low-income countries in sub-Saharan Africa.
Cash balance of payments or budgetary support				
Government- to-government loans	Conces- sional loans	Also used finance general imports or to refinance debt service obligations.	(See above)	Primarily Zaire.
Local cost financing	Grants	Generally for specific development projects.		Mainly for countries in sub-Saharan Africa.
Food aid	Grants	On an exceptional basis.		

Canada--Summary of Facilities and Policies  
Toward Balance of Payments Assistance

Facilities	Terms	Restrictions on Utilization	Economic Policy Conditionality and Relation to Fund/Bank	Recipients
Import support	Grants	Normally to finance specific imported goods or commodities. Tied to procurement from Canada; administered by donor. Use of counterpart funds may be restricted to specific development projects, or at times available for general budgetary support.	Usually has as prerequisite the adoption of a program supported by the Fund and/or World Bank. Sometimes tranches, with tranche releases depending on program implementation. Specific measures from Fund-supported program sometimes incorporated in bilateral agreement.	Wide variety of countries in sub-Saharan Africa, Asia, Latin America, and the Caribbean.
Cash balance of payments or budgetary support	Grants	On an exceptional basis.	(See above)	
Food aid	Grants	Canadian-produced agricultural commodities. Local currency proceeds may be restricted to specific development projects, or available for general budgetary support.	(See above)	

Denmark--Summary of Facilities and Policies  
Toward Balance of Payments Assistance

Facilities	Terms	Restrictions on Utilization	Economic Policy Conditionality and Relation to Fund/Bank	Recipients
Import support				
Commodity assistance	Grants	Financing for specific types of merchandise imports. Generally tied to procurement from Denmark but may be untied; administered by donor. Competitive bidding normally required.	Generally used to support sectoral reforms in recipient countries, and at times extended only after adoption of programs supported by the Fund or World Bank.	Mainly in East Africa and Bangladesh.
Structural adjustment assistance	Grants	May provide financing for general imports, subject to a short negative list. Normally tied to procurement from Denmark or developing countries.	Normally has as prerequisite the adoption of a program supported by the Fund or World Bank.	Sub-Saharan Africa.
Local cost financing	Grants	Normally for specific development projects.		

Finland--Summary of Facilities and Policies  
Toward Balance of Payments Assistance

Facilities	Terms	Restrictions on Utilization	Economic Policy Conditionality and Relation to Fund/Bank	Recipients
Import support				
Import support from regular country aid allocations	Grants	Financing for broad categories or specific types of merchandise imports; may be tied or untied. Procurement is usually administered by the donor and (for untied assistance) is subject to international competitive bidding.	Usually in support of sectoral reforms and also in some countries upon the adoption of a program supported by IDA and development of PFP with Fund/Bank assistance, and as discussed in the bilateral policy dialogue.	15 core recipients: Bangladesh, Burma, Egypt, Ethiopia, Kenya, Mozambique, Nepal, Nicaragua, Peru, Somalia, Sri Lanka, Sudan, Tanzania, Viet Nam, and Zambia. To other countries on an exceptional basis.
Development credits for import support/commodity assistance	Highly concessional loans	Financing for specific types of imports, mostly for productive sectors. 80 percent tied to procurement from Finland. Procurement usually administered by recipient and reviewed by donor; subject to competitive bidding.	(See above). There is no bilateral conditionality.	Some of the core aid recipients, and some other countries.
Cofinancing under World Bank SPA (since 1987)	Highly concessional loans and grants	Untied.	Requires adoption of adjustment program supported by IDA and development of PFP with Fund/Bank assistance.	So far, for Mozambique, Senegal, Uganda, and Zambia in the form of concessional loans; and for SPA-eligible countries through the African Development Fund in the form of grants.
Cash balance of payments assistance	Grants	On an exceptional basis.	To facilitate adoption of adjustment program supported by IDA and development of a PFP with Fund/Bank assistance.	On exceptional basis.
Local cost financing	Grants	Normally for specific development projects.	(Same as import support.)	(Same as import support.)
Disaster relief	Grants	Usually for specific types of imports.	Provides support for social and economic recovery, preferably in connection with adopted adjustment programs.	Not restricted to core aid recipients.

