

*The Structure and Function
of Multilateral Aid Institutions*

ER RP 75-17
June 1975

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Foreword

This publication is intended to serve as a general reference on multilateral assistance to the LDCs: the institutions involved, their purpose, membership, and funding. It also provides estimates of the amount of multilateral aid provided to LDCs in 1974.

The data were derived from official sources, where available, and supplemented by estimates that are conservative.

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THE STRUCTURE AND FUNCTION
OF MULTILATERAL AID INSTITUTIONS

KEY FINDINGS

1. There are now 14 major multilateral aid institutions dispensing aid to less developed countries (LDCs). Some, such as the World Bank Group and the International Monetary Fund (IMF), carry out worldwide operations. Others, such as those sponsored by the Organization of Petroleum Exporting Countries (OPEC), operate exclusively within a selective regional or cultural framework (see the center-fold).

- Multilateral institutions as a group committed about US \$9 billion to LDCs in 1974, an increase of nearly 60% from 1973. Disbursements topped \$4.5 billion.
- The World Bank Group remained the leading donor; the IMF Oil Facility, funded primarily by OPEC, also made a major contribution.
- Non-project assistance to meet emergency needs of the LDCs formed a large portion of multilateral aid - \$3 billion.

2. We foresee no further additions to the list of major multilateral institutions for several years, although new aid outlets may develop within the established structures. OPEC will continue to be a major source of funding for these institutions. In the short run, emergency aid will continue to account for a significant share of the total. We expect project aid gradually to return to prominence, with the World Bank Group and IMF taking on increased responsibilities for channeling assistance.

DISCUSSION

The Institutions

3. Multilateral assistance - a direct outgrowth of post-World War II international efforts to help reconstruct Europe's war-damaged economies - has developed into a complex of 14 major institutions plus their subsidiary agencies.

STATINTL

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These institutions provided some \$9 billion (see Table 1) of aid to LDCs¹ in 1974, accounting for about one-third of all official aid pledged.² Among them, UN agencies, including the World Bank and International Monetary Fund, accounted for more than two-thirds of the total, regional institutions about one-fifth, European Community-sponsored institutions 7%, and the new Arab-sponsored agencies 4%. This distribution follows roughly the pattern of recent years, except that regional banks had smaller shares (see Table 2).

4. The World Bank (IBRD); its soft loan affiliate, the International Development Agency (IDA); and the International Monetary Fund (IMF), which provides 7-year credits through the new Oil Facility (see Table 3), are the major sources of global multilateral financial assistance.³ Other agencies of the United Nations also provide small amounts of technical, social, and commodity assistance on a worldwide basis (see Table 4). As a group, these multilateral organizations provided \$6.2 billion worth of aid during 1974.

5. Regional aid institutions did not emerge until 1959 with the establishment of the Inter-American Development Bank (IDB). Subsequently, regional development banks have been established for all areas of the Third World (see Tables 5a, b, and c). They include banks for Central America, Africa, Asia, and most recently (in 1970) for the Caribbean. All of the regional banks emphasize assistance for regional social and economic development programs, especially multinational projects or projects of common concern. As a group, regional banks committed \$1.8 billion worth of aid during 1974.

6. The regional development bank concept follows a uniform pattern -- most are modeled after the World Bank. Usually the regional banks have been funded by capital subscriptions from developing nations, only part of which is paid in. This capital is used as guarantee for bond issues floated in private capital markets. Most of the banks also have established soft loan windows similar to that of the IDA that are funded by developed nation sponsors and by a part of the income from banking operations.

7. Beyond the two broad groupings -- those with global interests and those confined to specific regional interests -- there is a growing number of multilateral aid organizations bound together by mutual political, commercial, religious, or

1. The LDCs include all countries of Africa except the Republic of South Africa; all countries of East Asia except Hong Kong and Japan; Malta, Portugal, Romania, Spain, and Yugoslavia in Europe; and all countries in Latin America, the Near East, and South Asia.

2. Aid from governments and international bodies whose members are governments.

3. The International Finance Corporation (IFC), also a World Bank affiliate, is not included as an aid donor, because it provides risk capital to private entities.

cultural interests. Most important among these are the agencies associated with the European Community (EC) and, more recently, with the Arab states (see Tables 6 and 7a, b, and c). Together, such agencies accounted for about \$1 billion of aid in 1974. The EC has used the European Investment Bank (EIB), the European Development Fund (EDF), and the Cheysson Fund for emergency aid to perpetuate EC members' historic commercial ties with certain LDCs.

8. During 1974, special-interest aid outlets mushroomed under OPEC sponsorship. Indeed, for a time it appeared that there would be as many new multilateral OPEC-sponsored institutions as there were oil-exporting states, each seeking to provide aid to LDCs with close ethnic, religious, or political ties. Implementing the agreements was another story. Only three of the seven Arab agencies that had been set up were actually in operation by the end of 1974. Several special funds for African and Arab states and the Islamic Solidarity Fund were relegated to the status of administrative units within established financial organizations.

Performance in 1974

9. Multilateral aid pledged to LDCs in 1974 equaled \$9 billion, \$3.3 billion above 1973. OPEC played a critical role in expanding multilateral aid activities, accounting for roughly 45% of all the aid channeled through these institutions. Influenced primarily by political considerations and high rates of return on secure investments, OPEC channeled about 4% of its oil receipts to LDCs through multilateral agencies. This included \$2.1 billion of OPEC purchases of World Bank bonds,⁴ \$1 billion for the IMF Oil Facility, \$300 million to UN agencies, and \$350 million extended to LDCs directly by Arab multilateral organizations. An additional \$1 billion of OPEC funds was committed in capital subscriptions to Arab institutions.

10. The World Bank Group, with commitments of \$4.5 billion, continued as the principal source of multilateral aid to LDCs in 1974. It was followed by the regional bank groups that provided \$1.8 billion and the IMF Oil Facility with commitments of \$1.2 billion. The EC channels provided \$600 million. Arab multilateral agencies, still neophytes in the aid business, extended about \$350 million, all to Arab or African states.

