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THE INTERNATIONAL RESPONSE TO THE GLOBAL CRISIS AND THE REFORM OF THE INTERNATIONAL FINANCIAL AND AID ARCHITECTURE

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EXECUTIVE SUMMARY

In April 2009 the G20 leaders said:

> *"We recognise that the current crisis has a disproportionate impact on the vulnerable in the poorest countries and recognise our collective responsibility to mitigate the social impact of the crisis to minimise long-lasting damage to global potential."*

Yet the evidence to date suggests that there is a long way to go in ensuring financing and mechanisms of assistance to ensure that people in the poorest countries of the world do not suffer disproportionately from the financial crisis, and that their longer-term chances are not blighted.

At risk is the progress made towards meeting the Millennium Development Goals in countries now facing a new, sharp fiscal deficit, collapsing reserves, a sharp reduction in net private capital inflows, reductions in imports, and dramatically decelerating growth.

The G20 promises new resources, a reaffirmation of existing aid pledges, $50 billion to support social protection, boost trade and safeguard development in low income countries, a significant increase in crisis support in developing countries and more resources for social protection for the poorest countries. It has proven to be an effective forum for agenda-setting in response to the crisis. That said, it might now benefit from an informal constituency structure which would expand its representativeness and responsiveness.

The IMF has worked fast to lend to countries in crisis. However, while 82% of its newly loaned resources have gone to European area countries, just 1.6% have gone to countries in Africa. This analysis confirms the World Bank's concern that IMF resources are likely to be devoted to high-income emerging markets and middle income countries. Much stronger efforts need to be made to engage major emerging and developing countries in a way which would achieve the G20 aspiration of an IMF which is more informed and effective and more responsive to the needs of the poorest countries.

The World Bank's contribution to managing the crisis is being achieved with very few additional resources (in spite of G20 rhetoric). Instead the Bank is repackaging its existing IBRD and IDA loans. One result is that the Bank is unable to respond to a number of countries rendered particularly vulnerable by the crisis but which fit neither the IBRD nor the IDA eligibility criteria or allocation models. The response highlights core problems with the World Bank's governance which minimizes risks (both financial and reputational) to the institution and its non-borrowing members, at the cost of its needy developing country members. Governance reform could overcome some of these problems and enable the Bank more effectively to respond to the crisis.

Not unlike the multilateral institutions, the European Union has made several pledges which repackage existing commitments as a response to the crisis. What the EU and its member states should now consider is how to use their resources, their capacity to make quick political decisions, and their potential to deliver aid fast, so as to fill the serious gaps in crisis-response by the G20, the IMF, and the World Bank. The EU could ensure rapid disbursement to countries whose investments in meeting the Millennium Development Goals are now at risk due to an external shock – the financial crisis - entirely outside of their reckoning and control. The EU is also well-placed to ensure that appropriate regulatory arrangements are put in place, and reforms of global institutions are undertaken so as best to reduce future such crises.

INTRODUCTION

The financial crisis which began in 2008 exposed large parts of the banking system in the US and in the UK as hugely over-leveraged. Banks had taken on excessive risks, fuelled by an outsourcing of due diligence to credit-rating agencies, and compensation systems based on short-term profits. The crisis also exposed how poorly the sector was regulated with large risk concentrations and leverage out of the regulators' sight, with very little attention paid to overall leverage and systemic risks, and with an inadequate international architecture for dealing with global coordination on underlying policies.

The crisis quickly spread beyond the United States. The first countries affected were those with financial systems most integrated with the United States. Subsequently the crisis has taken its toll on the "real economy", causing a record drop in trade and sharp rises in unemployment across the world. The effects on all countries are dramatic and particularly harsh impact on developing countries who cannot afford the fiscal stimulus packages being deployed in Europe and North America. These effects are summarized in section 1 below.

A "development emergency" has been caused by the crisis (to use the terminology of the IMF and World Bank). Just over a year ago, the world was on track to halve the proportion of extreme poor by 2015. The severe effects of the crisis mean that many of the world's poorest countries will be unable to "safeguard their hard-won economic gains" (to quote the IMF) without extensive external support. To this end, the powerful governments who met in November 2008 and April 2009 as the G20 Leaders agreed a series of measures to help the poorest countries of the world. These measures are summarized in section 2 below which also examines how the new G20 meeting at leaders' level might respond to concerns that the group is inadequately representative and that responses to the global crisis suggest a need to consider how to remedy this problem.

At the heart of the G20 plan is a central role for the IMF and important contributions by the World Bank. But are the IMF, World Bank, and other global aid institutions properly equipped to deal with the crisis? Do their actions to date effectively implement the G20's promises, and if not, why not?

It is worth recalling that in the months leading up to the crisis it had been widely accepted that the IMF's governance, mandate, and financial structure all needed overhauling in order to enhance the institution's relevance, legitimacy, and effectiveness.[2] It seemed back then that without reform, the IMF would continue to plunge into irrelevance. Likewise a debate about reforming the World Bank's governance structure had been initiated.

The financial crisis has thrust the IMF and the World Bank back on centre-stage. As of late June 2009 the IMF's lending commitments had reached a record level of over $158 billion. The World Bank is being relied upon as a crucial part of the plan to mitigate the effects of the crisis on poor countries. Yet on the face of it, relatively few governance reforms had been made by the time the financial crisis hit, although more reform had been promised. As each institution responds to the crisis, what light

[2] Upon taking up as Managing-Director in November 2007, Dominique Strauss-Kahn announced that the institution's governance, mandate, and financial structure all needed overhauling in order to enhance the institution's relevance, legitimacy, and effectiveness. Three months later the US also called for reform of the way the IMF performs its mission, of its governance (to reflect the growing weight of dynamic emerging markets in the global economy), and of its operating model: remarks by Treasury Under Secretary for International Affairs, David H. McCormick at the Peter G. Peterson Institute for International Economics, IMF Reform: Meeting the Challenges of Today's Global Economy (25 February 2008).

does this shed on what (if any) further governance reforms are necessary? These questions are addressed in respect of the IMF in section 3 and in respect of the World Bank in section 4 below.

The EU is the world's largest provider of development assistance. Its response to the crisis is therefore crucial if the G20's aspiration to mitigate the effects on developing countries is to be achieved. A brief review of the measures decided by the European Union and recommended to its member states is presented in section 5.

Finally, the conclusion summarizes the analysis of measures actually undertaken to date to mitigate the impact of the crisis on developing countries. The G20 expressed a clear aspiration to ensure that the poorest of the world are not the most severely affected by the crisis in the short-term as well as in terms of impacts on their long-term development. To foreshadow the conclusion, the analysis in this paper highlights that there are some urgent actions which need taking if this aspiration is to be met and that the EU is well-placed to lead on this.

1 THE IMPACT OF THE CRISIS ON DEVELOPING COUNTRIES

The impact of the crisis triggered in the banking system of the United States on developing countries is already looking devastating in developing countries. The United Nations Secretary-General's description of it as a "development emergency" has been taken up by the IMF and the World Bank as the title to their most recent Global Monitoring Report. They note that the gains of the last few years are rapidly being lost. Some 40% of developing countries are highly exposed to the poverty effects of the crisis. The goal to halve world poverty by 2015 (which looked so attainable before the crisis) is fast slipping out of sight. It has been estimated that the crisis will plunge up to a further 90 million people into poverty.[3]

From the perspective of governments and their economic policies, the World Bank's Global Development Finance report of June 2009 presents some sobering data. As a result of the crisis, many developing countries are facing:

- Large and rising fiscal deficits, with European and Central Asia and Sub-Saharan Africa being the most dramatic cases (see Appendix A, Figure 1.12);
- Collapsing reserves (see Appendix A, Figure 1.14);
- Being forced sharply to reduce imports (see Appendix A, Figure 1.15);
- Dramatically decelerating growth (see Appendix A, Figure 1.22); and
- A sharp reduction in net private capital inflows (see Appendix A, Figure 2.1);
- A decline in revenue for those who export oil and other commodities whose price has dropped.

In June 2009 the World Bank reported that "the reversal of capital flows, the collapse in stock markets, and the general deterioration in financing conditions have brought investment growth in developing countries to a halt" (p.2). The external financing climate is described as "dismal", and as a result the external adjustment process will be "abrupt" in countries that cannot meet their financing needs (p.4).

The severest effects on different developing countries come from a number of factors which vary across countries. One such is the decline in oil and other commodity prices which has improved the terms of trade for those who import oil. However, for oil exporting countries such as Equatorial Guinea, the

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[3] Global Monitoring Report 2009,pp 13-21.

Republic of Congo, the Islamic Republic of Iran, and Azerbaijan, it has been estimated that the oil price drop led to a loss amounting to about a quarter of their 2008 GDP.[4]

Another effect of the crisis which is highly uneven concerns remittances (money sent home by nationals who have gone abroad to work). Remittances usually provide a flow of resources which is stable and counter-cyclical (when other money dries up, remittances continue flowing). Although worldwide remittance flows do not look set to decline dramatically, the evidence suggests that some small poor countries where remittances make up a relatively large share of GDP may suffer dramatically. These include Tajikistan (where remittances make up 45 percent of GDP), Moldova (38 percent), Tonga (35 percent), Lesotho (29 percent), and Honduras (25 percent). As the World Bank reports, for these and other countries, declines in remittance inflows have been compounded by the strengthening of the U.S. dollar against the currencies of migrant-destination countries such as Russia, which is the main source of remittances for Central Asian countries such as Armenia, Moldova, Kyrgyz Republic, and Tajikistan. Many of the workers from these countries are employed in the oil and gas industry in Russia, sectors already suffering from a precipitous decline in global prices. Compounding that decline, Russia's currency depreciated sharply in the second half of 2008 and into early 2009 (when the ruble fell about 35 percent against the U.S. dollar), significantly reducing the local-currency value of ruble-denominated remittances.[5]

The loss of remittances or commodity revenues highlight that the impact of the crisis is being felt very different across some parts of the developing world. That said, almost all developing countries are facing a new, sharp fiscal deficit which means they cannot use the kinds of "fiscal stimulus" measures being used in Europe, in North America, and in wealthier emerging economies. Collapsing reserves, a sharp reduction in net private capital inflows, reductions in imports, and dramatically decelerating growth are having a severe effect in almost all countries. What is being crushed and reversed in many countries is hard-won progress towards reducing poverty, hunger, and child mortality, and towards increasing primary education, gender parity, access to safe water and sanitation – in short, progress towards the Millenium Development Goals.

Although promises have been made in respect of aid flows and funding from international institutions, there is concern that these will not be sufficient, will not be focussed on the neediest countries, and will be neither flexible nor rapid enough to make the necessary difference.

2 THE G20 AND THE INTERNATIONAL RESPONSE TO THE CRISIS

The G20 Leaders Summit in London in April 2009 (following up on the first such summit in Washington DC in November 2008) fleshed out the response of major economies to the financial crisis. In respect of poor countries several pledges were made. These included:

- New resources for the IMF;
- Reaffirming pre-existing aid pledges including commitments on Aid for Trade, debt relief, and the Gleneagles commitments, especially to sub-Saharan Africa;
- Providing $50 billion to support social protection, boost trade and safeguard development in low income countries, as part of the significant increase in crisis support for these and other developing countries and emerging markets;

[4] World Bank (2009) *Global Development Finance: Charting a Global Recovery* Washington DC: World Bank (p. 24)

[5] World Bank (2009) *Global Development Finance: Charting a Global Recovery* Washington DC: World Bank (p. 56)

- Making available resources for social protection for the poorest countries, including through investing in long-term food security and through voluntary bilateral contributions to the World Bank's Vulnerability Framework, including the Infrastructure Crisis Facility, and the Rapid Social Response Fund;
- Providing $6 billion from the IMF in additional concessional and flexible finance for the poorest countries over the next 2 to 3 years.
- Reviewing the flexibility of the Debt Sustainability Framework and having the UN monitor (working with other global institutions) the impact of the crisis on the poorest and most vulnerable.

Subsequent sections of this paper examine how have the most important of these pledges have played out and what the larger implications of the crisis are for the global architecture for aid and finance.

It bears noting here that the formation of the G20 itself has been an important step towards more effective international coordination, expanding what would normally have been G7 or G8 forum into a grouping which includes major emerging economies and regions of the world. That said, the emergence of the G20 has itself presented new concerns about governance and whether this grouping can be adequately informed, responsive, and accountable to developing countries. Specifically, it has been argued that international decisions made by this small grouping risk inadequately addressing the needs of smaller, poorer countries. For this reason, the G20 might consider an informal constituency structure for the grouping whereby members of the G20 inform, consult, and feed-back information to other countries in their region or grouping. Some lessons in this regard might be drawn from the way groups of countries are represented in other institutions.

In a study I completed some four years ago (with Domenico Lombardi) of the constituencies within the IMF, five aspects of the workings of constituencies affected how effectively they brought to light concerns of smaller countries:

- The accountability of representatives (to their own and other countries they represent) such as through transparency and reporting;
- The balancing of power in the composition of constituencies, so that the most powerful country is counter-balanced by an almost-equally powerful country;
- Using procedures for consultation and report which work well with national systems (such as in-region consultations);
- Using existing inter-governmental networks and groupings to help to form and disseminate consensus within each group and across groups;
- Using ad hoc groups to help to set the agenda and focus attention on specific issues or countries.