France--Summary of Facilities and Policies  
Toward Balance of Payments Assistance <sup>1/</sup>

Facilities	Terms	Restrictions on Utilization	Economic Policy Conditionality and Relation to Fund/Bank	Recipients
Import support				
Import support under Treasury protocols	Concessional loans	Treasury protocols mainly entail the provision of project assistance to nontraditional recipients of French aid, but may also provide financing for recurrent imports and spares associated with projects by a few countries. Use of local counterpart is usually restricted to specific development projects.	Requires the existence of a program supported by the Fund, and there is also frequently bilateral conditionality on sectoral or institutional issues.	Algeria, Morocco, and Tunisia.
Import support from trust fund administered by Treasury.	Concessional loans	Provides financing for general imports, subject to a short negative list. Untied.	In support of a Fund-monitored program under the enhanced collaborative approach to overdue obligations.	Guyana.
Cash balance of payments assistance				
Structural adjustment loans (PAS), from Caisse Centrale de Cooperation Economique (CCCE)	Concessional loans <sup>2/</sup>		Requires the existence of a program supported by the Fund, and there is also frequently bilateral conditionality on sectoral or institutional issues.	Traditional recipients of French aid, mainly in sub-Saharan Africa.
Budgetary grants by CCCE	Grants		(See above)	(See above)
Sectoral adjustment loans by CCCE	Concessional loans <sup>2/</sup>		(See above). Usually coordinated closely with World Bank adjustment lending.	(See above)
Budget or balance of payments assistance provided through regular country allocations for Aid and Cooperation Funds (FAC), from Ministry of Cooperation.	Grants		(See above)	Traditional recipients of French aid, mainly in sub-Saharan Africa.
Food aid	Concessional loans	For the purchase of French agricultural commodities.	May be extended in support of adjustment programs monitored or supported by the Fund.	Traditional and non-traditional recipients of French aid.

<sup>1/</sup> The French Treasury also provides direct financial support to the central banks of franc zone countries.

<sup>2/</sup> Interest rate is under one percent per annum for low-income countries.



Germany--Summary of Facilities and Policies  
Toward Balance of Payments Assistance

Facilities	Terms	Restrictions on Utilization	Economic Policy Conditionality and Relation to Fund/Bank	Recipients
<b>Import support</b>				
Commodity assistance, from regular country allocations under aid budget	Concessional loans and grants	Targeted on specific categories of merchandise imports, and may be tied or untied. Competitive bidding is not required except where this is customary for the recipient. Disbursement may be on the basis of a letter of credit, directly to suppliers or on a reimbursement basis.		In principle, open to all developing countries.
Sectoral programs (since 1984)	(See above)	(See above). Competitive bidding usual.		(See above)
Structural Adjustment Facility (since 1987)	(See above)	Financing for general imports subject to a short negative list. Untied. Generally subject to international competitive bidding. Used for cofinancing with World Bank, parallels Bank's disbursement procedures.	Requires adoption of a program supported by the World Bank.	(See above) Up to now, mainly for African countries.
<b>Local cost financing</b>				
From regular country allocations under the aid budget	(See above)	Case-by-case decision. May include up to 100 percent of aid volume for a relevant project. Not permitted in the case of commodity assistance or structural adjustment facility.		(See above)
Food aid	Grants		May be extended in support of adjustment programs.	(See above)

Ireland--Summary of Facilities and Policies  
Toward Balance of Payments Assistance

Facilities	Terms	Restrictions on Utilization	Economic Policy Conditionality and Relation to Fund/Bank	Recipients
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(Ireland does not provide balance of payments assistance)

Italy--Summary of Facilities and Policies  
Toward Balance of Payments Assistance

Facilities	Terms	Restrictions on Utilization	Economic Policy Conditionality and Relation to Fund/Bank	Recipients
Import support	Grants	Generally targeted on specific categories of merchandise imports, which may include capital goods, raw materials, or inputs. Tied to procurement from Italy. Use of local counterpart funds is generally restricted to specific development projects to be agreed upon. In some cases, counterpart funds are used as budget aid.	Italy often seeks to coordinate its assistance with programs supported by the Fund or World Bank. No bilateral conditionality.	Wide variety of countries with whom Italy has long-standing aid, political, and commercial relations; also to other countries in sub-Saharan Africa, in connection with the World Bank SPA.
Cash balance of payments assistance	Grants	On an exceptional basis.	Has been undertaken only in context of programs supported or monitored by Fund and Bank.	Somalia; could be considered only for a very few countries.