11. During 1974, multilateral aid agencies disbursed about \$4.5 billion, up nearly 50% from 1973. A large share (40%) was provided for emergency assistance

4. Approximately \$1.5 billion was actually transferred by the end of 1974.

and came from the IMF Oil Facility, UN emergency operations, and those of the European Community and Arab states. The remaining \$2.7 billion was mostly project aid, previously committed by development banks.

Characteristics of Multilateral Assistance

12. Multilateral aid has conventionally been intended to promote economic development, primarily for infrastructure projects. Multilateral agencies have concentrated their assistance on bankable projects – i.e. projects able to pay the rates charged by private capital markets. Institutions providing this kind of aid and carrying the largest share of the aid burden (the World Bank and regional banks) charge near the commercial interest rates. These ranged up to 8%-8-1/4% in 1974. The credits allow 10-30 years for amortization. To accommodate equally basic needs for poorer LDCs that cannot afford these terms, a soft loan window has been established in most multilateral development banks. These windows usually offer low-interest or interest-free loans and allow up to 50 years for repayment. Eligibility for these soft loans usually requires some sort of poverty test such as a low per capita income level. Still an important component of the aid total, concessional lending fell to about 15% of total development aid in 1974, from 30% in 1973.

13. Most of the institutions provide technical assistance in order to assure the implementation of their programs. Technical aid activities, nevertheless, comprise less than 1% of the total outlays of these organizations. Most of the agencies administer the UN technical assistance programs as well as their own. Increasingly, they also are providing technical support for bilateral lending programs.

14. Inflation, accelerated by sharply increased prices for oil and food, created urgent LDC demands for emergency balance-of-payments assistance in 1974. These demands could not have been satisfied by the conventional multilateral organizations. A few UN agencies were equipped to provide emergency funds, but nowhere near the scale required. Only the creation of the IMF Oil Facility and the burgeoning Arab multilateral aid organizations made it possible for increased amounts of multilateral aid to reach the most seriously affected countries (MSAs),⁵ especially India, Pakistan, and Sahelian Africa. The new Arab facilities enhanced the options of a number of African and Arab nations because of softer terms and larger availabilities. In total, emergency resources in 1974 amounted to about \$1.8 billion. For the first time medium- and long-term balance-of-payments aid

5. Most seriously affected countries (MSAs) are defined by UN criteria to include low per capita income (not exceeding \$400), sharp increase in import costs of essentials relative to export earnings, high ratio of debt service to export earnings, and low level of foreign exchange reserves to meet requirements.

became an important aspect (20%) of multilateral assistance, although it was a far smaller part of the aid total than development assistance.

Prospects

15. The proliferation of multilateral institutions will probably not continue, although additional concessional aid outlets are planned within the global institutions. OPEC will continue to be a major source of funding for multilateral assistance through agencies created by its members and through such institutions as the IBRD and IMF.

- OPEC funding of global aid institutions will provide the major oil exporters with a sound investment and good return on their money.
- Assistance from OPEC multilateral institutions will tend to parallel aid from established multilateral agencies.
- Reliance on established institutions for feasibility studies and technical services will smooth the road for OPEC bilateral and multilateral aid implementation.

16. The established multilateral agencies, particularly the IBRD and the IMF, will take on increased responsibility for channeling aid. The World Bank is considering a 52% expansion of its annual commitments during the next five years, while the IMF Oil Facility is prepared to expand significantly its assistance in 1975, the last year of its existence. In addition, new aid channels are being considered, especially a Special Trust Fund within the IMF for long-range balance-of-payments assistance for the poorer LDCs and a third window in the IBRD to provide credits on terms between those of the World Bank and the IDA (30-year repayment after a 7-year grace at 4% interest).

17. Emergency operations will again be the focus of multilateral aid activities because of the threat to LDC solvency posed by the adjustments to increases in the cost of energy. Beyond the next year or two, long-term development efforts again are expected to take center stage. The LDCs, gaining more clout, will press for sustained programs of development. Multilateral channels, less subject to the vagaries of national political decisions, will be the aid vehicle that the LDCs will prefer.