The G20 has been an effective coordination mechanism during this crisis, not least because it has brought major emerging economies to the main table of decision-making and generated more global solutions as a result. Some form of informal constituency structure within the G20 could offer a way to maintain the small size and efficiency of the grouping, whilst bringing to it more global information and input.

3 THE IMF: CRISIS RESPONSE AND REFORM

The IMF has emerged from this crisis with four important roles:

- Supporting recovery in emerging economies by providing large upfront lines of credit to qualifying countries, and the doubling the amount of resources countries can access automatically from the IMF;
- Assisting the poorest countries by providing additional concessional financing to them;
- Surveillance and monitoring not just of macroeconomic policies but of national financial systems and their regulation, and of early warning indicators of macroeconomic and financial risks and actions needed to address them;
- Coordination of global stimulus measures not just in terms of coordinating national policies undertaken by major economies but also through an additional $250 billion SDR allocation.

In this section I focus on the IMF's role in assisting developing countries (the first two roles listed above) and then probe whether its governance reforms to date (and its prospective reforms) are likely to strengthen its capacity not just to assist in the crisis but also to play the other roles envisaged by the G20.

3.1 Assisting developing countries

In respect of assisting developing countries, the IMF has pledged to give greater access to resources (to deliver more money), with less conditionality, and more flexibility than ever before. Not all of these pledges are new. For some years, the IMF has been striving to "streamline" its conditionality, reducing the demands it makes on governments in a crisis to undertake particular policy reforms. The crisis – and the need to deliver more money, faster, to countries suffering from shocks which originated elsewhere - has sharpened the organization's focus on reducing conditionality.

Is the IMF delivering on its promises? In a forthcoming study, Qu and Woods, analyse the 18 lending arrangements completed by the IMF since the onset of the crisis, probing to what extent they demonstrate easier access, less conditionality, and more flexibility. Some of these results assist in the analysis below.

3.1.1 More money?

The IMF has pledged to deliver more resources to its needy members by doubling member countries' access to resources (the "normal access limits") and their cumulative limits on country debt to the IMF. The IMF has also promised significant increases in concessional lending, in part though doubling the Poverty Reduction and Growth Facility (PRGF) and the Exogeneous Shocks Facility (ESF) and an expansion of technical assistance funded by donors through multi-donor trust funds. The new annual and cumulative access limits to non-concessional lending by the IMF are 200 and 600 percent of quota, respectively. (Obviously where countries wish to borrow more, there is scope for loans with intensified scrutiny by the IMF's Executive Board).

As of late July 2009, the IMF had approved eighteen new lending arrangements. As Table 1 below highlights, loans of SDR 48,811.4 have been approved. Some 68% of the loans have been to three countries: Romania, Ukraine, and Hungary. Add to these the other European countries Serbia, Belarus,

Latvia, and Iceland and one finds that more than 82% of new loans have been to countries in the European area. By contrast just 1.6% of new lending has been to countries in the African area.

Table 3.1: IMF Post-Crisis Lending Arrangements

	Approved date	Total Amount Millions of SDRs	Percent of quota	Type
Georgia	Sep 2008	477.1	317.4	SBA
Ukraine	Nov 2008	11000	802	SBA
Hungary	Nov 2008	10537.5	1015	SBA
Seychelles	Nov 2008	17.6	200	SBA
Iceland	Nov 2008	1400	1190	SBA
Pakistan	Nov 2008	5168.5	500	SBA
Latvia	Dec 2008	1521.6	1200	SBA
Belarus	Dec 2008	1618.1	418.7	SBA
El Salvador	Jan 2009	513.9	300	SBA
Serbia	Jan 2009	2619.1	75	SBA
Armenia	Mar 2009	368	400	SBA
Mongolia	Apr 2009	153.3	300	SBA
Costa Rica	Apr 2009	492.3	400	SBA
Guatemala	Apr 2009	630.6	300	SBA
Romania	Apr 2009	11443	1110.7	SBA
Congo	Dec 2008	8.46	10	PRGF
Cote d'Ivoire	Mar 2009	374	115	PRGF
Sao Tome	Mar 2009	2.59	35	PRGF
Tajikistan	Apr 2009	78.3	90	PRGF
Ghana	Jun 2009	387.45	105	PRGF

The apportionment of new IMF lending confirms a concern expressed by the World Bank that "most of the available resources to be provided by the IMF and other international financial institutions are likely to be devoted to high-income emerging markets and middle income countries that are likely to be able to repay the loans they receive" (World Bank, 2009 p.6). Looking forward, the IMF has pledged to use some $6 billion (from sale of IMF gold) to provide additional concessional and flexible finance for the poorest countries. This measure has just received the requisite approval from the US Congress but has not yet been implemented.

Further funding has been delivered by the IMF using its Exogeneous Shocks Facility which was modified in September 2008 and again in April 2009 to provide for faster access, easier, more flexible use, and

more financing. The following countries have each been made loans under this facility, some part of which in each case can be immediately accessed: Mozambique ($176 million), Tanzania ($336 million), Cameroon ($144 million), Kenya ($209 million), Ethiopia ($240 million), and Senegal (an additional $112 million).

The IMF itself estimates that it can provide only around 2% of low-income countries' (gross) external financing needs (IMF June 2009). For this reason, the institution underscores the need for other institutions, including multilateral development banks and bilateral donors to be providing concessional resources and grants.

3.1.2 Less conditionality and looser targets?

After a long process of review and evaluation within the organization which began a decade ago, the IMF has repeatedly expressed the aspiration to "streamline" conditionality and to focus and tailor conditions to the specific circumstances of members. More recently, the IMF has pledged to eliminate "hard" structural conditionality, in the first instance through the discontinuation of structural performance criteria (including for low-income countries) as of 1 May 2009.

The evidence of the eighteen agreements concluded to date suggests that the IMF is overall succeeding in reducing structural conditionality. It also shows a general shift away from conditionality on issues such as privatization, and the reform of the civil service or of state-owned enterprises. Post-crisis the IMF is focussing its conditionality on banking sector viability, public expenditure, fiscal adjustment, and financial sector reforms (Qu and Woods, forthcoming).

The IMF's post-crisis arrangements demonstrate a clear difference in treatment among countries, evidence perhaps of a new more tailored approach to conditionality. For example, Hungary's program aims to maintain adequate liquidity in the banking system and to reduce the government's debt financing needs. For Pakistan, macroeconomic stabilization and social safety net are set out as the two main objectives of the programme.

In the wake of the crisis, the IMF has also pledged to loosen the fiscal and inflation targets it normally applies. The agency aspires to permit low-income countries, where possible, to do some fiscal stimulus through infrastructure and social spending. The IMF itself reports that it has loosened fiscal targets in close to 80% of countries (18 out of 23) African countries that have an active IMF-supported program so that government spending can be preserved. It also notes that it had previously loosened inflation objectives during 2008 to deal with world food and fuel price increased.

3.1.3 More flexibility and new instruments?

Finally, the IMF has pledged to ensure that countries have better, faster, more tailored access to IMF credits, including through new, better designed instruments. It has also pledged to overhaul the cost and maturity structures for IMF lending.

For emerging market economies the IMF has created a new Flexible Credit Line (FCL) for countries who meet strict qualification criteria ("very strong fundamentals and policies"). This provides non-conditional upfront financing. The flexibility built into the design of the FCL relates not just to its uncapped access but also to its long repayment terms (3¼ –5 years), its unrestricted renewals, and its dual-use for contingent (precautionary) and actual balance of payments needs. By the end of May 2009 Colombia, Mexico, and Poland had requested and been approved FFL access totalling $78 billion.

The IMF has also pledged to review how it might introduce more flexible short-term, precautionary, and emergency financial assistance for low-income countries. The instrument which has been proposed by the IMF is a High Access Precautionary Stand-by Arrangements (HAPAs) for countries that may not qualify for the FCL and need similar insurance. That said, High Access Precautionary SBAs (HAPAs) are a regular lending where country-specific circumstances are taken into account but where resources can be frontloaded based on the strength of a country's policies and the external environment.

In sum, the IMF has stepped in rapidly to provide loans to countries in crisis. In the main, however, these have been middle-income countries on Europe's borders dealing with financial crises provoked directly by the credit crunch.

3.2 Implications for governance reform

The IMF's speedy response to the crisis may signal to some that its (not yet reformed) governance works, so why change it? Further weakening the case for reform, the IMF's return to high levels of lending has brought back to it many fee-paying clients, eroding the urgency to transform its income model. All this may be seen to put into question how much reform is necessary for the IMF to contribute to global growth, recovery, and stability.

The G20 leaders agreed that to help manage the crisis and prevent future crises, they needed to strengthen "the longer term relevance, effectiveness and legitimacy" of the IMF and expressed that they were "determined to reform and modernise the international financial institutions to ensure they can assist members and shareholders effectively in the new challenges they face":

> "We will reform their mandates, scope and governance to reflect changes in the world economy and the new challenges of globalisation, and that emerging and developing economies, including the poorest, must have greater voice and representation. This must be accompanied by action to increase the credibility and accountability of the institutions through better strategic oversight and decision making."

In concrete terms the G20 announced that they would treble resources available to the IMF to $750 billion and support a new SDR allocation of $250 billion. They also pledged (as mentioned above) to use the additional resources from agreed IMF gold sales for concessional finance for the poorest countries, and their commitment to the new income model of the IMF.

In terms of governance reforms the G20 agreed to implement already-agreed (in April 2008) quota and voice reforms and to give consideration to greater involvement of the Fund's Governors in providing strategic direction to the IMF and increasing its accountability. The Fund's role in financial regulation would be exercised in coordination with a newly established Financial Stability Board. This rather overlooks tough challenges for the IMF exposed by the crisis. First, the Fund needs stronger authority over all its members if it is to regulate its most powerful members: as revealed by the unwillingness of the United States to submit to a joint IMF-World Bank Financial Sector Assessment (FSAP) prior to the crisis. Second, the IMF needs greater expertise in financial sector regulation and greater access to multiple sources of information and analysis if it is to contribute to monitoring regulation in an effective way: as revealed by analyses of its surveillance, including its FSAP of the UK, To date, no reforms have been proposed which address these problems.

3.2.1 Transforming the resources of the IMF

In the decade after the East Asian crisis, the IMF's income plummeted leaving the institution with an estimated shortfall of $400 million a year by 2010 and forcing the once-powerful institution to lay off

300-400 of its staff (the total of which was 2600). The then Managing-Director of the IMF commissioned a committee to study sustainable long-term financing of the IMF. The committee found that the existing model lacked economic logic, lacked predictability (with revenue levels depending on the widely fluctuating financing needs of borrowers), lacked flexibility and scalability, and was perverse in its dependence on failure in its primary mission (to prevent financial crises). The report also highlighted the extent to which the IMF's borrowers pay (through the IMF's margin on intermediation) for activities which are "public goods" (calculated as accounting for some 44.1% of the IMF's administrative expenditures at the time of the report).[6] It called for a new income model including expanded investment activities, the creation of an endowment (through limited gold sales), and charges for the IMF's services provided directly to members.

The IMF Board has now agreed on the elements which will replace the Fund's "unsustainable income model" with a model "based on more robust and diverse sources of revenue in line with the Fund's multiple functions". The three elements of the model include:

- An endowment created with the profits from the limited sale of 403.3 metric tons of the Fund's gold holdings. The sale of gold required US Congressional approval which was given in June 2009.
- A broadening of the IMF's investment authority to enhance the average expected return on the Fund's investments and enable the Fund to adapt its investment strategy over time. This has been approved by the Board.
- Resuming the long-standing practice of reimbursing the Fund's budget for the cost of administering the trust fund for concessional lending to low-income countries-the PRGF-ESF Trust, without affecting the Fund's ability to provide concessional lending to low-income countries.

At the time of announcing the new model, the IMF management expressed the hope that it would generate an additional US$300 million in income within a few years.

The old financing model of the IMF made the institution reliant on income from its emerging economy members who borrowed from it in a crisis. In practice, during periods of international financial crisis when alternative sources of finance dried up (such as during the 1980s and early 1990s) this gave non-borrowing members of the institution, as well as its management and staff great power. Crisis-stricken borrowers did not use the institution's dependence on them as "fee-paying clients" as a leverage point either in national negotiations with the IMF or in the overall structure and governance of the institution. During this period the IMF expanded its public goods activities (so that eventually they accounted for more than 44.1% of the administrative budget[7]) mostly at the behest of non-borrowers, but using money earned from borrowers.

By the late 1990s the politics had changed. Emerging economies found other sources of finance and simply turned away from any borrowing from the IMF. Beholden to them for income, the IMF might then radically have reformed to service its borrowers (paymasters) in ways which would be attractive to them and for which they would pay. The alternative was to look for a new financing model.

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[6] Committee to Study Sustainable Long-Term Financing of the IMF (31 January 2007).

[7] Final Report of the Committee to Study Sustainable Long-Term Financing of the IMF (the Crockett Report), 31 January 2007, Appendix 2, Table 3.

The new financing model outlined above reduces the dependence of the IMF on its borrowing and non-borrowing members. With a new endowment and broader investment authority, the IMF management can acquire greater control over resources without depending on decisions made by member countries. The cost recovery on the PRGF Trust Fund also shifts resources from members to that which is controlled by the IMF management.