Japan--Summary of Facilities and Policies Toward Balance of Payments Assistance

Facilities	Terms	Restrictions on Utilization	Economic Policy Conditionality and Relation to Fund/Bank	Recipients
Import support				
Nonproject budgetary grants (since 1987)	Grants	Financing for general imports, subject to a short negative list. Untied. Disbursed on reimbursement basis.	Normally requires existence and continued implementation of a program supported by the Fund or World Bank. No bilateral conditionality.	Low-income countries in sub-Saharan Africa and other least developed countries.
Direct commodity loans, from Overseas Economic Cooperation Fund (OECF)	Concessional loans	Financing for general imports, subject to a short negative list. Tied to procurement from Japan or developing countries. Use of local counterpart funds may be restricted to specific development projects. Disbursed either on replenishment or reimbursement basis.	Availability of new commitments or continuation of disbursements may be affected by the policy environment in the recipient country.	All recipients of Japanese bilateral assistance are eligible.
Sector program loans (OECF)	Concessional loans	Financing for broad groups of imported goods related to specific sectors. Untied. Use of local counterpart funds is directed to specific sectoral purposes.	Extended in the context of World Bank adjustment loans. No bilateral conditionality.	So far, only for Asian countries.
OECF cofinancing of adjustment loans (since 1987)	Concessional loans	Financing for general imports, subject to a short negative list. Policy is to promote general untying, bearing in mind both domestic and international situation. Disbursements usually on replenishment basis.	Extended in the context of adjustment loans by multilateral development banks; no bilateral conditionality. Tranche, with disbursement linked to program implementation.	Recipients of MDB adjustment loans.
Cofinancing of adjustment lending by Export-Import Bank of Japan (J-EXIM) (since 1987)	Loans on slightly concessional terms	Financing for general imports, subject to a short negative list.	(See above)	(See above). No such cofinancing to date for SAF-eligible countries.
Parallel lending by J-EXIM (since 1989)	(See above)	(See above). Some retroactive financing is permitted.	Extended in parallel with Fund arrangements; tranched, with disbursements linked to program implementation (see EBS/88/221, 10/26/88).	Mainly for middle-income developing countries.
Cash balance of payments assistance				
J-EXIM direct loans	(See above)			
J-EXIM purchases of government bonds	Non-concessional terms			
Budgetary grants from account administered by the Fund (since 1989)	Grants		For countries with overdue obligations to the Fund who adopt Fund-monitored programs (see EBS/89/25, 2/17/89).	
Food aid	Grants	Finance imports of basic foods that are clearly needed in the recipient country. Use of local counterpart may be restricted to specific development projects.	Submission of agricultural development plan.	Low-income countries.
Assistance to promote agricultural production	Grants	Finances imports of agricultural inputs and machinery. Use of local counterpart may be restricted to specific development projects.	Submission of development program.	

The Netherlands--Summary of Facilities and Policies  
Toward Balance of Payments Assistance

Facilities	Terms	Restrictions on Utilization	Economic Policy Conditionality and Relation to Fund/Bank	Recipients
<b>Import support</b>				
Import support from country allocations under aid budget	Grants	Usually provides financing for specific types of merchandise imports; tied to procurement from the Netherlands or developing countries. Financing for general imports, subject to short negative list, in a few cases. Use of local counterpart usually restricted to specific development projects. Procurement usually through competitive bidding, administered by recipient and reviewed by donor; on a reimbursement basis in a few cases.	Sometimes requires adoption of a program supported by the Fund or World Bank. No bilateral conditionality.	Mainly to traditional recipients of aid from the Netherlands in Asia and sub-Saharan Africa, as well as some countries in Central and Latin America.
Balance of payments support program (since 1980)	Grants	(See above) May also be used to provide cash assistance.	Usually requires adoption of a program supported by the Fund or World Bank, and assistance is typically interrupted if there is an interruption of the program. No bilateral conditionality.	8-10 countries annually, from among both traditional and nontraditional aid recipients.
<b>Cash balance of payments assistance</b>				
Balance of payments support program (since 1980)	Grants	On an exceptional basis.	(See above)	
Local cost financing	Grants	Generally for specific development projects.		Traditional aid recipients.
Food aid	Grants		May be provided in support of adjustment measures.	Traditional aid recipients.

New Zealand--Summary of Facilities and Policies  
Toward Balance of Payments Assistance

Facilities	Terms	Restrictions on Utilization	Economic Policy Conditionality and Relation to Fund/Bank	Recipients
Financing of local and recurrent budgetary expendi- tures	Grants		In context of bilateral dialogue on economic policies. In one country, progress in implementing agreed measures is a factor in the subsequent avail- ability of assistance.	A small number of non-SAF- eligible Pacific island nations.
Local cost financing	Grants	Generally for specific development projects.		A small number of non-SAF- eligible Pacific island nations and Indonesia.