APPENDIX

STATISTICAL TABLES

**Multilateral A
and Areas of Cor**

European and Arab States

EIB

European Investment Bank

Major Recipient
Turkey; \$98 million

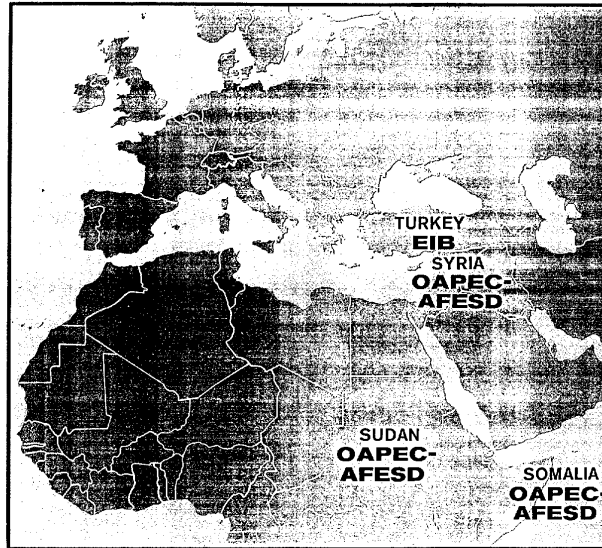
OAPEC-AFESD

Arab Fund for Economic and
Social Development

Major Recipients
Sudan; \$43 million
Syria; \$25 million
Somalia; \$23 million

Special Fund for Poorest Arab States

Major Recipient
Sudan; \$37 million



Worldwide

UN

United Nations

Major Recipient
India; \$
Bangla

CDB

Caribbean Development Bank

Major Recipient
Jamaica; \$9 million

BCIE

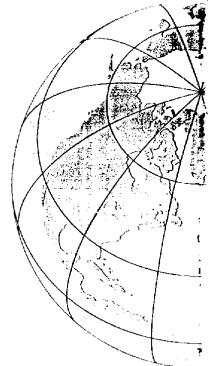
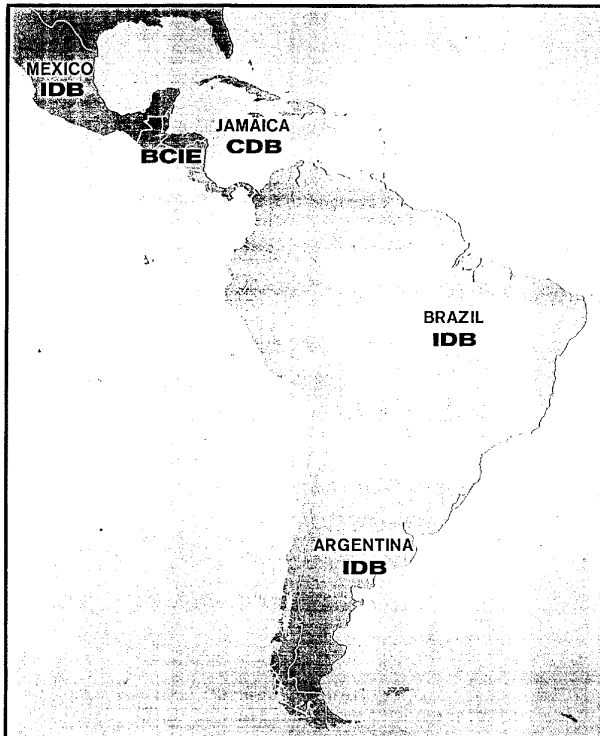
Central American Bank for
Economic Integration

IDB

Interamerican Development Bank and
Fund for Special Operations

Major Recipients
Mexico; \$186 million
Argentina; \$183 million
Brazil; \$181 million

Western Hemisphere



IMF

International Monetary Fund:
Special Oil Facility

Major LDC Recipients
India; \$242 million
Yugoslavia; \$168 million
Pakistan; \$118 million

Table 1

Aid Commitments to Developing Nations by Multilateral Institutions, 1974

Million US \$

	World Bank Group		IMF Oil Facility Commitments/ Disbursements	Regional Development Institutions	Special-Interest Agencies		All Other	Total
	IBRD	IDA			Arab	EC		
Total	3,278.1	1,257.8	1,194.4	1,828.5	341.8	623.2	480.6¹	9,004.4
Africa	717.5	332.2	179.9	125.8	247.7	331.6	120.8	2,055.5
Algeria.....	157.5	....	....	....	21.3	....	....	178.8
Botswana.....	9.5	3.0	....	....	2.7	....	....	15.2
Burundi.....	....	5.0	....	7.0	....	2.8	....	14.8
Cameroon.....	34.1	....	5.6	....	2.8	4.7	4.5	51.7
Central African Republic...	....	....	3.3	....	1.5	3.0	4.0	11.8
Chad.....	....	11.0	2.7	4.4	4.4	....	2.9	25.4
Congo.....	....	....	....	....	....	1.2	....	1.2
Dahomey.....	....	....	....	2.1	1.2	2.6	2.1	8.0
Equatorial Guinea.....	....	....	....	....	0.2	....	....	0.2
Ethiopia.....	....	52.9	....	....	7.1	183.8 ²	4.1	247.9
Gabon.....	5.0	....	....	4.8	....	8.4	....	18.2
Gambia.....	....	2.4	....	2.2	0.4	....	....	5.0
Ghana.....	....	12.4	....	4.8	4.4	....	4.8	26.4
Guinea.....	....	....	4.2	8.0	0.8	....	3.2	16.2
Guinea-Bissau.....	....	....	....	....	0.2	....	....	0.2
Ivory Coast.....	47.6	....	13.5	....	3.6	38.3	2.5	105.5
Kenya.....	10.4	33.5	38.7	3.6	1.8	6.0	5.4	99.4
Lesotho.....	....	4.0	....	5.5	1.4	....	1.6	12.5
Liberia.....	4.0	....	....	2.4	1.8	....	....	8.2
Malagasy Republic.....	6.8	22.4	4.2	....	2.4	13.6	4.6	54.0
Malawi.....	....	12.0	4.8	0.6	3.8	....	....	21.2
Mali.....	....	8.0	....	4.4	3.9	....	8.3	24.6
Mauritania.....	....	7.9	....	8.9	5.8	....	2.4	25.0
Mauritius.....	18.5	3.5	....	....	1.4	....	....	23.4
Morocco.....	141.0	....	....	9.6	18.6	....	....	169.2
Niger.....	....	5.0	....	....	0.2	....	3.9	9.1
Nigeria.....	127.5	....	....	5.7	....	....	....	133.2
Rwanda.....	....	6.3	....	5.1	1.0	1.4	2.4	16.2
Senegal.....	3.0	....	....	4.6	3.8	....	2.4	13.8
Sierra Leone.....	....	....	5.2	4.1	1.8	....	3.1	14.2
Somalia.....	....	18.0	....	3.3	31.0	15.6	5.5	73.4
Sudan.....	....	34.7	57.5	9.2	80.6	....	5.0	187.0
Swaziland.....	3.5	5.0	....	2.2	2.1	....	....	12.8
Tanzania.....	65.0	61.2	34.2	4.8	7.1	9.0	12.0	193.3
Togo.....	....	6.0	....	3.4	0.9	1.7	....	12.0
Tunisia.....	64.1	....	....	4.1	6.8	....	....	75.0
Uganda.....	....	....	6.0	5.8	5.6	....	....	17.4
Upper Volta.....	....	8.0	....	0.4	2.7	....	2.5	13.6
Zaire.....	....	10.0	....	....	6.4	37.8	....	54.2
Zambia.....	20.0	....	....	4.8	6.2	....	....	31.0
Regional.....	....	....	....	....	....	1.7	33.6	35.3
East Asia	765.0	115.0	109.3	377.0	....	0.7	24.6	1,391.6
Burma.....	....	41.0	....	16.3	....	....	....	57.3
Fiji.....	....	....	0.4	....	....	....	....	0.4
Indonesia.....	137.5	57.5	....	78.1	....	....	6.8	279.9
Laos.....	....	....	....	6.1	....	....	1.0	7.1
Malaysia.....	185.0	....	....	65.5	....	....	....	250.5
Philippines.....	208.0	9.5	....	58.3	....	0.7	3.7	280.2
Samoa.....	....	....	....	0.8	....	....	....	0.8
Singapore.....	19.5	....	....	....	....	....	....	19.5
South Korea.....	85.0	....	108.9	89.5	....	....	....	283.4

Footnotes at end of table.