Already in the wake of the 2008 financial crisis, we can see elements of the new funding model being implemented. For example the IMF reports that China intends to invest up to US$50 billion in Notes Issued by the IMF – the first such notes to be issued under the IMF's new expanded investment authority. Brazil and Russia have also committed to invest $10 billion each in these notes. Furthermore, the IMF intends to use some additional resources from gold sale, together with surplus income, to provide $6 billion in additional concessional and flexible finance for the poorest countries over the next two to three years. Some $76 billion in additional resources will come under the control of the management of the IMF.

Overshadowing the new financing model, however, are the other parts of the G20 response to the financial crisis which recreate the IMF more as a coordination mechanism for member-driven credit lines and initiatives, including:

- An increase in the New Arrangements to Borrow (NAB) from $50 billion to $500 billion. These arrangements are in essence agreements from member countries (now 26)[8] who to stand ready to lend to the IMF and whose commitment levels reflect their IMF quotas. The US has increased its contribution to the NAB by credit line by up to an additional $100 billion (as opposed to the $10 billion pre-crisis which was part of the %50 billion NAB).
- Separately, Japan has already contributed a $100 billion credit line (through a bilateral borrowing agreement) to bolster IMF resources. In a similar vein, Norway $4.5 billion, Canada $10 billion, EU has pledged $100 billion.
- An SDR allocation of $250 billion approved by the Board on 20 July 2009.

The IMF's evolving financial structure and income model quietly underscore the status quo governance in the IMF. The new income model creates an income stream for the IMF which depends less on its borrowing members. The G20 agreement to use the IMF as coordinator for credit lines up to $750 billion draws the IMF tightly into a coordinating relationship with the countries extending credit lines to it. In neither case is change in the financial structure creating direct incentives for the IMF to be more responsive and accountable to its emerging and developing economy members.

3.2.2 Reforming representation and voice in the IMF

On 28 April 2008 the IMF's Board of Governors adopted what they described as "far-reaching reforms" of the institution's governance structures aimed at rebuilding the "credibility and legitimacy" of the organization.[9] These reforms built on an agreement reached in Singapore in 2006 to increase the quota of China, Korea, Mexico, and Turkey, and to work towards reforms which would enhance

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[8] The monetary authorities who have agreed to participate are from Australia, Austria, Chile, Belgium, Canada, Denmark, Germany, Finland, France, the Hong Kong Monetary Authority, Italy, Japan, Korea, Kuwait, Luxembourg, Malaysia, Netherlands, Norway, Saudi Arabia, Singapore, Spain, Sweden, Switzerland, Thailand, United Kingdom, and United States.

[9] "Transcript of a Conference Call by Senior IMF Officials on Board of Governors Vote Quota and Voice" Washington, D.C. Tuesday, April 29, 2008: www.imf.org/external/np/tr/2008/tr080429a.htm

representation in the institution. The result, endorsed by the IMF Board of Governors on 29 April 2008 included:

- a new quota formula and a second round of ad hoc quota increases based on the new formula;
- an agreement to treble basic votes
- an agreement that each of the two Executive Directors representing African members can appoint one additional Alternative Executive Director.

The reforms have effected an overall shift of 5.4% of voting power in the IMF (see Appendix B for the outcomes). The shift has been effected through a new formula.[10] The result is some large increases in quota shares (not basic votes) for Korea (+106%), Singapore (+63%), Turkey (+51%), China (+50%), India (+40%), Brazil (+40%), Mexico (+40%). It is also worth noting that some industrialized countries were prepared to forego a part of the quota increase for which they were eligible, included Germany, Ireland, Italy, Japan, Luxembourg, and the United States.

The aims of the reforms were in part about recognizing the rise in economic power of emerging economies (by giving them larger voting shares and thereby inducing them to engage closely with the IMF as shareholders); and in part about ensuring the institution becomes yet more responsive to the poorest countries (by enhancing the capacity of their representation through an additional Alternate Director).

It is difficult to see how additional alternate directors for those who represent large groups of African countries might do this. As I have analysed elsewhere, impeding the effectiveness of these representatives is the fact that there are no concrete incentives for other board members, or the management and staff of the IMF to heed them. They do not have sufficient votes to matter (and the reforms do not alter this), nor are there decision-making procedures in place which create incentives for others to consult them. Yet these things could be changed by the reforms listed below.

In respect of emerging economies, the "chairs and shares" – might the above-mentioned reforms give major emerging economies more incentive to engage with the institution? We might test this aim by asking whether there is evidence that they have engaged more in the wake of the financial crisis. Certainly China, Brazil and India (as mentioned above) have agreed to purchase some of the IMF's new notes. This is not, however, akin to extending large credit lines through participation in the New Arrangements to Borrow (NAB). The two countries, who gained most from the new quota increases, had in fact already joined the NAB in 1998 (Korea and Singapore). Notably, however, the remaining five emerging economies who gained the most from quota increases have still not joined the NAB. These are China, Turkey, India, Brazil, and Mexico.

A further test of the reforms to date is to question whether they equip the IMF to deal with the larger challenges of global cooperation exposed by the crisis. At the heart of these is the extent to which emerging economies have felt the need to accumulate reserves. Various proposals have been made as to the role the IMF could play in mitigating this. These include:

- A reformed IMF might be an acceptable lender-of-last resort in a crisis (an alternative to self-insurance);

[10] For a critique of the new formula see Ralph Bryant, "Reform of the IMF Quota Shares and Voting Shares: A Missed Opportunity" (8 April 2008).

- With strengthened authority and processes, the IMF could exercise more effective surveillance on exchange rates and macro policy in emerging economies, and/or tighter more rigorously enforced set of rules about exchange rate policy;
- Redoubled efforts by the IMF (and World Bank) could ensure policies in emerging economies which reduce other drivers of their reserves accumulation (such as better arrangements for using oil and other windfall revenues and reforms which lessen precautionary motives for saving). Although these proposals fall foul for the same reasons as "redoubled efforts" explored above.

Are the governance reforms discussed above likely to assist the IMF in achieving any of these goals?

3.2.3 Enhancing the IMF's capacity to deal with underlying problems?

Could the reformed IMF become a credible alternative to self-insurance?

The amassing of foreign exchange reserves by emerging economies in the wake of the East Asian crisis of 1997 began in large part to ensure "financial independence" in the event of adverse developments in a country's external position.[11] The fallout of the IMF's engagement in Asia during the 1997 crisis was dramatic. It greatly magnified the "stigma" associated with assistance from the IMF in the region. It swept away the political acceptability (such as it had been) of any assistance from the IMF should an external shock hit a country. For this to be reversed would require reforms which effectively reversed the lack of trust in the IMF.

It is worth noting that the failure to reform the IMF after 1997 probably exacerbated the rapid increase in global imbalances. The fact that no serious IMF reform took place after the East Asian financial crisis (when economists from East and West, from conservative to radical, were voicing criticisms of the IMF's legitimacy) is significant. Rather than translating criticisms of the IMF and its legitimacy into a reform agenda, the ad hoc group which came to be called the G20 of Finance Ministers was created to debate the reform of the international financial architecture. In its first three years, however, the pronouncements of this group were barely distinguishable from those of the G7.[12] The initiative may have seemed usefully to head off some of the impetus for reforming the IMF at the time. Yet the counter-factual is that had reforms been undertaken in 1997, there may have been ways to mitigate the rash of self-insurance among emerging economies.

A further effect of the 1997 crisis was to strengthen efforts to build regional and bilateral complements to self-insurance such as the Chiang-Mai Initiative and its subsequent development. The CMI does suggest a role for the IMF as an outside (external agency of restraint) arbiter of conditions mutually agreed among players within the CMI, although a strictly limited player in contrast the role envisaged in the failed attempt at creating the Manila Framework Group after the East Asian crisis).

What of the IMF's surveillance role?

Various US officials have argued that the IMF's surveillance process should put serious pressure on China further to appreciate its currency. Although many economists have warned against overstating the impact of a Chinese appreciation on the US trade balance, nevertheless, on this issue the IMF has

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[11] See J. Onno de Beaufort Wijnholds and Lars Sondergaard, "Reserve Accumulation: Objective or Byproduct?", European Central Bank (June 2007).

[12] For a close comparison of their Communiques, see Leonardo Martinez in Martinez and Woods, *Networks of Influence*, Oxford University Press, 2009.

found itself facing harsh criticism from the United States for failing to take a hard enough line on what some US policy-makers and analysts called China's "currency manipulation".

The IMF's formal powers on exchange rate surveillance are set out in Article IV section 3 of the IMF's Articles of Agreement which state that the IMF "shall exercise firm surveillance over the exchange rate policies of members, and shall adopt specific principles for the guidance of all members with respect to those policies. Each member shall provide the Fund with the information necessary for such surveillance, and, when requested by the Fund, shall consult with it on the member's exchange rate policies….".

In the face of a loud debate in Washington DC and significant pressures from US politicians and commentators, the IMF has worked very hard both to clarify its mandate and to apply it. In this it has exercised quite a high degree of independence from at least one of its shareholders. In June 2007 the management of the IMF sought (and received) from the Board a Decision on Bilateral Surveillance over Members' Policies clarifying that country surveillance should be focused on assessing whether countries' policies promote external stability, as well as what is and what is not acceptable to the international community in terms of how countries conduct their exchange rate policies; and also emphasizing that surveillance should be collaborative, candid, and even-handed, taking into account countries' specific circumstances. In order further to strengthen implementation of this decision, a set of guidelines were published in August 2008 proposing the use of "ad hoc consultations" on exchange rates to supplement the usual consultation procedures.

For the IMF to have power to press non-borrowing governments to alter their exchange rate policies would require a change in the IMF's Articles of Agreement giving the institutions new mandatory powers. It would be difficult to imagine that the powerful members of the institution would agree to this. None would agree if the US were able to veto any application against itself. All would be aware (as they would be) that the powers could be invoked against them. Furthermore, any such provision would require consensus on a legally enforceable definition of what constitutes a breach of acceptable policy. The absence of any agreement on this, even among economists, makes it highly unlikely. Coordination and cooperation are unlikely to be achieved in this way.

Improving financial systems in emerging countries

On redoubling IMF efforts to improve policies and institutions within emerging economies so as to lower the incentives to accumulate reserves, there are equally some serious barriers. The instruments the IMF has available for this including technical assistance, and policy advice associated with lending. However, even without considering constraints on how such advice might be delivered, the evidence available suggests that Asian finance officials are not interested in advice on financial sector reforms from the IMF. "We just don't believe that the IMF can give us relevant and up-to-date advice on this issue" said one senior Chinese policy-maker in an interview with this author. Further to this, Asian officials are anxious not to be seen taking advice from the IMF: as many expressed at a meeting of finance officials and commentators from Asia hosted by the Global Economic Governance Programme (GEG), the Centre on East Asian Integration at Beijing University, and the Institute of World Economics and Politics at Chinese Academy of Social Sciences at Beijing University.[13] Similar views have been expressed in other forums.

[13] Peking University, 19 September 2007.

3.2.4 Key elements of the needed governance reforms

There are still major governance reforms needed if the IMF is to engage more fully the major emerging economies and to be more responsive to its poorer members. There are five measures which could directly recognize the new (and necessary) role of emerging economies, and so as to ensure more responsiveness to poorer countries. Several of these have been recommended to the management of the institution.[14] These are:

1. Ensuring that the strategic directorate which makes decisions about the role and direction of the IMF includes emerging economies. Traditionally this role has been played by the G7. The process of convening the G20 at Leaders level may well be a first step towards either an informal new directorate (or perhaps the bringing to life of the Council originally envisaged in the Fund's articles).

2. Altering the appointment process of the senior management (currently the Managing-Director and First Deputy Managing Director appointments and decisions to reappoint are made by the EU and US). This would widen the group of countries who effectively hold management to account. It would also widen the range of influences over senior management as they set the incentives for all those working within the agency.

3. Effective oversight of the management of the IMF by the Executive Board such as by ensuring the Board is chaired and run by one of its own members, not the Managing-Director. And by clearly delineating responsibilities and authority between Board and management. At present this is fudged and the result is a range of decisions on which neither management nor the Board are responsible.

4. Transparency is crucial so that Board members can be held to account and performance in respect of clearly delineated responsibilities can be examined by outsiders.
   Reducing the special majority required for key decisions (or, less diplomatically put, suppressing the US veto) so as to widen (rather than funnel) efforts to persuade legislators and political representatives beyond Washington DC so as to begin to persuade and engage capitals across the world.

5. Introducing a requirement that a majority of countries as well as a majority of voting power is required to pass some measures (it is already required for amendments to the Articles) so as to create an incentive for the small number of rich and powerful members to consult with and persuade the large number of poor and vote-poor members. The follow-through effect could be to increase the responsiveness of staff within the IMF to the Board members representing the vote-poor countries. Without such a measure, it is unclear that the new African Alternate Directors included in the package of accepted reforms will have much scope for leveraging or using their enhanced capacity to any effect.

[14] Some of these measures were highlighted in the Evaluation of IMF Governance completed by the Independent Evaluation Office of the IMF. Subsequently, most have been further elaborated in the Report of the Committee on IMF Governance Reform which was appointed by the Managing Director in September 2008, headed by Trevor Manuel (the Finance Minister of South Africa).