Norway--Summary of Facilities and Policies  
Toward Balance of Payments Assistance

Facilities	Terms	Restrictions on Utilization	Economic Policy Conditionality and Relation to Fund/Bank	Recipients
Import support				
Import support	Grants	Financing for broad categories of merchandise imports; usually intended for procurement from developing countries. Procurement usually through competitive bidding, administered by recipient and reviewed by donor.	In the context of the annual aid program, which entails a continuous policy dialogue between Norway and the recipient country.	Only for Norway's aid partner countries. Current recipients of import support are Bangladesh, Mozambique, Sri Lanka, Tanzania, and Zimbabwe.
Commodity assistance	Grants	Financing for specific types of merchandise imports; both tied and untied. (Procedures for procurement as described above.)	(See above). Increasingly linked to sectoral programs.	Norway's aid partner countries.
Cash balance of payments assistance				
Special Fund for Debt Reduction (since 1988)	Grants	For use in connection with international debt reduction activities.	So far used to provide cofinancing of World Bank operations, and support for programs under the ESAF.	World Bank cofinancing is restricted to Norway's aid partner countries.
Local cost financing	Grants	Generally for specific development projects.		

Spain--Summary of Facilities and Policies  
Toward Balance of Payments Assistance

Facilities	Terms	Restrictions on Utilization	Economic Policy Conditionality and Relation to Fund/Bank	Recipients
Import support				
Development Assistance Fund	Concessional loans	Financing for specific types of merchandise imports; tied to procurement from Spain.		Small number of countries in sub-Saharan Africa.
Cash balance of payments assistance				
Budgetary grants	Grants			Primary low-income recipients have been Bolivia and Equatorial Guinea.
Government-to-government loans	Concessional loans			(See above)
Local cost financing	Concessional loans	For specific development projects.		
Food aid	Grants			



Sweden--Summary of Facilities and Policies  
Toward Balance of Payments Assistance

Facilities	Terms	Restrictions on Utilization	Economic Policy Conditionality and Relation to Fund/Bank	Recipients
<b>Import support</b>				
Import support, under bilateral aid programs	Grants	Financing for broad categories of merchandise imports; mostly untied. No restrictions on the use of local counterpart funds. Procurement either by donor or recipient; subject to international competitive bidding.	In the context of a bilateral policy dialogue, which may cover both macroeconomic and sectoral policies.	Concentrated in 13 of Sweden's 17 program countries (Angola, Cape Verde, Ethiopia, Guinea-Bissau, Kenya, Laos, Mozambique, Nicaragua, Sri Lanka, Tanzania, Viet Nam, Zambia, and Zimbabwe). <u>1/</u>
Commodity assistance under sectoral programs	Grants	Financing for specific types of merchandise imports; mostly untied. Procurement through international competitive bidding where untied.	(See above). Sectoral programs are generally in support of specific sectoral measures.	(See above)
Special allocation for support to debt-distressed countries (since 1985/86)	Grants	Financing for general imports, subject to short negative list. Untied. No restrictions on the use of local counterpart funds. Procurement either by donor or recipient; subject to international competitive bidding. May also be used to provide cash assistance.	Provides support for economic recovery programs of debt-distressed, effectively adjusting countries. In most countries, extended only after the adoption of SAF/ESAF arrangements and under the World Bank SPA.	Has provided assistance to a number of countries with SAF or ESAF arrangements, and Nicaragua. Highly flexible as to amounts, recipients, and timing.
<b>Cash balance of payments assistance</b>				
From special allocation for debt-distressed countries <u>2/</u>	Grants	On exceptional basis.	(See above)	Used in connection with debt buyback for Bolivia and the Guyana Support Group.
Disaster relief	Grants	Generally for specific types of merchandise imports.		

1/ The other four program countries are Bangladesh, Botswana, India, and Lesotho.

2/ Other uses to which this allocation have been put include Sweden's contribution to the ESAF Trust, participation in World Bank SPA "fifth dimension" (debt service on previous IBRD loans to IDA-only countries), and bilateral debt relief.