Table 1

Aid Commitments to Developing Nations by Multilateral Institutions, 1974 (Continued)

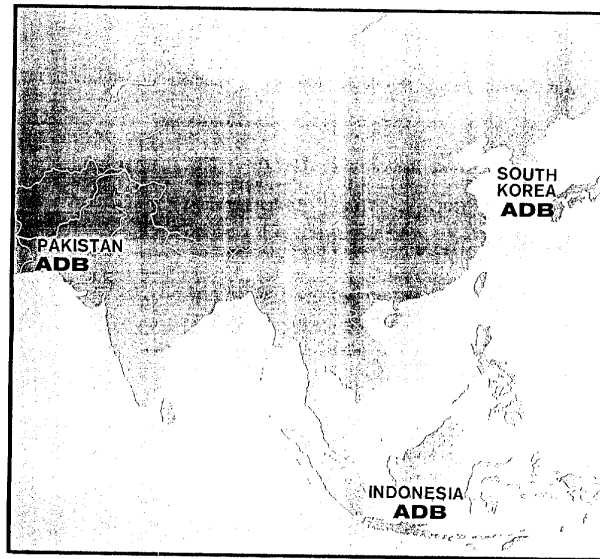
Million US \$

	World Bank Group		IMF Oil Facility Commitments/ Disbursements	Regional Development Institutions	Special-Interest Agencies		All Other	Total
	IBRD	IDA			Arab	EC		
East Asia (Continued)								
South Vietnam.....	....	....	....	20.5	....	....	1.0	21.5
Thailand.....	130.0	7.0	....	41.6	....	....	....	178.6
Tonga.....	....	....	....	0.3	....	....	....	0.3
Regional.....	....	....	....	....	....	....	12.1	12.1
Latin America.....	538.2	36.2	223.8	1,141.1	....	24.7	57.0	2,021.0
Antigua.....	....	....	....	0.1	....	....	....	0.1
Argentina.....	....	....	....	183.0	....	....	....	183.0
Barbados.....	....	....	....	9.5	....	....	....	9.5
Belize.....	....	....	....	1.8	....	....	....	1.8
Bolivia.....	....	6.2	....	47.0	....	....	....	53.2
Brazil.....	59.5	....	....	181.3	....	....	....	240.8
Chile.....	13.6	....	....	97.3	....	....	....	110.9
Colombia.....	8.0	....	50.2	....	....	....	....	58.2
Costa Rica.....	23.5	....	22.7	54.7	....	....	....	100.9
Dominica.....	....	....	....	2.2	....	....	....	2.2
Dominican Republic.....	21.0	....	....	37.2	....	....	....	58.2
Ecuador.....	23.2	....	....	55.9	....	....	....	79.1
El Salvador.....	19.5	6.0	21.6	33.9	....	....	2.6	83.6
Grenada.....	....	....	....	0.1	....	....	....	0.1
Guadeloupe.....	....	....	....	....	....	2.6	....	2.6
Guatemala.....	....	....	....	19.9	....	....	....	19.9
Guyana.....	12.9	....	....	....	....	....	1.0	13.9
Haiti.....	....	10.0	4.6	0.5	....	1.0	3.1	19.2
Honduras.....	3.0	3.0	20.3	38.8	....	3.4	3.2	71.7
Jamaica.....	46.5	....	....	9.0	....	....	....	55.5
Mexico.....	212.0	....	....	186.0	....	....	....	398.0
Netherlands Antilles.....	....	....	....	....	....	8.2	....	8.2
Nicaragua.....	....	....	4.0	12.1	....	....	....	16.1
Panama.....	....	....	8.9	15.5	....	....	....	24.4
Paraguay.....	24.5	11.0	....	50.5	....	....	....	86.0
Peru.....	26.0	....	....	65.5	....	....	....	91.5
St. Kitts.....	....	....	....	0.1	....	....	....	0.1
St. Vincent.....	....	....	....	0.2	....	....	....	0.2
Surinam.....	....	....	....	....	....	9.5	....	9.5
Trinidad and Tobago.....	23.0	....	....	6.1	....	....	....	29.1
Uruguay.....	....	....	91.5	21.6	....	....	....	113.1
Venezuela.....	22.0	....	....	....	....	....	....	22.0
West Indies.....	....	....	....	2.3	....	....	....	2.3
Regional.....	....	....	....	9.0	....	....	47.1	56.1
Near East.....	426.9	86.5	11.3	6.0	94.1	2.7	28.9	656.4
Egypt.....	85.0	55.0	....	6.0	22.0	....	3.4	171.4
Iran.....	210.5	....	....	....	....	....	4.7	215.2
Israel.....	35.0	....	....	....	....	....	....	35.0
Jordan.....	....	7.5	....	....	....	....	....	7.5
Lebanon.....	....	....	....	....	N.A.	....	....	N.A.
North Yemen.....	....	8.6	....	....	25.0	....	2.4	36.0
Oman.....	8.4	....	....	....	....	....	0.2	8.6
Saudi Arabia.....	....	....	....	....	....	....	2.1	2.1
South Yemen.....	....	5.4	11.3	....	22.1	1.6	5.7	46.1
Syria.....	88.0	10.0	....	....	25.0	1.1	....	124.1
Regional.....	....	....	....	....	....	....	10.4	10.4

Footnotes at end of table.