4 THE WORLD BANK: CRISIS MANAGEMENT AND REFORM

The G20 Leaders Summit highlighted the need for more lending from the World Bank and regional development banks. The leaders also called for governance reform in the World Bank. The specific proposals and actions in respect of more funding are worth dissecting.

An increase in lending "of at least $100 billion by the MDBs" including to low income countries was called for by the G20 in London which also called on the World Bank to provide credits for trade finance, some $50 billion for social protection, boosting trade, and safeguarding development in low income countries. The G20 pledged that they were "making available resources for social protection for the poorest countries, including through investing in long-term food security and through voluntary bilateral contributions to the World Bank's Vulnerability Framework, including the Infrastructure Crisis Facility, and the Rapid Social Response Fund". This all sounded impressive. However, the actual results are paucer than the language suggested.

Recognizing the need for a new and large injection of resources the Bank's President Robert Zoellick has called for industrialized countries to pledge 0.7 percent of their stimulus packages to a new Vulnerability Fund for developing countries that can't afford bailouts and deficits.[15] He argued that poor countries need: safety net programmes to help cushion the impact of the downturn on the poor; investment in infrastructure to build a foundation for productivity and growth while putting people to work; and finance for small and medium-sized enterprises to create jobs. He proposed that donors could customise contributions to the vulnerability fund to match their interests, highlighting that this approach has worked well with recent Japanese and German support for the World Bank's recapitalisation of banks in poor countries and the decision to provide interim financing for viable infrastructure projects that recently lost access to funding. He argued:

> "This plan is achievable. The UN target for aid is 0.7 per cent of an economy. A target of providing 0.7 per cent of each developed country's stimulus package represents only a tiny fraction of the hundreds of billions devoted to bank bail-outs, yet it could make a significant difference to the hundreds of millions who are victims of a crisis not of their making. Most important, it would signal a commitment that the world is choosing to define, rather than be defined by, the crisis. International action or beggar-thy-neighbour policies? Age of Responsibility or Age of Reversal? The choice is clear." [16]

4.1 How much new money?

The G20 countries did not take-up Mr Zoellick's proposal. Instead, they have left the Bank to respond to the crisis mainly through its own existing resources and facilities. Prime among these has been the Bank's own "Vulnerability Financing Facility Framework." This is outlined in Table 4.1 below. It comprises the Global Food Crisis Response Program (GFRP), the IDA Fast-Track, the Rapid Social Response Program (RSR), the Infrastructure Recovery Assets Platform (INFRA), and the IFC private sector platform.

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[15] World Bank Group. 2009. "Zoellick calls for new Vulnerability Fund ahead of Davos Forum" January 30. http://go.worldbank.org/76E1GRKBN0. In the New York Times (22 January) he argued: "The United States could begin by pledging some $6 billion of its own $825 billion stimulus package — just 4 percent of what was provided to American International Group. With this modest step, the United States would speed up global recovery, help the world's poor and bolster its foreign policy influence.", "A Stimulus Package for the World" New York Times, January 22. http://www.nytimes.com/2009/01/23/opinion/23zoellick.html?_r=4

[16] Zoellick, Robert (2009) "Time to herald the Age of Responsibility", *Financial Times,* January 25. http://www.ft.com/cms/s/0/1348d34e-eb0d-11dd-bb6e-0000779fd2ac.html?nclick_check=1

Table 4.1: WBG Vulnerability Framework [17]

Vulnerability Financing Facility Framework					
Vulnerability Financing Facility Focus on Low Income Countries (LICs) and the poor & vulnerable in Middle Income Countries (MICs)			**Infrastructure Recovery Assets Platform (INFRA)**		**IFC Private Sector Platform**
GFRP	**IDA Fast Track**	**Rapid Social Response**	**INFRA**	**Energy for the Poor**	**Infrastructure, Trade Finance, Bank recap, Microfinance**
LICs and MICs affected by food crisis	LICs affected by financial crisis	LICs and MICs with poor and vulnerable populations	LICs and MICs affected by financial crisis	LICs and MICs hit by volatile energy prices	Private sector support for crisis related activities for LICs and vulnerable MICs
Funding sources: IDA, IBRD, other contributions channelled through Trust Funds (TF) or as parallel/ co-financing (PF)					
Grant funding					
IDA	IDA	IDA	IDA	IDA	
IBRD		IBRD	IBRD	IBRD	IFC own resources
Trust Funds (TF)	TF	TF	TF	TF	Mobilization from both public (e.g., IFIs, bilateral) and private sector
Parallel Financing (PF)	PF		PF	PF	
Instruments					
Development policy lending (DPO), Investment Lending (IL), Grants and TA	DPO, IL, TA	DPO, IL, TA	DPO, IL, TA	DPO, IL, TA	Investment & Advisory Services
Focus areas					
Fiscal/budget support, agriculture, nutrition and safety nets	All IDA operations	Employment, social safety nets, and protecting basic social services	Protect operations and maintenance, ensure delivery of priority projects, support PPP and job creating investments	Affordable access to energy and safety nets	Trade Finance, Bank recapitalization, Infrastructure facility, Microfinance facility
Shared Secretariat SDN, OPCS, PREM, HDN, CFP, FINCR, MIGA, FRM Regions					
Operational and Governance Frameworks					
Board approval of GFRP and IDA Fast Track, accelerated processing and delegated authority					Board approval obtained and under implementation
Governance of development partner contributions will depend on size of contributions					
Reporting on operations /results					
Weekly reporting on operations and quarterly reporting on results		TBD	TBD	TBD	Monthly reporting

[17] Table Adapted from WorldBank Group Vulnerability Financing Facility Document, issued March 2009. http://dgroups.org/file2.axd/1e2511fe-025e-456d-b8a5-3629c3b81abd/World_Bank_VFF_principles_-_4_March.doc.

The Global Food Crisis Response Program is described by the Bank as having "facilitated a rapid and flexible Bank response to the global food crisis in partnership with other multilateral organizations and donor agencies". The reality is, however, that the Bank has been left using mostly its own existing funding. The program was created to reduce the negative impact of high and volatile food prices on the lives of the poor, to support governments in the design of sustainable policies that mitigate the adverse impacts of volatile food prices, and to support broad-based growth in productivity and market participation in agriculture.[18]

The fund has $1.2billion. But this is not quite what it seems. Only a small portion of the funding has come from member contributions: $0.2 billion of Trust Funds which include (i) the Food Price Crisis Response Core Multi-donor trust fund (MDTF), a $33 million multi-donor TF with initial contributions from Australia; (ii) the European Union Food Crisis Rapid Response Facility with an anticipated total contribution of €110 million; and (iii) the Russia Food Price Crisis Rapid Response trust fund with an anticipated contribution of US$15 million. The rest of the funding comes from reallocations from IDA and IBRD.

Has the GFRP been used? The table below details loans approved under the GFRP. The three loans made for more than $10million have all had a substantial IDA contribution. Others have been granted under special financing.

Table 4.2: Loans Approved under the Global Food Crisis Response Program (GFRP)

Global Food Crisis Response Program - Project Status, June 11, 2009

Country	Financing Source	Approved Amount ($m)	Board Approval Date	Type of Operation
Djibouti	Food Price Crisis Response Trust Fund (FPCR TF)*	5	29/05/2008	Development Policy Operation (DPO) **
Liberia	FPCR TF*	10	29/05/2008	3 Investment Loans
Haiti	FPCR TF	10	29/05/2008	DPO
Kyrgyz Republic	IDA	10	06/12/2008	2 Investment Loans
Tajikistan	FPCR TF	9	13/06/2008	2 Investment Loans
Yemen	FPCR TF	10	26/06/2008	Investment Loan
Afghanistan	FPCR TF	8	08/05/2008	Investment Loan
Sierra Leone	FPCR TF	7	06/08/2008, 13/08/2008	DPO; Investment Loan
Honduras	IDA	10	08/07/2008	DPO
Moldova	FPCR TF	7	08/08/2008	Investment Loan
Burundi	FPCR TF	10	13/08/2008	DPO
Rwanda	FPCR TF	10	13/08/2008	DPO

[18] World Bank (2009) "World Bank Group Response to the Financial Crisis" March 24 http://www.worldbank.org/html/extdr/financialcrisis/pdf/WBGResponse-VFF.pdf

Madagascar	FPCR TF; IDA	22	13/08/2008, 16/12/2008	DPO; Investment Loan
Central African Republic	FPCR TF	7	13/08/2008	Investment Loan
Niger	FPCR TF	7	26/08/2008	Investment Loan
Somalia	FPCR TF	7	09/05/2008	Investment Loan
Guinea	FPCR TF	10	19/09/2008	2 Investment Loans & DPO
Guinea-Bissau	FPCR TF	5	22/09/2008	Investment Loan
Nepal	FPCR TF & IDA	36	29/09/2008	2 Investment Loans
Southern Sudan	FPCR TF	5	10/03/2008	Investment Loan
Togo	FPCR TF	7	17/10/2008	Investment Loan
Mozambique	FPCR TF & IDA	20	11/04/2008	
Benin	FPCR TF	9	25/10/2008	Investment Loan
Bangladesh	IDA	130	28/10/2008	DPO
West Bank and Gaza	FPCR TF	5	11/12/2008	Investment Loan
Philippines	IBRD	200	12/10/2008	DPO
Ethiopia	IDA	275	12/10/2008	2 Investment Loans
Mali	FPCR TF	5	30/12/2008	DPO
Laos	FPCR TF	3	01/12/2009	Investment Loan
Nicaragua	FPCR TF	7	21/01/2009	Investment Loan
Kenya	IDA, FPCR TF	50, 5	31/03/2009, 21/04/2009	2 Investment Loans
Senegal	IDA	10	05/06/2009	Investment Loan
Tanzania	IDA	220	06/09/2009	Investment Loan
Malawi	IDA	10	01/06/2009	DPO
Senegal	IDA	10	01/06/2009	Investment Loan
Cambodia	IDA	5	01/06/2009	DPO
Laos	FPCR TF	2	01/06/2009	Investment Loan
Comoros	FPCR TF	1	01/06/2009	Investment Loan
Haiti	IDA	5	01/06/2009	Investment Loan
Nicaragua	IDA	10	01/07/2009	Investment Loan
Sierra Leone	FPCR TF	3	TBD	Investment Loan
West Bank and Gaza	FPCR TF	3,4	TBD	Investment Loan

Table Adapted from: World Bank Global Food Crisis Response Program, Project Status, June 11, 2009

http://www.worldbank.org/foodprices/pdf/GFRPProjectStatus.pdf

* FPCR TF refers to Food Price Crisis Response Trust Fund (funded from Bank surplus).

**Development policy operations (DPO) of the World Bank are quick-disbursing external financing to support policy and institutional reforms.

The Rapid Social Response Program (RSR) mentioned above was created to assist poor and vulnerable populations in middle-income and low-income countries with employment, social safety nets, and protecting basic social service. The fund has received a £2 million contribution from the UK. The rest of its funding is from IDA and IBRD funding.

Has the RSR been used? As at June 2009, it appeared that only one loan had been made under this programme - to Senegal for a Rapid Response Child-Focused Social Cash Transfer and Nutrition Security Project (P115938 approved 6 May 2009 for $18 million). The project will be financed by a grant from the Food Price Crisis Response Program's Multi-Donor Trust Fund (MDTF) and a credit from a redeployment of International Development Association (IDA) resources from Senegal's existing portfolio.

The Infrastructure Recovery and Assets Program (INFRA) was created to protect operations and maintenance, ensure delivery of priority projects, support PPP and job creating investments. By June 2009, it appeared that two loans may have been linked to this platform: Macedonia had received $25million IBRD loan in March 2009 (ID: P096481) but it was not specifically linked to the new platform; the Philippines was approved on 24 June for a $70 million IBRD loan for a Participatory Irrigation Development Project (id: P088926) but INFRA is not mentioned in the project literature.

In respect of the IFC Platform, it was difficult to find any evidence of useage. One loan has certainly been made, EUROS 40million to Serbia for bank recapitalization in a newly-nationalized bank (Komercijalna Banka a.d. Beograd, ID 27803, approved June 18, 2009).

In summary, the existing evidence shows that most of the World Bank's new lending has come from existing instruments and funds. This necessarily brings with it constraints which are highlighted by an analysis of IDA lending.

4.2 Other constraints in the World Bank's Response

The International Development Association (IDA) exists to make long-term loans at very little cost to the poorest countries (defined for fiscal year 2010 as countries with a GNI per capital below US$1135), and to countries lacking the creditworthiness to borrow from the IBRD. The money for making IDA loans is contributed to a fund every three years by donors as well as from the World Bank's own income. The largest donors in the last (15th) replenishment were the UK, US, Japan, Germany, France, Canada, Italy and Spain.

Poor countries receive IDA loans according to good performance, not need. Eligible countries are rated by the Bank according to how well they have implemented policies that promote economic growth and poverty reduction. This is called a Country Policy and Institutional Assessment (CPIA) which is also referred to as the IDA Resource Allocation Index (IRAI)."[19] This, together with a weighting for portfolio

[19] World Bank (2009) Country Policy and Institutional Assessment: Frequently Asked Questions. http://go.worldbank.org/74EDY81YU0

performance constitute the Country Performance Rating (CPR) which the Bank uses along with population and per capita income to decide IDA allocations. In 2008 the top ten IDA borrowers were: Vietnam, India, Bangladesh, Ethiopia, Nigeria, Cote d'Ivoire, Tanzania, Liberia, Ghana, and Nepal.