Switzerland--Summary of Facilities and Policies  
Toward Balance of Payments Assistance

Facilities	Terms	Restrictions on Utilization	Economic Policy Conditionality and Relation to Fund/Bank	Recipients
Import support				
Bilateral programs	Grants	Financing for categories of merchandise imports related to specific sectors. Untied, but sectors are chosen taking into account areas of Swiss competitiveness. Use of local counterpart funds sometimes restricted to specific development projects.	Extended only in countries where a PFP has been agreed upon and other donors are also providing assistance.	Low-income countries in sub-Saharan Africa already receiving Swiss aid, plus Bolivia.
Cofinancing of IDA adjustment lending	Grants	Financing for general imports, subject to short negative list. Untied. Use of local counterpart funds sometimes restricted to specific development projects.	(See above). Timing of disbursements generally corresponds to World Bank tranche releases.	(See above)

United Kingdom--Summary of Facilities and Policies  
Toward Balance of Payments Assistance

Facilities	Terms	Restrictions on Utilization	Economic Policy Conditionality and Relation to Fund/Bank	Recipients
<b>Import support</b>				
Commodity assistance programs	Grants	Mainly provides financing for specific types of merchandise imports tied to procurement from the United Kingdom but also increasingly provides financing for general imports and/or untied. No restrictions on use of local counterpart. Procurement mainly by donor, although procurement by recipient or on reimbursement basis is also used at times.	Almost always requires adoption of a program supported by both the Fund and World Bank. The continuation of disbursements may depend on continued program implementation.	Low-income countries in sub-Saharan Africa, Asia, Latin America, and the Caribbean.
Cash balance of payments assistance	Grants		None.	Provided in diminishing amounts to Caribbean dependent territories.
Food aid	Grants	May be provided in kind or in cash to purchase food from international or regional sources.	At times provided in support of adjustment programs.	

1/ For Africa a regional budgetary allocation is made each year which is then allocated by ODA to specific countries.

United States--Summary of Facilities and Policies  
Toward Balance of Payments Assistance

Facilities	Terms	Restrictions on Utilization	Economic Policy Conditionality and Relation to Fund/Bank	Recipients
Facilities providing both import support and cash balance of payments assistance <sup>1/</sup>				
Economic Support Fund (ESF)	Concessional loans and grants	(See description for specific forms, below)	Mostly provided without conditionality, but in some cases tightly conditioned on specific policy performance.	For a wide variety of traditional recipients of U.S. aid; over 80 percent allocated to non-SAF-eligible countries in recent years.
Development Fund for Africa (DFA) (since 1988)	Concessional loans and grants	(See below)	Usually extended only after adoption of programs supported by the Fund or World Bank. Supports specific sectoral measures; usually tranching over 2-3 years, with tranche releases depending on program implementation.	40 eligible countries, in sub-Saharan Africa. Allocations are concentrated in about 16 countries.
African Economic Policy Reform Program (AEP RP) (since 1985)	Concessional loans and grants	(See below)	Same as DFA.	Noncountry-specific; supports 4-6 adjustment programs per year.
Forms of assistance under the above facilities				
Cash grants	Grants	Under DFA and AEP RP, donor seeks to guide use of funds to particular broad purposes (e.g., support for foreign exchange auction, increased private sector access to foreign exchange). Under ESF, donor often does not seek to guide use of funds.	(See above)	(See above)
Import support under commodity import programs	Concessional loans or grants	Mainly provide financing for specific types of merchandise imports; usually tied to procurement from the United States or low-income countries, but may be untied. Use of local counterpart may be restricted to specific development projects. Other restrictions are the same as for cash grants.	Extended through bilateral agreements specifying macroeconomic and/or sectoral conditionality; usually coordinated closely with programs supported by the Fund or World Bank.	Most now in a few countries in northern and sub-Saharan Africa.
Food aid, under PL-480	Concessional loans and grants	Provided in kind or to finance imports of U.S. agricultural commodities. Use of local counterpart restricted to specific development projects related to agriculture.	While provision of food aid is dictated partly by strategic and commercial objectives, it is used where possible to support adjustment programs, usually focused agricultural sector reforms.	Wide variety.

<sup>1/</sup> These facilities are also used to provide project assistance.

African Development Bank Group--Summary of Facilities  
and Policies Toward Balance of Payments Assistance

Facilities	Terms	Restrictions on Utilization	Economic Policy Conditionality and Relation to Fund/Bank	Recipients
Import support				
Structural adjustment loans (since 1983)	ADB or ADF <u>1/</u>	Financing for broad categories of merchandise imports, which may be defined with reference to either a positive or negative list. Procurement subject to international competitive bidding.	Provides support for programs of macroeconomic and structural adjustment, in the context of the ADB's policy dialogue with the borrower and as specified in the loan document. In close cooperation with the Fund and World Bank; sometimes cofinances Bank adjustment loans.	Regional members of the African Development Bank.
Sectoral adjustment loans (since 1983)	ADB or ADF <u>1/</u>	Financing for imports related to specific sectors; may in some cases be quite broad. Procurement subject to international competitive bidding.	Differs from above in that the program being supported typically focuses on sector-specific reforms.	(See above)

1/ All African Development Bank Group adjustment lending is derived either from African Development Bank (ADB) resources or from the resources of the African Development Fund (ADF). All regional members are eligible to use ADB resources, which are lent at market-related rates of interest that vary with the ADB's cost of borrowing. The maturity of ADB loans may be up to 20 years, with a grace period of 7 years. Access to ADF resources is restricted to low-income members (except to finance technical assistance). A service charge of 0.75 percent is levied on outstanding, disbursed balances; ADF loans are at a maturity of 50 years with a grace period of 10 years.