World Institutions Concentration, 1974

Asia and Pacific



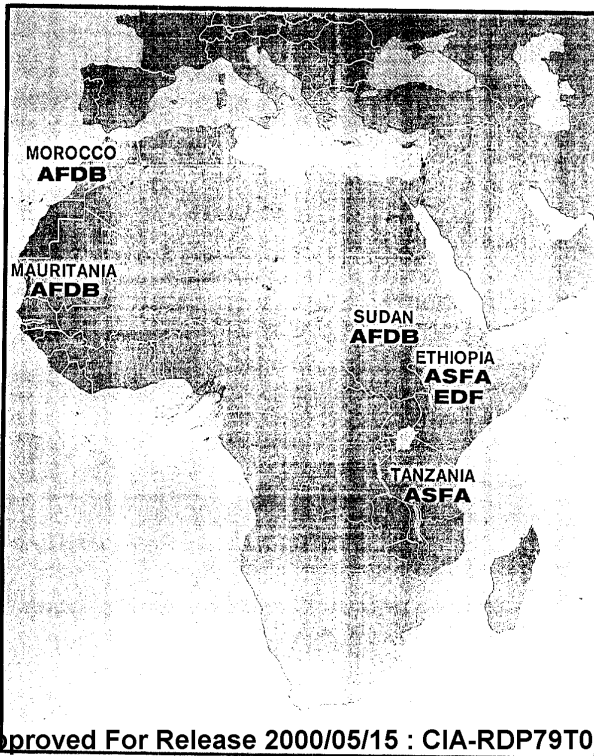
ADB Asian Development Bank and Fund

Major Recipients
 Pakistan; \$105 million
 South Korea; \$89 million
 Indonesia; \$78 million

Recipients
 38 million
 U.S. dollars; \$33 million



Africa



AFDB African Development Bank and Fund

Major Recipients
 Morocco; \$10 million
 Sudan; \$9 million
 Mauritania; \$9 million

ASFA Arab Special Fund for African States

Major Recipients
 Ethiopia; \$7 million
 Tanzania; \$7 million

EDF European Development Fund

Major Recipient
 Sahel-Ethiopia; \$64 million

IBRD-IDA World Bank Group: International Bank for Reconstruction and Development

Major Recipients
 Yugoslavia; \$256 million
 Turkey; \$228 million
 Mexico; \$212 million

International Development Association

Major Recipients
 India; \$443 million
 Bangladesh; \$120 million

Table 1

Aid Commitments to Developing Nations by Multilateral Institutions, 1974 (Continued)

Million US \$

	World Bank Group		IMF Oil Facility Commitments/ Disbursements	Regional Development Institutions	Special-Interest Agencies		All Other	Total
	IBRD	IDA			Arab	EC		
South Asia	112.0	687.9	450.5	178.6	....	164.1	96.7	1,689.8
Afghanistan .....	....	....	....	14.2	....	....	....	14.2
Bangladesh .....	....	120.0	48.9	54.0	....	42.3	33.2	298.4
Cambodia .....	....	....	....	....	....	....	1.6	1.6
India	52.0	443.1	242.0	....	....	110.0	37.7	884.8
Nepal .....	....	13.8	....	3.1	....	....	....	16.9
Pakistan	60.0	87.0	118.5	104.6	....	3.1	7.0	380.2
Sri Lanka .....	....	24.0	41.1	2.7	....	8.7	9.3	85.8
Regional .....	....	....	....	....	....	....	7.9	7.9
Other	718.5	....	219.6	....	....	99.4	13.7	1,051.2
Cyprus	14.0	....	7.7	....	....	0.7	0.8	23.2
Greece	30.0	....	43.8	....	....	....	1.2	75.0
Romania	190.0	....	....	....	....	....	2.0	192.0
Turkey	228.0	....	....	....	....	98.7	2.6	329.3
Yugoslavia	256.5	....	168.1	....	....	....	0.8	425.4
Regional .....	....	....	....	....	....	....	6.3	6.3
Unspecified ³ .....	....	....	....	....	....	....	138.9	138.9

¹ Including three major UN agencies: World Food Program (WFP), the United Nations Development Program (UNDP), and the Secretary General's Special Account for Emergency Operations.

² Including EC commitments to Sahelian Africa as a region.

³ Including \$118 million under the World Food Program.

Table 2

Aid Commitments to Less Developed Nations by Multilateral
Aid Institutions¹

Million US \$

	1973	1974
Global Total	5,700	9,000
World Bank Group	3,800	4,550
IMF Oil Facility .....	....	1,200
Other United Nations agencies	200	500
European Community	400	600
Regional development banks	1,300	1,850
Arab special interest agencies	Negl.	350

¹ Because of rounding, components may not add to the total shown.

Table 3

Global International Aid Institutions: Specialized Agencies of the United Nations

World Bank Group			
	International Bank for Reconstruction and Development (IBRD)	International Development Association (IDA)	International Monetary Fund (Oil Facility)
1974 commitments....	\$3.3 billion	\$1.3 billion	\$1.2 billion to LDCs
Headquarters.....	Washington, D.C.	Washington, D.C.	Washington, D.C.
Membership.....	124 members who also belong to IMF	113 members who also belong to IMF and IBRD	126 members
Date established.....	1945	1960	1974
Decisionmaking body..	Board of Governors and the Exec- utive Directors	Board of Governors and the Executive Directors	Executive Board
Purpose.....	Finance development projects and programs	Finance development projects and programs	Finance current account deficits resulting from increased petro- leum prices
Resources and status..	\$30.4 billion subscribed, \$3.0 bil- lion paid in, with the remainder callable. Depends on capital markets for major share of re- sources; outstanding borrowings of \$9.6 billion, as of 30 June 1974	\$11.6 billion pledged, \$7.1 bil- lion paid in from subscription, voluntary contributions, and IBRD transfers	\$3.7 billion made available in 1974, principally by oil-export- ing states for both LDCs and developed countries
Terms of loans.....	8%, 20-25 years, including 5 years' grace	³ / ₄ % service charge, 50 years, including 10 years' grace	3-7 years repayment, 7 ¹ / ₄ % in- terest
Recipients.....	All members are eligible, but loans usually are made only to mem- bers with per capita income less than \$850	Members with per capita in- come less than \$375 to supple- ment IBRD loans on terms that are less burdensome on balance of payments	Oil-importing members meeting certain criteria on the scope and nature of balance-of-pay- ments problems

Table 4

Major United Nations Aid Programs

	United Nations Development Program (UNDP)	World Food Program (WFP)
1974 commitments.....	\$228 million ¹	\$118 million
Headquarters.....	New York	Rome
Date established.....	1949	1961
Governing group.....	Governing Council accountable to ECOSOC	24-man IGC which is elected by FAO and ECOSOC
Membership.....	Open to all UN members	Open to all UN members
Purpose and resources..	Preinvestment and technical assistance for development projects in LDCs	Provide food assistance as a backup to development programs; provide emergency food assistance
Aid terms.....	Grant	Grant