The IDA allocation system means that this is not a facility that the World Bank can easily use to distribute according to the impact of the crisis on countries. Below I analyse six categories of countries rendered most vulnerable by the financial crisis. These include countries who are not IDA-eligible. The categories are as follows:

- countries facing the largest terms of trade losses;
- countries with fiscal deficit exceeding 3% of GDP;
- countries where remittances are a large share of GDP;
- countries suffering from a withdrawal or slowing of private capital inflows;
- countries with low current reserve levels;
- countries that will need to reduce imports sharply due to reduced access to foreign capital .

In each case I chart IDA disbursements in previous years. Obviously for non-IDA-eligible countries this is zero. Overall, however, the tables give an indication of which countries are both IDA-eligible and performance-rated by the World Bank such as they are likely to be eligible for further IDA funding.

Table 4.3: Countries whose income will drop: (terms-of-trade losses around a quarter of their 2008 GDP)

Particularly Vulnerable Country	**IDA Disbursement**		
	2005	2006	2007
Equatorial Guinea	0	0	0
Republic of Congo	10,992,403	10,275,895	13,275,773
Islamic Republic of Iran	0	0	0
Azerbaijan	0	0	0

Source: World Bank (2009) *Global Development Finance Online* http://ddp-ext.worldbank.org/ext/DDPQQ/member.do?method=getMembers

Table 4.4: Developing countries with fiscal deficits exceeding 3 percent of GDP at the onset of the financial crisis (list from figure 3.19, page 92)

Particularly Vulnerable Country	IDA Disbursement		
	2005	**2006**	**2007**
Maldives	5,566,415	0	0
Lebanon	0	0	0
Ethiopia	72,294,486	168,036,900	191,711,177
Sri Lanka	40,699,829	56,203,274	46,488,823
Namibia	--		
Tajikistan	1,877,556	18,438,130	20,567,046
Burkina Faso	22,255,291	36,383,947	90,453,387
Pakistan	2,989,962	2,927,868	2,759,404
Malaysia	0	0	0
Jordan	0	0	0
Colombia	0	0	0
Poland	0	0	0
Tunisia	0	0	0
Egypt	0	0	0
El Salvador	0	0	0
Albania	0	0	0
Mauritius	0	0	0

Source: World Bank (2009) *Global Development Finance: Charting a Global Recovery* Washington DC: World Bank (92)

Table 4.5: Countries in which remittances are a large share of GDP

Particularly Vulnerable Country	IDA Disbursement		
	2005	**2006**	**2007**
Tajikistan	1,877,556	18,438,130	20,567,046
Moldova	1,215,645	3,920,090	6,106,067
Tonga	0	0	0
Lesotho	250,000	960,694	3,997,074
Honduras	0	0	0
Armenia	0	0	0
Kyrgyz Republic	6,064,967	10,235,218	26,652,600

Table 4.6: Withdrawal or slowing of private capital inflows

Particularly Vulnerable Country	**IDA Disbursement**		
	2005	**2006**	**2007**
Kazakhstan	0	0	0
Latvia	0	0	0
Romania	0	0	0
Ukraine	0	0	0
Bulgaria	0	0	0

Table 4.7: Developing countries whose reserves have declined by 20% or more since August 2008, and whose current levels are low (country list taken from Figure 1.14 on page 25).

Particularly Vulnerable Country	**IDA Disbursement**		
	2005	2006	2007
Belarus	0	0	0
Malawi	70,740,377	29,509,392	63,617,482
Sri Lanka	40,699,829	56,203,274	46,488,823
Sudan	0	0	0
El Salvador	0	0	0
Pakistan	2,989,962	2,927,868	2,759,404
Latvia	0	0	0
Cote d'Ivoire	0	0	95,574
Dominica	0	0	0
Mexico	0	0	0
Costa Rica	0	0	0
Ecuador	0	0	0
Bangladesh	5,524,454	5,815,347	12,215,980
Central African Republic	0	80,275,685	4,130,854
Kenya	2,314,062	13,621,984	8,602,406
Zambia	22,210,405	19,565,118	19,592,743
Cape Verde	0	0	0
Paraguay	0	0	0

Source: World Bank (2009) *Global Development Finance: Charting a Global Recovery* Washington DC: World Bank (25)

Table 4.8: Countries needing to reduce imports sharply due to reduced access to foreign capital (country list taken from Figure 1.15 on page 25)

Particularly Vulnerable Country	IDA Disbursement		
	2005	2006	2007
Dominican Republic	0	0	0
St.Lucia	300,000	1,400,854	0
Bulgaria	0	0	0
Sierra Leone	31,945,144	29,350,429	19,331,582
Vanuatu	0	0	0
Kyrgyz Republic	6,064,967	10,235,218	26,652,600
Honduras	0	0	0
Ghana	24,205,209	5,295,581	9,501,885
Madagascar	4,317,248	5,409,563	10,602,200
Cambodia	1,834,113	5,585,396	23,485,110
Togo	0	0	0
Seychelles	0	0	0
Lebanon	0	0	0
Nicaragua	0	0	0
Moldova	1,215,645	3,920,090	6,106,067
Dominica	0	0	0

Source: World Bank (2009) *Global Development Finance: Charting a Global Recovery* Washington DC: World Bank (25)

The above tables demonstrate how the concentrations of World Bank funding from IDA intersect with the countries rendered particularly vulnerable by the crisis. Several gaps become immediately evident. Many countries are deeply affected by the crisis. But several very poor countries are unlikely to receive funding from the IDA. Other countries may also fall through the gaps. Although the emerging economies in the European area are receiving assistance from the IMF, in other regions, countries have not yet.

Put simply, there are countries highly at risk from the international financial crisis but unlikely to receive assistance from either the IMF or the World Bank. The World Bank is hindered in its capacity to deliver assistance by rules which limit the risk-taking it can undertake in IBRD lending (which is money the Bank raises in capital markets and on lends to creditworthy borrowers); and which have also limited its concessional lending to countries with a record of "good performance". Do any of the prospective reforms of the World Bank address these limits?

4.3 The crisis and reform of the World Bank's governance

The G20 leaders pledged to reform the World Bank by implementing the reforms agreed in October 2008 and by accelerating the timescale of future voice and representation reforms. To date, these reforms have been closely paralleling those in the IMF. However, they face the same limits in the World Bank insofar as they seek to enhance the engagement of emerging economies and to increase responsiveness to poorer countries.

The Bank has two core capacities both of which are vital during this global economic crisis:

> First, the Bank has become a global public financing mechanism which permits governments to contribute to emergencies, relief to the poorest countries, countries at risk of descending into war, public health crises, climate change, and so forth.
>
> Second, the Bank is (and has always been) a global lending cooperative, which helps to channel private finance to developing economies even when the markets dry up (by pooling the sovereign guarantees of all of its members so as to raise cheap capital from the markets which it can lend back to its members).

Governance reform could help the World Bank achieve both of these tasks in a more effective way. At present the governance structure of the World Bank has evolved into one which minimizes risks to the institution, at the cost of its needy developing country members. The Bank staff and management have developed rules and procedures which minimize not just potential financial risks but also reputational risks to the Bank. At the same time, they have developed rules for IDA which attempt to apply a system of incentives for good performance by governments, rather than any response to urgent need.

A full-time resident Board, nominally representing all countries who are members of the Bank, oversees the application of detailed rules and procedures which constrain the staff and senior management. The Board also monitors a plethora of internal auditing and quality controls, the work of an independent evaluation group, and the work of the judicial style Inspection Panel. The result is a multiple-layered system of risk-minimization which in fact distributes the costs (of the Bank not shouldering risks) to communities who would otherwise be assisted.

The costs of risk-minimization show up in slower and more costly loans to those who can access them (as seen above in disbursement figures). Equally the costs of risk-minimization show up when the world's most at-risk and vulnerable populations find that their hopes of assistance in a crisis or conflict are postponed while the Bank's Board ensures that rules and procedures are followed. The result is a Bank which is sometimes too slow, too risk-averse, and too unresponsive to its needy members to be as effective as it can and should be. For this reason, the Bank needs a governance structure which better distributes risks.

To deliver urgent assistance in a crisis, the World Bank needs a Board which enunciates the collective purpose of members and sets clear incentives for the management and staff to deliver on them. This means a Board which engages and reflects political leadership at the highest level. The governments sitting on the Board need to make decisions which give the institution "political cover" with major governments themselves collectively shouldering risks, permitting the Bank to act rapidly in uncharted terrain, and to act with other international institutions without fearing for damage to its own procedures and rules.

An example of how such engagement can work can be found in the role of the G7 Finance Deputies in the IMF. In their heyday, the G7 Finance Ministers (and Deputies) group acted as a strategic directorate for the IMF, communicating regularly, coordinating policies among key governments, taking

information from the IMF, and giving it specific directions, such as to make an extraordinarily large and rapid loan to Mexico, or to Argentina, or to Russia.

The World Bank has never had an effective directorate. Its Board of Governors and Development Committee have highly formalized annual meetings. At the other end of the spectrum, its Executive Board operates at a bureaucratic level, sitting full-time in Washington DC, overwhelmed with information and documentation, attempting to oversee all of the Bank's policies, operations, evaluations, quality controls, and audits.

The Bank now needs a board which is small enough to be a directorate, yet representative enough to be effective. It needs input from different regions and countries, in part to be better informed, in part to mobilize resources, and yet more importantly because if countries do not feel represented in the organization, they can simply refuse to "let the Bank in" which would directly erode the institution's capacity to deliver in response to a crisis or in respect of other global public goods such as climate change. Could a new governance structure achieve this? And could it also serve the Bank's other capacity as a credit cooperative?

The credit-cooperative Bank – its historic function - faces serious problems with its current governance. The Bank's Board is structured as though it is a shareholding institution, although it is not. Its governance lazily mirrors that of the IMF. It has long been criticized for giving anachronistic and disproportionate access and influence to US interests when in practice the Bank no longer looks only to Wall St for capital, it raises more of its money in Europe and elsewhere. The value of the US guarantee which helps to underpin the Bank's credit-worthiness has diminished dramatically in size and importance. The Bank now has a credit history of its own, a large investment portfolio of its own, and other members whose considerable resources could provide a substantial guarantee. Simply put, the rationale for basing the Bank in Washington DC with an American President has eroded sharply since 1944.

Dissatisfaction with the Bank's governance (most often expressed as bitterness about the Bank's "attitude, "intransigence", or "approach") is hindering the Bank. It has fuelled the accelerated "exit" by countries preferring to use private finance wherever and whenever they can – although now this option is drying up fast. Earlier on, concerns about the Bank's governance gave impetus to the creation of regional and sub-regional credit-cooperatives. In fact, this is a positive development worth building on. The Inter-American Development Bank is now a larger lender in Latin America than the World Bank, and so too is the Asian Development Bank in Asia. The African Development Bank is working hard to carve out its own role.

Building on regional credit-cooperatives, a new vision of the World Bank would radically devolve the credit-cooperative role to regional development banks and build a new federal relationship across them. Such a network of banks could be represented at its apex in the World Bank's Executive Board, by seven or eight highest-level political representative from each of the regions: North America, Central and South America, Asia-Pacific, Africa, Middle East, the European Union, Russia and non-EU Central and Eastern Europe. The Directors would be Cabinet-level Ministers who would not sit permanently in Washington DC but would meet formally six times per year, with much more regular communications facilitated by the World Bank (as the IMF did with the G7 Finance Deputies). This transformed structure could be far less costly and more effective than the Bank's current governance structure. It would strengthen the Bank's ability to take risks where needed in its crisis-response and global public financing role. It would reinforce emerging regional credit-cooperatives at a time when all countries need to strengthen their ability to attract private finance. The Bank's resident Board would be a much

smaller operation with representatives overseeing the management of the Bank and reporting back to governments in each region.

5 THE RESPONSE OF THE EUROPEAN UNION

As the world's largest donor of official development assistance, the EU's policies are crucial to influencing the impact of the crisis on developing countries. The member states of the EU have powerful bilateral aid programs, the EU has its own program and policies, as well as the European Investment Bank, and the EU members have an important voice in each of the multilateral organizations.

On 18 May 2009 the European Union published both a Commission proposal for a series of measures on "Supporting developing countries in coping with the crises"[20] and the response by the Council of the European Union. [21] The statements on 18th May proposed changes and additions to current development policies in the following areas:

Honouring existing aid commitments and leveraging other resources [22]

- Acting counter-cyclically [23]
- Improving aid effectiveness [24]
- Cushioning the social impact and supporting the real economy [25]
- Improving economic governance and stability. [26]

The Commission proposed immediate actions [27] that will frontload €8.8bn in the following areas: development aid (4.3bn), budget support (3bn) and agriculture financing (1bn). Furthermore, in order to support social spending in developing countries, the Commission pledged to dedicate €500m to most affected ACP countries through the FLEX mechanism from the existing EDF. Moreover, the Commission indicated that it plans to dedicate and spend new funds of up to €100m for one

[20] European Commission, "Supporting developing countries in coping with the crises," Communication to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - COM(2009) 160/4, Brussels, 8 April 2009.