Asian Development Bank--Summary of Facilities  
and Policies Toward Balance of Payments Assistance

Facilities	Terms	Restrictions on Utilization	Economic Policy and Relation to Fund/Bank	Recipients
Import support				
Program lending (since 1983)	ADB or ADF <u>1/</u>	Financing for imports required by specific sectors, which may in some cases entail either a broad positive list or a negative list. Use of local counterpart may be restricted to specific development projects. Disbursement is usually on a reimbursement basis. Procurement restricted to member countries, and subject to inter- national competitive bidding.	Conditionality is sector- specific and described in a Development Policy letter; it is coordinated closely with the activities of the Fund and World Bank. Loans are usually tranching.	Developing member countries.
Local cost financing	ADB or ADF <u>1/</u>	Financing for specified local costs associated with particular development projects; timing of disbursements determined by pace of project implementation. Procurement follows standard government or commercial practices.	None.	(See above)

1/ All Asian Development Bank lending is derived either from the ordinary capital resources (OCR) of the Asian Development Bank, or from the Asian Development Fund (ADF). OCR are made available to a number of large or middle-income developing members, including China, Fiji, Hong Kong, India, Indonesia, Korea, Malaysia, Pakistan, Papua New Guinea, the Philippines, Singapore, Taipei China, and Thailand. These resources are lent at a market-related interest rate that varies with the cost of borrowing; with a maturity of 15 years and a grace period of 3 years. ADF resources are restricted to a number of low-income members, including Afghanistan, Bangladesh, Bhutan, Burma, Cook Islands, Indonesia, Kampuchea, Kiribati, Laos, Maldives, Nepal, Solomon Islands, Sri Lanka, Tonga, Vanuatu, Viet Nam, and Western Samoa. There is a service charge of 1 percent on disbursed outstanding balances; the maturity is 40 years with a 10-year grace period for ADF-only borrowers, and 33/10 for OCR/ADF "blend" countries.

European Community--Summary of Facilities  
and Policies Toward Balance of Payments Assistance

Facilities	Terms	Restrictions on Utilization	Economic Policy Conditionality and Relation to Fund/Bank	Recipients
Import support				
From country allocations under EEC-ACP agreement ("Lome Convention")	Grants	May provide financing for specific categories of imports or for general imports, subject to a short negative list. Tied to procurement from EEC or developing countries.	Generally used to support structural reforms in recipient countries. EEC seeks to coordinate with Fund- and World Bank-supported programs.	Primarily for 66 ACP (Asia, Commonwealth, and Pacific) countries.
Special Program of Assistance (for low income, debt-distressed countries in sub-Saharan Africa (since 1987))	Grants	(See above)	Used for cofinancing of IDA adjustment lending, although its utilization in countries without Fund- or Bank-supported programs could be envisaged in the context of a judgment (in collaboration with the Fund and World Bank staffs) that the recipient's policies were sustainable.	Currently for 22 countries in sub-Saharan Africa eligible for assistance under the World Bank SPA.
Cash balance of payments assistance	Grants	Compensation for shortfalls in primary commodity export receipts.	None.	ACP countries.
STABEX				

World Bank Group--Summary of Facilities and  
Policies Toward Balance of Payments Assistance

Facilities	Terms	Restrictions on Utilization	Economic Policy Conditionality	Recipients
Import support				
Structural adjustment loans (since 1980)	IBRD or IDA <u>1/</u>	Financing for broad categories of merchandise imports, which may be defined with reference to either a positive or negative list. Usually on reimbursement basis. Procurement restricted to member countries, and subject to international competitive bidding. Some retroactive financing is permitted.	Provides support for programs of macroeconomic and structural adjustment, in the context of the Bank's policy dialogue with the borrower and as specified in the loan document. Extended in close collaboration with the Fund (see EBS/89/54, Revision 1, 3/31/89). Also requires Bank staff review of the public investment program. Usually tranching.	Developing member countries.
Sectoral adjustment loans (since 1981)	IBRD or IDA <u>1/</u>	As above, except that in some cases financing may be targeted more narrowly on specific sectoral import requirements and end-users.	Differs from above mainly in that the program being supported typically focuses on sector-specific reforms.	(See above)
"Hybrid" loans	IBRD or IDA <u>1/</u>	As above, except that such loans usually provide financing for specific sectoral import requirements or "time slice" of the public investment program.	As above, but extended in support of sector-specific reforms combined with specific investment projects.	(See above)
Rehabilitation loans	IBRD or IDA <u>1/</u>	(Similar to sectoral adjustment loans)	May be extended to assist in stabilization and studies of eventual structural reforms.	(See above)