	Secretary General's Special Account	United Nations Educational, Scientific and Cultural Organization (UNESCO)	United Nations Industrial Development Organization (UNIDO)
1974 commitments.....	\$135 million	N.A.	N.A.
Headquarters.....	New York	Paris	Vienna
Date established.....	1974	1945	1967
Governing group.....	Secretary General	34-member Executive Board	45-member Industrial Development Board
Membership.....	33 most seriously affected LDCs	Open to all UN members	Open to all UN members
Purpose and resources..	Balance-of-payments assistance for the MSAs	Provide support for member efforts to eliminate illiteracy	Assist in transfer of industrial technology to LDCs
Aid terms.....	Grant	Grant	Grant

¹ Because indicative planning commitments are made over several years and tend to overestimate allocations, actual expenditure figures have been used.

Table 5a

Regional Development Institutions

	Africa	
	African Development Bank (AFDB)	African Development Fund (AFDF)
1974 commitments.....	\$88 million, cumulative \$217 million (1964-74)	\$46 million, began operations in 1974
Headquarters.....	Abidjan, Ivory Coast	Abidjan, Ivory Coast
Membership.....	40 members, limited to independent African countries	16 non-African nations and AFDB
Date established.....	1964	1971 agreements signed
Decisionmaking body.....	Board of Governors	12-man Board of Governors weighted evenly between regional and non-regional members. Fund administered by AFDB
Purpose.....	Financing development projects particularly regional or multi-national projects	Concessional loans comparable to IDA of World Bank Group
Resources and status.....	\$484 million authorized capital, \$440 million subscribed, \$193 million paid in as of June 1974	\$214 million authorized, \$145 million subscribed, \$102 million paid in by the end of 1974
Terms of loans.....	6% with 3/4% commitment fee, 15-30 years, including 3-10 years' grace	Interest-free, 3/4% administrative charge, 50-year repayment with 10 years' grace, loans to a maximum 10 million units of account ¹ for regional projects and \$5 million units of account for national projects
Aid recipients.....	African members	African members, especially least developed

1. One unit of account equals \$1.21.

Table 5b

Regional Development Institutions

	Asia	
	Asian Development Bank (ADB)	Asian Development Fund (ADF)
1974 commitments.....	\$548 million, cumulative \$2.0 billion (1966-74)	None
Headquarters.....	Manila	Manila
Membership.....	27 regional members and 14 non-regional, including the United States	27 regional members and 14 non-regional, including the United States
Date established.....	1966	1972 agreement signed operative 28 June 1974
Decisionmaking body.....	Board of Governors	Board of Governors
Purpose.....	Finance foreign exchange costs of projects to promote economic development	Concessional loan fund administered by ADB comparable to IDA of World Bank Group
Resources and status.....	Authorized \$2.8 billion, subscribed \$2.8 billion. Paid in \$503 million as of November 1973, with outstanding borrowing of \$283 million as of 31 December 1974	Authorized \$525 million, subscribed \$461 million, \$245 million paid in. Additional \$257 million will be transferred from fund previously contributed to the terminated multi-purpose Special Fund
Terms of loans.....	8 1/4%, 10-30 years repayment, including 3-7 years' grace	40 years with 10 years' grace, 1% interest
Aid recipients.....	Asian members	Asian members

Table 5c

Regional Development Institutions

Latin America

	Interamerican Development Bank (IDB)	Central American Bank for Economic Integration (CABEI)	Caribbean Development Bank
1974 commitments....	\$1.1 billion, cumulative \$6.5 billion (1959-74)	N.A.	\$13.6 million, cumulative \$58 million
Headquarters.....	Washington, D.C.	Tegucigalpa, Honduras	Bridgetown, Barbados
Membership.....	24 Western Hemisphere members, including the United States and Canada	Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica	16 members, including the United Kingdom, Canada, and West Germany
Date established.....	1959	1961	1970
Decisionmaking body.	Board of Governors	10-member Board of Governors (2 from each member country)	7-member Board of Governors
Purpose.....	Accelerate economic development of Latin American members, collectively and individually	Promotion of economic integration and balanced development of members	Promote economic integration of Caribbean members and finance development projects with special attention to members with limited access to other capital
Resources and status..	Subscribed \$10.3 billion (including \$4.4 billion contributed toward the Fund for Special Operation, the concessional loan fund comparable to IDA)	\$60 million authorized and \$40 million subscribed	\$100 million authorized, \$66 million paid in plus a \$53 million Special Development Fund, the equivalent of the IDA in the World Bank Group, subscribed to by non-regional members and the United States. Trinidad and Tobago established a \$5 million Special Fund for least developed members
Terms of loans.....	15-30 year maturities at 8%. Fund for Special Operations loans for 20-40 year terms at 1% 4%	3%-8% interest, repayment up to 15 years	Commercial rates to larger members and 2-1/2% repayable over 35 years for the Special Fund
Aid recipients.....	Latin American members	Members	Caribbean members

Table 6

Special Interest Aid Institutions Sponsored by The European Community¹

	European Investment Bank (EIB)	European Development Fund (EDF)	Cheysson Fund
1974 commitments.....	\$141 million to associated states	\$165 million	\$120 million
Headquarters.....	Luxembourg	Luxembourg	Brussels
Membership.....	9 Community members	9 Community members	9 Community members
Date established.....	1958	1958	1974
Decisionmaking body.....	Board of Governors and 18 Directors	Board of Governors and 18 Directors	Council of Ministers of European Community
Purpose.....	Funding for projects in public and private sectors of mutual Community interest	Economic and special development assistance	Emergency balance-of-payments assistance
Resources and status.....	1.5 billion units of account ² subscribed, 20% paid up plus funding from capital markets	Community budget allocations for five-year periods and EIB contributions. Soft loan window of European Investment Bank	Community contributions
Terms.....	8-25 years, 2 $\frac{1}{2}$ %-6 $\frac{1}{2}$ %	Grants or loans with repayments up to 40 years, including 10 years' grace at 1%	Grants
Recipients.....	Associated states (members are eligible for borrowing at market interest rates)	Associated states	17 of the LDCs on the UN's 1974 most seriously affected list

¹ The EC also participates in the Food Aid Convention (FAC).