[21] The Council of the European Union, "Council Conclusions on Supporting developing countries in coping with the crises," 2943rd External Relations Council meeting, Brussels, 18 May 2009.

[22] European Commission, "Supporting developing countries in coping with the crises," Communication to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - COM(2009) 160/4, Brussels, 8 April 2009, p. 5.

[23] Ibid, pp. 5-6.

[24] Ibid, pp. 6-8.

[25] Ibid, pp. 8-12.

[26] Ibid, p. 12.

[27] European Commission, "Supporting developing countries in coping with the crises," Communication to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - COM(2009) 160/4, Brussels, 8 April 2009, pp. 6-12.

measure. The Commission's contribution to the EU-Africa Infrastructure Trust Fund will be increased by €100m. All these proposed measures were adopted by the European Council on 18 May 2009. [28]

Analysing these pledges more closely, it becomes apparent that most of this funding (almost 99%) comes from pre-existing commitments. The €8.8bn are frontloaded, which is helpful as the crisis affects developing countries now, but it also means that in the coming years there will most likely be less development aid that can disbursed. The €100m for EU-Africa Infrastructure Trust Fund is the only new spending that does not come from pre-existing commitments.

Publicly available information (as at July 2009) gives little indication of how much of this funding has been approved or disbursed. However, it is useful to analyse which of these measures involves immediate actions as opposed to recommendations or future proposals. This is presented in the following table (Table 5.1) which distinguishes:

a) immediate action by the Commission;

b) recommendations to member states and other bodies, including the European Investment Bank; and

c) other actions the EU should consider.

Table 5.1: Assessing the EU's Crisis-related Development Policies, July 2009

European Commission Pledges of 8 April 2009[1] ***Immediate Action by the Commission***	**Funding additions**	**Council response**[2]
1. Refocusing Priorities		√
- accelerate Mid-Term Review of dev. strategy papers and programmes (p. 6)		**p. 5**
2. Quicking Disbursements		√
- more flexible implementation of disbursement procedures (p. 6)		**p. 5**
3. Frontloading Aid	**€4.3bn frontloaded**	√
- advancing commitments to ACP countries with €4.3bn frontloaded in 2009 (p. 6)		**p. 5**
4. Accelerating Budget Support		√
- Commission has already fronloaded €3bn (72%) of its budget support for ACP countries foreseen for 2008-2013 (p. 6)	**€3bn frontloaded**	**p. 5**
5. Supporting Mechanisms to safeguard Social Spending		√
- Dedicating €500m from EDF in 2009 to most affected ACP countries chiefly as budget support: through existing and ad hoc FLEX (based on export losses) (p. 8)	**€500m frontloaded**	
		p. 5/6

[28] The Council of the European Union, "Council Conclusions on Supporting developing countries in coping with the crises," 2943rd External Relations Council meeting, Brussels, 18 May 2009, pp. 4-6.

6. Increasing EU-Africa Infrastructure Trust Fund to €500m in total by 2010	**€100m new funds**	√
- Commission will double its current inlay to €200 million for 2009-2010 plus: adapt the Fund to include national infrastructure and other measures (p. 9)		**p. 6**
7. Speeding up Financing for Agriculture	**€1bn frontloaded**	
- €1bh food facility being frontloaded - first trance of €314m agreed (p. 10)		**p. 6**
8. Ensuring guarantees for investment and providing credit facilities		**General support**
- Increase investment guarantees by expanding Infrastructure Trust Fund (p. 11)		
- Commission will strengthen Investment Facility for ENP countries (p. 12)		**p. 4**
Recommendations to Member States and other Bodies		
To Member States		
1. Leveraging New Resources		√
- step up efforts to mobilise additional development-related finance with every € spent on development leveraging five € in non-ODA (p. 5)		**pp. 4-5**
2. Towards a collective EU Approach to the Crisis		√
- Member states are to present actions and instruments aimed at improving coordination regarding crisis response (p. 7)		**pp. 7-8**
3. Increase EU-Africa Infrastructure Trust Fund to €500m in total by 2010		√
- MS to supplement €300m and to support Fund's proposed reform (p. 8)		**p. 6**
To the Council		
1. Supporting the Euro-Mediterranean Investment and Partnership Facility		**General support**
- Council to adopt EC's 2008 proposal regarding FEMIP (use of reflows) (p. 12)		**p. 6**
To EIB		
1. Refocusing Priorities		√
- focus on counter-cyclical actions in Activity Plan 2009-11 (p.6); support micro- finance institutions by providing loans, equities and guarantees (p. 12)		**p. 5**
2. Frontloading Aid		√
- advancing commitments in ACP partnership (€3.5bn and €2bn) and under other mandates; recommended to quicken expenditure towards ENP		**p. 5**

countries (p. 6)		
3. Increasing Export Credit		**General support**
- consider supporting multilateral trade finance initiative in connecting with G20 commitment of $250bn for export credits and investment agencies (p. 11)		**p. 9**
Other Actions EU should consider		
1. Exploring macro-economic Assistance		
- such assistance to be given to ENP countries in exceptional circumstances (p. 6)		**not included**
2. Driving further Reform of international Aid Architecture		√
- push for simplification of architecture and 'results-based conditionality' (p. 8)		**pp. 7-8**

[1] European Commission, "Supporting developing countries in coping with the crises," Communication to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - COM(2009) 160/4, Brussels, 8 April 2009.

[2] The Council of the European Union, "Council Conclusions on Supporting developing countries in coping with the crises," 2943rd External Relations Council meeting, Brussels, 18 May 2009 (specific pages indicated below).

The EU's response to the impact of the crisis on developing countries rightly recognizes the need to act quickly by front-loading aid, accelerating budget support, and supporting social spending by front-loading other grants. That said, these measures all assume a rapid global recovery from the crisis such that poor countries' needs for resources (which have already been front-loaded) will be diminished.

Further to sharpen and enhance the EU's response, member countries and EU agencies might consider adopting an active strategy for identifying and responding to the needs of countries "slipping through the cracks" of the existing global strategy. They might also use their considerable influence in international institutions to push for reforms which will enhance the capacity of the G20, the IMF, and the World Bank to respond to global crises, and ensure that these institutions work to complement each other's efforts and to maximize global coverage of efforts to mitigate the very severe effects of the crisis.

Finally, the EU needs to work hard to ensure that appropriate global regulatory arrangements are put in place to prevent a further financial crisis occurring. This crisis occurred because banks took excessive risks, fuelled by an outsourcing of due diligence to credit-rating agencies and compensation systems based on short-term profits. If the governments and agencies of the European Union fail adequately to regulate the global financial sector - banks, investors and insurers – in the wake of this crisis, they will have redoubled the moral hazard involved in financial markets. The largest institutions taking the largest risks will know with a yet greater certainty than before, that they are too big not to be bailed-out. The EU must address capital and liquidity requirements, credit-rating agencies, financial sector remuneration, and credit default swaps. Without serious action on each of these, there will surely be another yet larger crisis in the near future.

CONCLUSIONS

The world is facing a "development emergency". In April 2009 the G20 leaders said

> "We are determined not only to restore growth but to lay the foundation for a fair and sustainable world economy. We recognise that the current crisis has a disproportionate impact on the vulnerable in the poorest countries and recognise our collective responsibility to mitigate the social impact of the crisis to minimise long-lasting damage to global potential."

The evidence to date suggests that there is some way to go in ensuring financing and mechanisms of assistance to ensure that people in the poorest countries of the world do not suffer disproportionately from the financial crisis, and that their longer-term chances are not blighted.

The first section of the paper highlighted the severe effects of the crisis on development countries. What is being crushed and reversed in many countries is hard-won progress towards reducing poverty, hunger, and child mortality, and towards increasing primary education, gender parity, access to safe water and sanitation – in short, progress towards the Millenium Development Goals. Although there are variations in effects such as of declining remittances and declining commodity revenue, almost all developing countries are facing a new, sharp fiscal deficit which means they cannot use the kinds of "fiscal stimulus" measures being used in Europe, North America, and wealthier emerging economies. Collapsing reserves, a sharp reduction in net private capital inflows, reductions in imports, and dramatically decelerating growth are having a severe effect in almost all developing countries.

The G20's response, outlined in section 2, included promises of new resources for the IMF, a reaffirmation of existing aid pledges, new resources including $50 billion to support social protection, boost trade and safeguard development in low income countries, a significant increase in crisis support in developing countries and more resources for social protection for the poorest countries. This new forum has proven to be an effective agenda-setting and coordination body which might now further enhance its responsiveness to smaller, poorer countries through an informal constituency structure.

The IMF's role is analysed in section 3 which begins by reviewing the 18 post-crisis lending arrangements the IMF has approved. Some 82% of resources have gone to the following European area countries: Romania, Ukraine, Hungary, Serbia, Belarus, Latvia, and Iceland. By contrast just 1.6% of new lending has been to countries in the African area. This analysis confirms the World Bank's concern that "most of the available resources to be provided by the IMF and other international financial institutions are likely to be devoted to high-income emerging markets and middle income countries that are likely to be able to repay the loans they receive" (World Bank, 2009 p.6). It also concerns the IMF's own estimate that it can provide only around 2% of low-income countries' (gross) external financing needs (IMF June 2009).

The IMF has pledged to use less conditionality and more flexibility in its lending after the crisis and evidence of the IMF's first post-crisis agreements suggests that the IMF is overall succeeding. It has reduced its structural conditionality. It has loosened its fiscal targets. It has introduced new instruments such as the Flexible Credit Line. That said, its internal reforms are unlikely to be enough to persuade emerging economies that the IMF is a viable alternative to accumulating their own reserves. Section 3 analyses in detail the reforms being undertaken to the IMF's income model and governance. It tests the impact of these changes and argues that further governance reform of the IMF would be required to engage major emerging and developing countries in a way which would achieve the G20 aspiration of a more responsive, informed and effective IMF.

Further IMF governance reforms proposed include: a strategic directorate; new processes of appointment for the senior management; a reformed Board capable of effective oversight of the management; a reframing of the US “veto”; and a double-majority provision to ensure that the institution and its powerful members are more responsive to small developing countries.

The World Bank’s contribution to managing the crisis is examined in section 4. The G20 promised an increase in lending “of at least $100 billion by the MDBs” and $50 billion for social protection, boosting trade, and safeguarding development in low income countries. The G20 leaders pledged that they were “making available resources for social protection for the poorest countries, including through investing in long-term food security and through voluntary bilateral contributions to the World Bank’s Vulnerability Framework, including the Infrastructure Crisis Facility, and the Rapid Social Response Fund”. This all sounded impressive. However, the actual results are not.

The Global Food Crisis Response Program has only received a small portion of funding from member contributions: $0.2 billion of the $1.2 billion. The rest of its funding comes from reallocations from IDA and IBRD. Put another way, World Bank lending is being relabelled under this (and other headings) as crisis response. Furthermore, the Bank’s loans are heavily constrained by pre-existing allocation procedures. Although efforts are being made to “frontload” and speed up IDA loans (for the poorest and least credit-worthy countries), allocations to these countries are locked into a performance-based formula. This means that some countries rendered hugely vulnerable by the crisis are either not eligible for IDA loans or are unlikely to be allocated resources from IDA.

Section four analyses six categories of developing countries rendered particularly vulnerable by the crisis and presents their IDA disbursement record which gives a strong indication of how likely they are to receive future IDA allocations. Several gaps are identified, although some of the wealthier countries (as above) are receiving support from the IMF. For example in each of the following categories we find IDA support unlikely:

- countries whose income will drop as terms-of-trade losses mount to around a quarter of their 2008 GDP we find 3 countries ineligible or unlikely to get IDA support: Equatorial Guinea, Iran, and Azerbaijan.
- countries with fiscal deficits exceeding 3 percent of GDP at the onset of the financial crisis we find at least 10 countries either ineligible or unlikely to get IDA support: Lebanon, Malaysia, Jordan, Colombia, Poland, Tunisia, Egypt, El Salvador, Albania, and Mauritius.
- countries likely to suffer particularly from a decline in remittances, we find three countries either ineligible or unlikely to get IDA support: Tonga, Honduras, and Armenia.
- countries suffering particularly from a withdrawal or slowing of private capital inflows, we find five countries either ineligible or unlikely to get IDA support although in this case, these are all countries in receipt of IMF support.
- countries whose reserves have declined by 20% or more since August 2008, and whose current levels are low, we find Belarus, Sudan, El Salvador, Latvia, Dominica, Mexico, Costa Rica, Ecuador, Cape Verde, and Paraguay.
- countries needing to reduce imports sharply due to reduced access to foreign capital, we find 10 countries either ineligible or unlikely to get IDA support: Dominican Republic, Bulgaria, Vanuatu, Honduras, Togo, Seychelles, Lebanon, Nicaragua, and Dominica.

Put simply, many countries are highly at risk from the international financial crisis but unlikely to receive assistance from either the IMF or the World Bank. The World Bank is hindered in its capacity to deliver

assistance by rules which limit the risk-taking it can undertake in IBRD lending (which is money the Bank raises in capital markets and on lends to creditworthy borrowers). The Bank is also limited in using the IDA for although this is aimed at poorer and less credit-worthy countries, at present its allocations are based in large measure on Bank ratings of "good performance".