1/ All World Bank Group adjustment lending is provided either from IBRD or IDA resources. Access to IDA credits is restricted to low-income countries with no or limited creditworthiness for IBRD lending; currently 63 countries are eligible recipients of IDA credits. A few "blend" countries have access to both IBRD and IDA loans, including China, India, Nigeria, and Pakistan. IBRD resources are lent at a market-related interest rate that varies with the IBRD's borrowing costs; the maturity of loans varies with per capita income, up to 20 years with a grace period of 5 years. A service charge of 0.75 percent per annum is levied on outstanding, disbursed balances of IDA credit; the maturity is 40 years with a grace period of 10 years for IDA-only countries, and 35/10 for "blend" countries.



Table 1. Commitments of Official Balance of Payments  
Assistance by Bilateral Donors Participating  
in OECD Development Assistance Committee, 1987 <sup>1/</sup>

(In millions of U.S. dollars)

	Budget and Balance of Payments Assis- tance, Narrowly Defined <sup>2/</sup>	Program Assistance <sup>3/</sup>	Broader Concepts	
			Budget and Balance of Payments Assis- tance, Plus Local Cost Financing <sup>4/</sup>	Memorandum Item: Total Bilateral ODA
Australia	193	204	208	535
Austria	--	--	--	155
Belgium	18	--	23	425
Canada	...	...	...	1,259
Denmark	--	1	--	459
Finland	--	15	20	263
France	878	197	1,198	5,326
Germany	--	216	201	3,090
Ireland	--	--	--	27
Italy	77	174	122	1,878
Japan	35	1,048	292	5,248
Netherlands	--	212	220	1,419
New Zealand	9	16	11	66
Norway	--	38	--	528
Sweden	33 <sup>5/</sup>	141	33 <sup>5/</sup>	897
Switzerland	21	72	212	389
United Kingdom	17 <sup>5/</sup>	207	80 <sup>5/</sup>	1,002
United States	<u>2,145</u>	<u>2,406</u>	<u>2,414</u>	<u>7,007</u>
Total	3,426	4,948	5,034	29,972

Source: OECD Development Assistance Committee (DAC) Secretariat; updated in some cases by donors.

<sup>1/</sup> The DAC is a specialized committee of the Organization for Economic Cooperation and Development; its members have agreed to secure an expansion of the aggregate volume of resources made available to developing countries and to improve their effectiveness. To this end, members periodically review together the amount and nature of their aid programs and consult on their development policies. The DAC Secretariat has indicated that these data must be interpreted with caution, as certain concepts are difficult to measure and donors' reporting practices vary.

<sup>2/</sup> Narrow definition, as specified in DAC Statistical Reporting Directives (DAC(88)10, 2/24/88, page 66): freely usable foreign exchange provided with no specific restrictions on the expenditure of local currency counterpart funds.

<sup>3/</sup> As defined in DAC Statistical Reporting Directives (page 60). Includes all contributions made available to the recipient country for general development purposes without any sector allocation, such as budgetary and balance of payments support. May also include external assistance made available generally for development projects of the recipient's choosing. Excludes debt relief, food aid, emergency assistance, support to NGO's, and donors' administrative costs.

<sup>4/</sup> Local cost financing is defined as assistance provided to finance the procurement of specified types of goods and services on the local market (DAC Statistical Reporting Directives, pages 66-67). In practice, local cost financing in some cases would not provide balance of payments assistance, where the expenditures to be financed are additional to those envisaged under the adjustment program or the criteria determining the timing of disbursements of foreign exchange effectively preclude its flexible utilization.

<sup>5/</sup> Data available for disbursements only.