² One unit of account equals \$1.21.

Table 7a

Special Interest Aid Institutions Sponsored by Arab Islamic States

	For Arab States	
	Arab Fund for Economic and Social Development (AFESD)	OAPEC Fund for the Poorest Arab States
1974 commitments.....	\$176 million	\$80 million
Headquarters.....	Kuwait	Kuwait
Membership.....	All 20 Arab League members	OAPEC members
Date established.....	Agreement signed in 1968; first meeting November 1972	1974
Decisionmaking body.....	Arab League	Arab League, administered through AFESD
Purpose.....	Loans to Arab League members for productive investment in public and private sectors, especially joint ventures among Arab states	Provide balance-of-payments assistance to non-oil-producing Arab states
Resources and status.....	Authorized capital \$338 million	Authorized capital \$80 million, all paid in
Terms of loans.....	10 years or more at 4%-6% interest, eventually may establish a soft loan counter like IDA	10-year maturity, after a 10-year grace, interest free
Aid recipients.....	Members of Arab League are eligible	Mauritania, Morocco, North Yemen, Somalia, South Yemen, and Sudan

Table 7b

Special Interest Aid Institutions Sponsored by Arab Islamic States

	For Islamic States	
	Islamic Development Bank (IDB)	Islamic Solidarity Fund
1974 commitments.....	None	None
Headquarters.....	Saudi Arabia	
Membership.....	27 members of Islamic Conference	35 Islamic nations
Date established.....	Agreement signed in March 1972, not yet in operation	February 1974; agreement not yet in operation
Decisionmaking body.....	Board of Governors	Seven-member executive committee, approval by Islamic Foreign Ministers Conference
Purpose.....	Project loans to member countries, for industrial development, may also make equity investments	Emergency relief assistance and cultural enrichment for Moslem nations
Resources and status.....	Authorized capital \$2.4 billion, subscribed \$1.2 billion	Authorized capital unknown; pledged \$30 million, \$2.0 million paid in
Terms of loans.....	Interest free, other terms unknown	Grants and interest free loans
Aid recipients.....	Islamic Conference Members, 27 Arab and Islamic states signed charter, Iraq and Syria have also applied for membership	Islamic states

Table 7c

Special Interest Aid Institutions Sponsored by Arab Islamic States

	For Africa		
	Arab Bank for Economic Development in Africa	Arab Special Fund for Africa	Arab Technical Assistance Fund for Africa
1974 commitments....	None	\$88 million disbursed of \$176 million committed	None
Headquarters.....	Khartoum	Cairo (Arab League Secretariat)	
Membership.....	Arab League	Arab League	
Date established.....	Agreement signed at Sixth Arab Summit, November 1973	Agreement signed June 1974, disbursement began in October 1974	Agreement signed January 1974
Decisionmaking body..	Governing council including Saudi Arabia, Jordan, UAE, Bahrain, Tunisia, Qatar, and Kuwait	Arab League	
Purpose.....	Soft loans for development	Loans to help compensate for increased oil costs, special attention to land-locked and drought-stricken nations; to develop African oil resources, to compensate for economic loss because of break in relations with Israel	Finance technical assistance needs for African states
Resources and status..	Authorized capital \$500 million, \$206 million subscribed	Authorized capital \$200 million to be maintained at same level, \$195 million paid in as of January 1975. UAE, Saudi Arabia, Kuwait, and Iraq pledged to increase their 1974 capital contributions	Authorized capital \$25 million, paid in, minimum \$9 million
Terms of loans.....	50-year repayment, low interest	25 years with 10-year repayment, interest free	
Aid recipients.....	African states	African oil-importing states, except Sudan and Morocco	African nations, but eventually may benefit other LDCs

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 (Project 35,8504)

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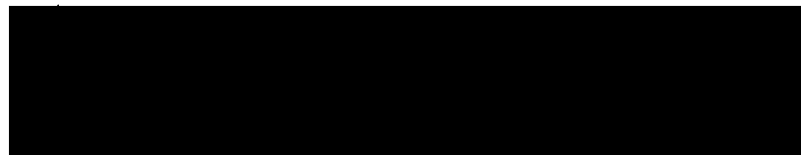
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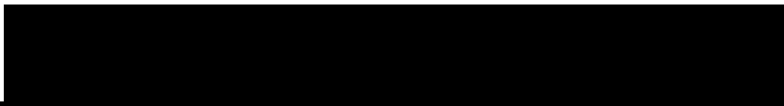
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THE STRUCTURE AND FUNCTION OF MULTILATERAL AID INSTITUTIONS

KEY FINDINGS

1. There are now 14 major multilateral aid institutions dispensing aid to less developed countries (LDCs). Some, such as the World Bank Group and the International Monetary Fund (IMF), carry out worldwide operations. Others, such as those sponsored by the Organization of Petroleum Exporting Countries (OPEC), operate exclusively within a selective regional or cultural framework (see the center-fold).

- Multilateral institutions as a group committed about US \$9 billion to LDCs in 1974, an increase of nearly 60% from 1973. Disbursements topped \$4.5 billion.
- The World Bank Group remained the leading donor; the IMF Oil Facility, funded primarily by OPEC, also made a major contribution.
- Non-project assistance to meet emergency needs of the LDCs formed a large portion of multilateral aid - \$3 billion.

2. We foresee no further additions to the list of major multilateral institutions for several years, although new aid outlets may develop within the established structures. OPEC will continue to be a major source of funding for these institutions. In the short run, emergency aid will continue to account for a significant share of the total. We expect project aid gradually to return to prominence, with the World Bank Group and IMF taking on increased responsibilities for channeling assistance.

DISCUSSION

The Institutions

3. Multilateral assistance - a direct outgrowth of post-World War II international efforts to help reconstruct Europe's war-damaged economies - has developed into a complex of 14 major institutions plus their subsidiary agencies.