The limits and constraints on the World Bank's response highlight the need to assess whether the Bank's governance is facilitating cooperation among countries who have expressed collective goals. To this end, the G20 leaders pledged to reform the World Bank by implementing the reforms agreed in October 2008 and by accelerating the timescale of future voice and representation reforms. Section 4 suggests a more radical rethink of the Bank's governance by focussing on the extent to which the existing governance structure has evolved so as to minimize risks (both financial and reputational) to the institution and its non-borrowing members, at the cost of its needy developing country members. It argues that governance reform is required to enable the Bank's major non-borrowers to shoulder risks in crisis-management and in the provision of public goods. Governance reform is also required to update the Bank in a world in which regional development financing has become far more important, and in which representation on the Board of the Bank needs better to reflect the institution's clients across several regions. A new vision of the World Bank might build on the evolving network of institutions at the regional level, providing the Bank with a governing body which is both smaller and more representative of all the Bank's stakeholders.

Not unlike the multilateral institutions, the European Union has made several pledges which repackage existing commitments as a response to the crisis. These are analysed in section 5 The EU's response to the impact of the crisis on developing countries rightly recognizes the need to act quickly. It has pledged to front-load aid, accelerate budget support, and to support social spending by front-loading other grants. It is worth noting that these measures all assume a rapid global recovery from the crisis such that poor countries' needs for resources (which have already been front-loaded) will be diminished.

Further to sharpen and enhance the EU's response, members and EU agencies might now consider adopting an active strategy for identifying and responding to the needs of countries "slipping through the cracks" of the existing global strategy. They might also use their considerable influence in international institutions to push for reforms which will enhance the capacity of the G20, the IMF, and the World Bank to respond to global crises, and ensure that these institutions work to complement each other's efforts and to maximize global coverage of efforts to mitigate the very severe effects of the crisis. Fast action could keep many developing countries on track. By contrast, "procedures as normal" will cause many promising countries, communities, policies, and hard-won progress to slump into failure – victims of a banking crisis well beyond their influence..

Finally, appropriate global regulatory arrangements must soon be put in place to prevent a further financial crisis occurring. This crisis occurred because banks took excessive risks, fuelled by an outsourcing of due diligence to credit-rating agencies and compensation systems based on short-term profits. If major governments fail to regulate the global financial sector - banks, investors and insurers – in the wake of this crisis, they will have redoubled the moral hazard involved in financial markets. Put simply, the largest institutions taking the largest risks will know with a yet greater certainty than before, that they are too big not to be bailed-out. The EU and its partners must address capital and liquidity requirements, credit-rating agencies, financial sector remuneration, and credit default swaps. Without serious action on each of these, there will surely be another yet larger crisis in the near future.

APPENDIX A: THE IMPACT OF THE CRISIS ON DEVELOPING COUNTRIES

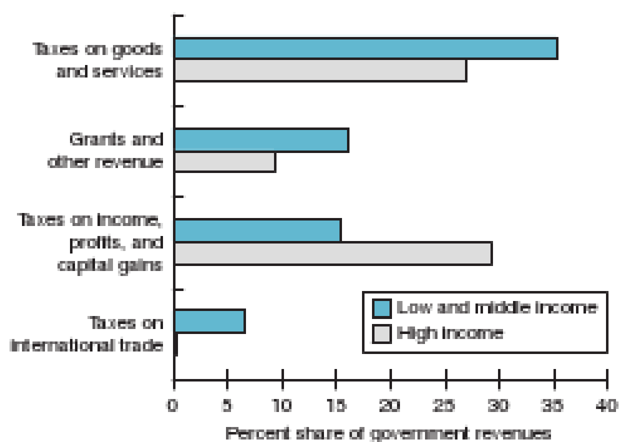
(Selected tables from the Global Development Finance Report 2009)

(1.11) Key sources of central government revenues among developing countries

(Much weaker industrial production and exports will cut deeply into government revenues in developing countries)

Figure 1.11 Much weaker industrial production and exports will cut deeply into government revenues in developing countries

Key sources of central government revenues among developing countries

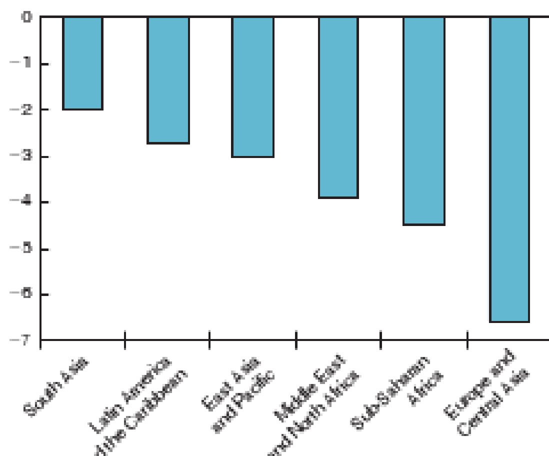


Source: World Bank (2009) *Global Development Finance: Charting a Global Recovery* Washington DC: World Bank (21)

(1.12) Projected change in fiscal balance between 2008 and 2009, percentage points of GDP (Government balances are expected to deteriorate most sharply in Europe and Central Asia)

Figure 1.12 Government balances are expected to deteriorate most sharply in Europe and Central Asia

Projected change in fiscal balance between 2008 and 2009, percentage points of GDP

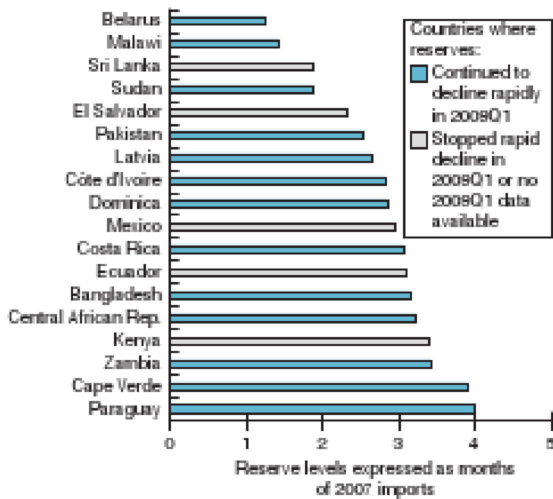


Source: World Bank (2009) *Global Development Finance: Charting a Global Recovery* Washington DC: World Bank (21)

(1.14) Developing Countries whose reserves have declined by 20 percent or more since August 2008 and whose current levels are low (Many developing-country reserves have reached worrisomely low levels)

Figure 1.14 Many developing-country reserves have reached worrisomely low levels

Developing countries whose reserves have declined by 20 percent or more since August 2008 and whose current levels are low

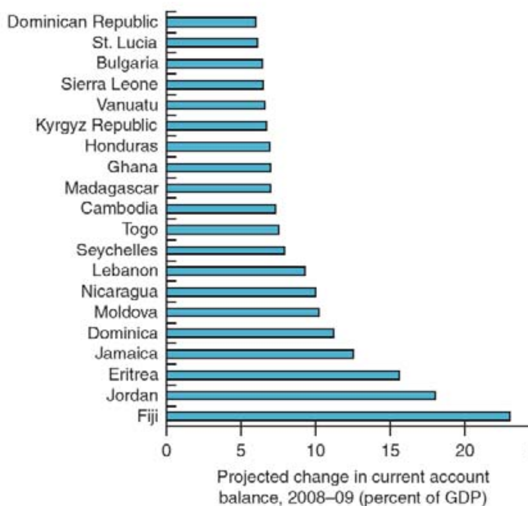


Source: World Bank (2009) *Global Development Finance: Charting a Global Recovery* Washington DC: World Bank (25)

(1.15) Countries with large current-account deficits that are projected to undergo large real-side adjustments (Many countries will need to reduce imports sharply due to reduced access to foreign capital)

Figure 1.15 Many countries will need to reduce imports sharply due to reduced access to foreign capital

Countries with large current-account deficits that are projected to undergo large real-side adjustments

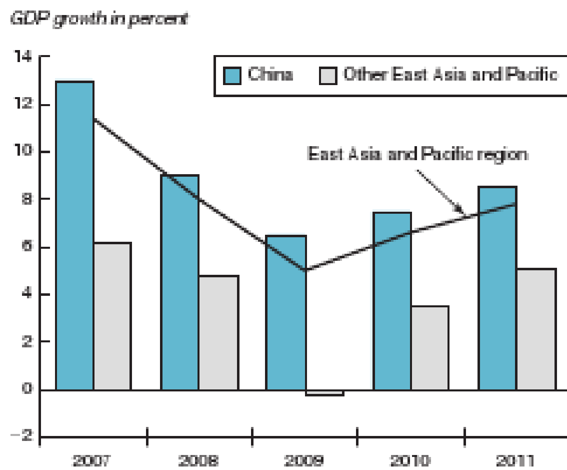


Source: World Bank.

Source: World Bank (2009) *Global Development Finance: Charting a Global Recovery* Washington DC: World Bank (25)

(1.17) GDP growth in percent- Asia (The recovery in East Asia and Pacific will be led by China)

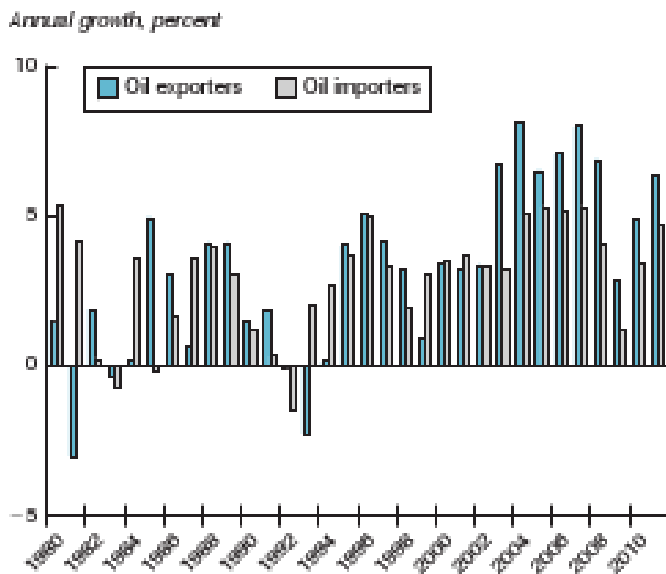
Figure 1.17 The recovery in East Asia and Pacific will be led by China



Source: World Bank (2009) *Global Development Finance: Charting a Global Recovery* Washington DC: World Bank (27)

(1.22) Annual growth, percent- Sub-Saharan Africa (*Economic growth in Sub-Saharan Africa is projected to decelerate abruptly in 2009 to the lowest level in almost a decade)*

Figure 1.22 Economic growth in Sub-Saharan Africa is projected to decelerate abruptly in 2009 to the lowest level in almost a decade



Source: World Bank (2009) *Global Development Finance: Charting a Global Recovery* Washington DC: World Bank (30)

(2.1) Net private capital inflows to developing countries, 2000-08

Table 2.1 Net capital inflows to developing countries (in $ billions)

	2001	2002	2003	2004	2005	2006	2007	2008e
Current account balance	15.5	68.6	118.4	171.2	306.6	438.2	406.1	377.9
Financial flows:								
Net private and official inflows	224.2	162.4	258.6	370.7	498.7	668.3	1157.7	727.3
Net private inflows	197.3	156.8	269.1	396.5	569.7	739.2	1157.5	706.9
Net equity inflows	172.3	161.5	181.0	254.7	347.2	462.7	658.6	599.0
Net FDI inflows	166.0	152.5	155.5	216.0	279.1	358.4	520.0	583.0
Net portfolio equity inflows	*6.3*	9.0	25.5	38.7	68.1	104.3	138.6	15.7
Net debt flows	51.9	0.9	77.6	116.0	151.5	205.6	499.1	128.3
Official creditors	26.9	*5.6*	— 10.5	—25.8	— 71.0	— 70.9	0.2	20.4
World Bank	*7.5*	—0.3	—0.5	1.6	2.8	—0.4	4.9	7.1
IMF	19.5	14.1	2.5	— 14.7	—40.1	— 26.7	— 5.1	10.9
Other official	—0.1	— 8.2	— 12.5	— 12.7	— 33.7	— 43.8	0.4	2.4
Private creditors	25.0	—4.7	88.1	141.8	222.5	276.5	498.9	107.9
Net M-L term debt flows	2.1	0.7	26.6	73.3	135.9	166.4	296.4	124.2
Bonds	10.2	10.1	20.4	36.0	56.2	26.6	85.4	10.5
Banks	— 1.9	— 3.2	10.4	41.3	84.2	144.6	214.5	123.0
Other private	— 6.2	— 6.2	—4.2	—4.0	—4.5	—4.8	— 3.5	— *9.3*
Net short-term debt flows[a]	22.9	— 5.4	61.5	68.5	86.6	110.1	202.5	— 16.3
Balancing item[b]	—	— *69.9*	—90.7	— 144.9	— 419.5	— 476.6	—	— 657.7
Change in reserves (— = increase)	— 80.4	— 160.6	— 285.5	— 396.2	— 385.5	— 629.9	— 1077.3	—447.3
Memorandum items								
Private inflows excluding short-term debt	*174.4*	170.7	203.9	340.7	483.3	629.1	955.0	723.2
Net FDI outflows	12.7	16.8	22.4	44.5	59.2	125.2	138.8	164.0
Net portfolio equity outflows	10.8	6.0	8.2	7.2	11.6	21.5	50.6	80.0
Workers' remittances	*95.6*	115.9	143.6	161.3	191.2	229.0	265.0	305

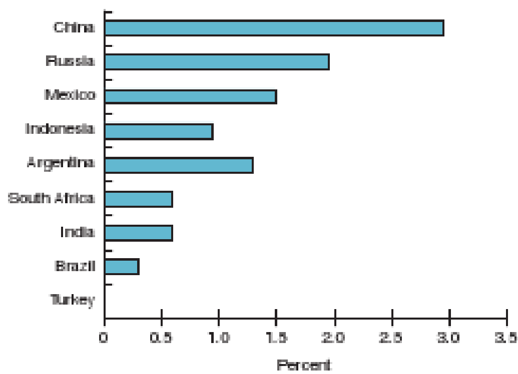
Source: World Bank Debtor Reporting System and staff estimates. *Note:* e = estimate.

a. Combination of errors and omissions and transfers to and capital outflows from developing countries.

b. Net bank lending numbers might be different from numbers in GDF 2009, volume 2.