Table 2. Commitments of Official Balance of Payments  
Assistance by Selected Multilateral Donors

(In millions of U.S. dollars)

	1984	1985	1986	1987	1988
African Development Bank: Total <u>1/</u>	--	111	104	634	397
SALs	--	--	--	312	61
SECALs	--	111	104	322	336
African Development Fund: Total <u>1/</u>	22	--	20	129	161
SALs	--	--	11	62	99
SECALs	22	--	9	67	62
Asian Development Bank <u>2/</u>	130	39	179	202	660
of which: Asian Development Fund	--	39	104	127	330
European Communities <u>3/</u>	...	...	...	...	775
IBRD: Total <u>1/</u>	956	1,750	3,455	3,475	3,845
SALs <u>4/</u>	431	330	600	400	750
SECALS	525	1,420	2,855	3,075	3,095
IDA: Total <u>5/</u>	327	254	888	1,091	1,266
SALs	220	58	305	351	240
SECALS <u>6/</u>	107	175	308	328	788
Special Facility for Sub-Saharan Africa <u>7/</u>	--	<u>21</u>	<u>275</u>	<u>412</u>	<u>238</u>
Total	1,435	1,824	4,646	5,531	7,104

Source: Information supplied by donors.

1/ Total adjustment lending.

2/ Program lending.

3/ Import support under indicative country programs and Special Program for Africa. Data for 1988 represent total commitments as of May, 1989.

4/ Includes program lending.

5/ Total adjustment lending, including Special Facility for Sub-Saharan Africa.

6/ Includes rehabilitation import credits.

7/ Data are for disbursements.

Table 3. Disbursements of Official Balance of Payments  
Assistance by Selected Donors, 1984-1988

(In millions of U.S. dollars)

	1984	1985	1986	1987	1988
Australia <u>1/</u>	258	211	206	205	...
France <u>1/</u>	651	533	705	878	...
Germany <u>2/</u>	85	102	176	176	277
Japan <u>3/</u>	485	561	954	1,225	2,714
Netherlands <u>2/</u>	220	169	380	361	387
Sweden <u>1/ 4/</u>	261	255	455	515	...
United Kingdom <u>2/</u>	65	73	94	132	...
United States <u>1/ 5/</u>	2,233	3,198	3,355	2,142	...
African Development Bank and Fund <u>6/</u>	5	19	1	76	117
Asian Development Bank <u>7/</u>	110	87	14	63	383
IBRD <u>8/</u>	1,648	1,100	2,631	2,785	3,275
IDA, including Special African Facility <u>6/</u> (IDA only)	310 (310)	264 (243)	696 (421)	1,012 (600)	1,009 (771)
Total	6,331	6,572	9,667	9,570	...

Sources: OECD DAC reports; and information from donors.

1/ Budget and balance of payments support, as reported by DAC.

2/ Import support.

3/ Includes nonproject grants; commodity and sector program loans by OECF; cofinancing of adjustment loans by OECF and Export-Import Bank of Japan (J-EXIM); purchases of government bonds by J-EXIM; assistance to promote agricultural production; and small amounts of bilateral food aid and emergency assistance.

4/ For 1987, includes "program and project aid not directly financing imports."

5/ In recent years, over 80 percent of this assistance has been allocated to non-SAF-eligible countries.

6/ Structural and sectoral adjustment lending.

7/ Program lending, including Asian Development Fund.

8/ Adjustment and program lending.

Table 4. Commitments of Quick-Disbursing Assistance  
in Association with IDA Adjustment Lending, Under the  
Special Program of Assistance for Debt-Distressed  
Low-Income Countries in Sub-Saharan Africa 1/

(In millions of U.S. dollars)

	Cofinancing of IDA Adjustment Loans	Coordinated Financing <u>2/</u>	Total
African Development Fund	445	--	445
Belgium	50	8	57
Canada	25	294	320
Denmark	18	85	103
European Communities	112	324	436
Finland	22	27	49
France	186	674	861
Germany	139	44	183
Italy	284	371	655
Japan	572	194	766
Netherlands	85	132	218
Norway	23	138	161
Spain	15	--	15
Sweden	70	257	327
Switzerland	91	27	118
United Kingdom	156	167	323
United States	<u>299</u>	<u>148</u>	<u>447</u>
Total	2,592	2,889	5,481

Source: World Bank staff.

1/ Commitments of concessional resources expected to be disbursed in the period 1988-91, in association with adjustment programs supported by the Bank and the Fund for low-income countries in Sub-Saharan Africa with high debt service ratios. As of September 1989, the 22 eligible countries were Benin, Burundi, Central African Republic, Chad, The Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Sao Tome and Principe, Senegal, Somalia, Tanzania, Togo, Uganda, and Zaire.

2/ Differs from cofinancing in that the conditions for and timing of disbursements may not be as closely linked to those of the IDA adjustment loan.