These institutions provided some \$9 billion (see Table 1) of aid to LDCs¹ in 1974, accounting for about one-third of all official aid pledged.² Among them, UN agencies, including the World Bank and International Monetary Fund, accounted for more than two-thirds of the total, regional institutions about one-fifth, European Community-sponsored institutions 7%, and the new Arab-sponsored agencies 4%. This distribution follows roughly the pattern of recent years, except that regional banks had smaller shares (see Table 2).

4. The World Bank (IBRD); its soft loan affiliate, the International Development Agency (IDA); and the International Monetary Fund (IMF), which provides 7-year credits through the new Oil Facility (see Table 3), are the major sources of global multilateral financial assistance.³ Other agencies of the United Nations also provide small amounts of technical, social, and commodity assistance on a worldwide basis (see Table 4). As a group, these multilateral organizations provided \$6.2 billion worth of aid during 1974.

5. Regional aid institutions did not emerge until 1959 with the establishment of the Inter-American Development Bank (IDB). Subsequently, regional development banks have been established for all areas of the Third World (see Tables 5a, b, and c). They include banks for Central America, Africa, Asia, and most recently (in 1970) for the Caribbean. All of the regional banks emphasize assistance for regional social and economic development programs, especially multinational projects or projects of common concern. As a group, regional banks committed \$1.8 billion worth of aid during 1974.

6. The regional development bank concept follows a uniform pattern – most are modeled after the World Bank. Usually the regional banks have been funded by capital subscriptions from developing nations; only part of which is paid in. This capital is used as guarantee for bond issues floated in private capital markets. Most of the banks also have established soft loan windows similar to that of the IDA that are funded by developed nation sponsors and by a part of the income from banking operations.

7. Beyond the two broad groupings – those with global interests and those confined to specific regional interests – there is a growing number of multilateral aid organizations bound together by mutual political, commercial, religious, or

1. The LDCs include all countries of Africa except the Republic of South Africa; all countries of East Asia except Hong Kong and Japan; Malta, Portugal, Romania, Spain, and Yugoslavia in Europe; and all countries in Latin America, the Near East, and South Asia.

2. Aid from governments and international bodies whose members are governments.

3. The International Finance Corporation (IFC), also a World Bank affiliate, is not included as an aid donor, because it provides risk capital to private entities.

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Foreword

This publication is intended to serve as a general reference on multilateral assistance to the LDCs: the institutions involved, their purpose, membership, and funding. It also provides estimates of the amount of multilateral aid provided to LDCs in 1974.

The data were derived from official sources, where available, and supplemented by estimates that are conservative.



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THE STRUCTURE AND FUNCTION
OF MULTILATERAL AID INSTITUTIONS

KEY FINDINGS

1. There are now 14 major multilateral aid institutions dispensing aid to less developed countries (LDCs). Some, such as the World Bank Group and the International Monetary Fund (IMF), carry out worldwide operations. Others, such as those sponsored by the Organization of Petroleum Exporting Countries (OPEC), operate exclusively within a selective regional or cultural framework (see the center-fold).

- Multilateral institutions as a group committed about US \$9 billion to LDCs in 1974, an increase of nearly 60% from 1973. Disbursements topped \$4.5 billion.
- The World Bank Group remained the leading donor; the IMF Oil Facility, funded primarily by OPEC, also made a major contribution.
- Non-project assistance to meet emergency needs of the LDCs formed a large portion of multilateral aid - \$3 billion.

2. We foresee no further additions to the list of major multilateral institutions for several years, although new aid outlets may develop within the established structures. OPEC will continue to be a major source of funding for these institutions. In the short run, emergency aid will continue to account for a significant share of the total. We expect project aid gradually to return to prominence, with the World Bank Group and IMF taking on increased responsibilities for channeling assistance.

DISCUSSION

The Institutions

3. Multilateral assistance - a direct outgrowth of post-World War II international efforts to help reconstruct Europe's war-damaged economies - has developed into a complex of 14 major institutions plus their subsidiary agencies.

These institutions provided some \$9 billion (see Table 1) of aid to LDCs¹ in 1974, accounting for about one-third of all official aid pledged.² Among them, UN agencies, including the World Bank and International Monetary Fund, accounted for more than two-thirds of the total, regional institutions about one-fifth, European Community-sponsored institutions 7%, and the new Arab-sponsored agencies 4%. This distribution follows roughly the pattern of recent years, except that regional banks had smaller shares (see Table 2).

4. The World Bank (IBRD); its soft loan affiliate, the International Development Agency (IDA); and the International Monetary Fund (IMF), which provides 7-year credits through the new Oil Facility (see Table 3), are the major sources of global multilateral financial assistance.³ Other agencies of the United Nations also provide small amounts of technical, social, and commodity assistance on a worldwide basis (see Table 4). As a group, these multilateral organizations provided \$6.2 billion worth of aid during 1974.

5. Regional aid institutions did not emerge until 1959 with the establishment of the Inter-American Development Bank (IDB). Subsequently, regional development banks have been established for all areas of the Third World (see Tables 5a, b, and c). They include banks for Central America, Africa, Asia, and most recently (in 1970) for the Caribbean. All of the regional banks emphasize assistance for regional social and economic development programs, especially multinational projects or projects of common concern. As a group, regional banks committed \$1.8 billion worth of aid during 1974.

6. The regional development bank concept follows a uniform pattern – most are modeled after the World Bank. Usually the regional banks have been funded by capital subscriptions from developing nations, only part of which is paid in. This capital is used as guarantee for bond issues floated in private capital markets. Most of the banks also have established soft loan windows similar to that of the IDA that are funded by developed nation sponsors and by a part of the income from banking operations.

7. Beyond the two broad groupings – those with global interests and those confined to specific regional interests – there is a growing number of multilateral aid organizations bound together by mutual political, commercial, religious, or

1. The LDCs include all countries of Africa except the Republic of South Africa; all countries of East Asia except Hong Kong and Japan; Malta, Portugal, Romania, Spain, and Yugoslavia in Europe; and all countries in Latin America, the Near East, and South Asia.

2. Aid from governments and international bodies whose members are governments.

3. The International Finance Corporation (IFC), also a World Bank affiliate, is not included as an aid donor, because it provides risk capital to private entities.