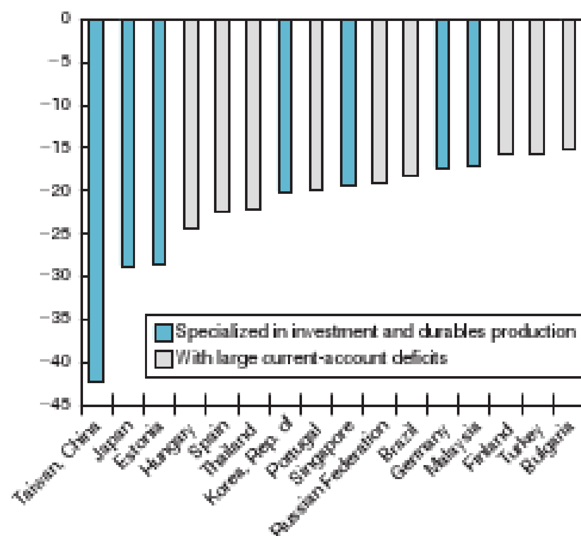
Source: World Bank (2009) *Global Development Finance: Charting a Global Recovery* Washington DC: World Bank (40)

(3.18) Fiscal stimulus as an annual percent of GDP, 2009-10 *(Fiscal stimulus measures by G-20 developing countries)*



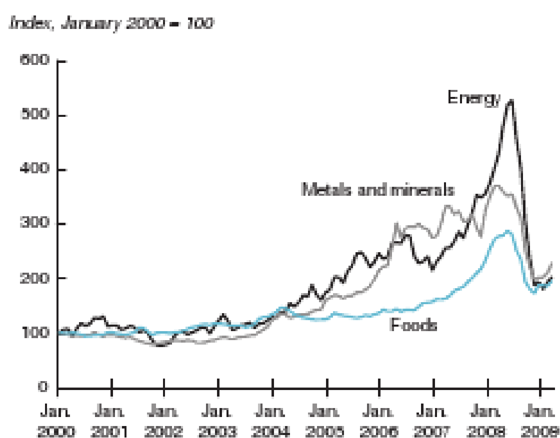
Source: World Bank (2009) *Global Development Finance: Charting a Global Recovery* Washington DC: World Bank (91)

(1.5) Industrial production percent change, January 2008 versus July 2008 *(Reflecting increased precautionary saving, industrial production declined sharply)*



Source: World Bank (2009) Global Development Finance: Charting a Global Recovery Washington DC: World Bank (17)

(1.6) Commodity indices, January 2000 =100 (The sharp fall in commodity prices has now stabilized)



Source: World Bank (2009) *Global Development Finance: Charting a Global Recovery* Washington DC: World Bank (18)

(2.6) Major bilateral bank loans in February 2009

Borrower (Country)	Lender (Country)	Sector	Value ($ billion)
Rosneft (Russia) Transneft (Russia) SamrukKazyna (Kazakhstan) Prominvestbank (Ukraine)	China Development Bank (China) China Development Bank (China) Vnesheconombank (Russia) Vnesheconombank (Russia)	Oil &c Gas Oil &c Gas Finance Finance	$ 1 5 $

Source: Dealogic Loan Analytics.

Source: World Bank (2009) *Global Development Finance: Charting a Global Recovery* Washington DC: World Bank (51)

(3.5) Multilateral development banks' planned 2009-11 financial response to the crisis, as of April 2009, in $ billions

Table 3.5			Trade finance			
Name of institution	**Lending**	**Equity investment**	**Guarantee**	**Liquidity facility**	**Political risk insurance**	**Total**
Asian Development Bank	5.7		0.9			*6.6*
African Development Bank				1.0		1.0
European Bank for Reconstruction and	1.4		1.0			2.4
Inter-American Development Bank	6.0		1.0	6.0		13.0
World Bank Group	60.0	1.0	2.0	1.0	1.0	65.0
IBRD	60.0					60.0
IFC		1.0	2.0	1.0		4.0
MIGA					1.0	1.0
Total MDBs	**73.1**	**1.0**	**4.9**	**8.0**	**1.0**	**88.0**

Sources: World Bank staff estimates based on several sources, including MDBs' press releases.

Note: The amount in this table represents announced increases over the pre-crisis level, and does not include the multiplier or leveraging effects of such new initiatives.

Source: World Bank (2009) *Global Development Finance: Charting a Global Recovery* Washington DC: World Bank (85)

APPENDIX B: RECENT CHANGES IN QUOTA AND VOTING SHARES IN THE IMF

Changes in Quota and Voting Shares[1]						
	Quotas				Votes	
Country	**Percentage change from pre-Singapore to post second round (Nominal)**	**Percentage point change from pre-Singapore to post second round (Share)**	**Post second round quota share (In percent)**	**Country**	**Percentage point change from pre-Singapore to post second round (Share)**	**Post second round voting share (In percent)**
Top 10: Positive Change from pre-Singapore				***Top 10: Positive Change from pre-Singapore***		
China	49.6	1.02	4.00	China	0.88	3.81
Korea	106.1	0.65	1.41	Korea	0.61	1.36
India	40.0	0.50	2.44	India	0.42	2.34
Brazil	40.0	0.36	1.78	Brazil	0.31	1.72
Japan	17.4	0.33	6.56	Mexico	0.27	1.47
Mexico	40.2	0.31	1.52	Spain	0.22	1.63
United States	13.2	0.29	17.67	Singapore	0.18	0.59
Spain	32.0	0.26	1.69	Turkey	0.15	0.61
Singapore	63.2	0.19	0.59	Ireland	0.13	0.53
Turkey	51.0	0.16	0.61	Japan	0.12	6.23
Top 10: Negative Change from pre-Singapore				***Top 10: Negative Change from pre-Singapore***		
United Kingdom		-0.52	4.51	United Kingdom	-0.64	4.29
France		-0.52	4.51	France	-0.64	4.29
Saudi Arabia		-0.34	2.93	Saudi Arabia	-0.41	2.80
Canada		-0.31	2.67	Canada	-0.37	2.56
Russia		-0.29	2.49	Russia	-0.35	2.39
Netherlands		-0.25	2.17	Netherlands	-0.30	2.08
Belgium		-0.22	1.93	United States	-0.29	16.73
Switzerland		-0.17	1.45	Belgium	-0.26	1.86
Australia		-0.16	1.36	Switzerland	-0.19	1.40
Venezuela		-0.13	1.12	Australia	-0.18	1.31
Shift to Countries						
Gaining Share:[2]		4.91			5.42	

Source: Finance Department.
[1]Based on final rounded figures.
[2]For quota shares, sum for the 54 countries that receive ad hoc increases in the second round. For voting shares, sum for the 135 countries that see an increase.

Proposed Quotas for Members Receiving Ad Hoc Quota Increases			
	Proposed Quota (In millions of SDRs)		**Proposed Quota (In millions of SDRs)**
Albania	60.0	Malaysia	1,773.9
Austria	2,113.9	Maldives	10.0
Bahrain	176.4	Mexico	3,625.7
Bhutan	8.5	Norway	1,883.7
Botswana	87.8	Oman	237.0
Brazil	4,250.5	Palau, Republic of	3.5
Cape Verde	11.2	Philippines	1,019.3
Chad	66.6	Poland	1,688.4
China	9,525.9	Portugal	1,029.7
Costa Rica	187.1	Qatar	302.6
Cyprus	158.2	San Marino	22.4
Czech Republic	1,002.2	Seychelles	10.9
Denmark	1,891.4	Singapore	1,408.0
Ecuador	347.8	Slovak Republic	427.5
Equatorial Guinea	52.3	Slovenia	275.0
Eritrea	18.3	Spain	4,023.4
Estonia	93.9	Syrian Arab Republic	346.8
Germany	14,565.5	Thailand	1,440.5
Greece	1,101.8	Timor-Leste	10.8
India	5,821.5	Turkey	1,455.8
Ireland	1,257.6	Turkmenistan	98.6
Israel	1,061.1	United Arab Emirates	752.5
Italy	7,882.3	United States	42,122.4
Japan	15,628.5	Vietnam	460.7
Kazakhstan	427.8		
Korea	3,366.4		
Latvia	142.1		
Lebanon	266.4		
Lithuania	183.9		
Luxembourg	418.7		

Source: IMF 21/07/2009

APPENDIX C: THE WORLD BANK´S ASSISTANCE

Table C1: GFRP: Summary project status report for externally funded lending and AAA (August 27, 2009)

	Country	Financing Source ($ million)				Status	Type of Operation	Activity
		MDTF Grant Amount*	Russia TF Grant Amount‡	EU Food Facility TF[a]	TOTAL			
Approved								
1	**Senegal**	**8**			**8**	05/06/09	Investment Lending (IL)	Cash transfers and nutrition interventions
2	**Cambodia**	**8**			**8**	06/29/09	Development Policy Operation (DPO)	Agriculture and Social Protection
3	**Tajikistan**		**6.25**		**6.25**	07/17/09	IL	Inputs, livestock health and husbandry
4	**Zimbabwe**	**7**			**7**	07/30/09	IL	Supply of seeds to small holders
	TOTAL	**23**	**6.25**		**29.25**			
Upcoming RVP Approvals								
1	**Vietnam**	**0.25**			**0.25**	September 2009	TA	AAA on Food Security

	Country	Financing Source ($ million)				Status	Type of Operation	Activity
		MDTF Grant Amount*	Russia TF Grant Amount‡	EU Food Facility TF[a]	TOTAL			
2	Sierra Leone	1			1	October 2009	IL	Safety nets
3	Ethiopia			26.98	26.98	September 2009	IL	
4	Gambia			7.42	7.42	October 2009	IL	
5	Guinea Bissau			4.05	4.05	October 2009	IL	
6	Kenya			26.98	26.98	October 2009	IL	
7	Solomon Islands	3			3	November 2009	IL	Additional Financing for the Rural Development Program
8	Kiribati	2			2	December 2009	DPO	Budget support
9	Pacific Islands	1			1	January 2010	AAA	Analytical and diagnostic work on food security

	Country	Financing Source ($ million)				Status	Type of Operation	Activity
		MDTF Grant Amount*	Russia TF Grant Amount‡	EU Food Facility TF[a]	TOTAL			
	TOTAL	**7.25**		**65.43**	**72.68**			
	Grand Total	**30.25**	**6.25**	**65.43**	**101.93**			

* MDTF refers to Food Price Crisis Response Core Multi Donor Trust Fund

‡ Russia TF Grant refers to Russia Food Price Crisis Rapid Response Trust Fund

[a] EU Food Facility TF refers to the European Union Food Crisis Rapid Response Facility Trust Fund. Although the holding currency for this TF is Euro, the country allocations have been converted to US$ using the $1.4098/Euro exchange rate that was used in the TFP for this TF.

Prepared by GFRP Secretariat) [8/27/2009 4:30 PM]

Table C2: **GFRP: SUMMARY PROJECT STATUS REPORT (August 27, 2009)**

	Country	Financing Source ($ million)				Status	Type of Operation	Activity
		FPCR TF*	IDA	IBRD	Total			
Board Approved								
1	**Djibouti**	**5**			**5**	Board approved on 05/29/2008	Development Policy Operation (DPO)	Tax on food reduced, improved social protection targeting
2	**Liberia**	**10**			**10**	Board approved on 05/29/2008	3 Investment Lending (IL) Operations	Infrastructure, seeds, school feeding, nutrition
3	**Haiti**	**10**			**10**	Board approved on 05/29/2008 Project closed on 12/31/2008	DPO	Budget support
			5		**5**	Board approved on 06/25/09	IL	Farmer extension, agriculture sector reform
4	**Madagascar**	**10**			**10**	Board approved on 08/13/2008	DPO	Budget support
			12		**12**	Board approved on	IL	Safety nets

	Country	Financing Source ($ million)				Status	Type of Operation	Activity
		FPCR TF*	IDA	IBRD	Total			
						12/16/08		
5	**Burundi**	**10**			**10**	Board approved on 08/13/2008	DPO	Import tariffs reduced, school feeding
6	**Sierra Leone**	**3**			**3**	Board approved on 08/06/2008	DPO	Import tariffs reduced
		4			**4**	Board approved on 08/13/2008	IL	Safety nets
7	**Rwanda**	**10**			**10**	Board approved on 08/13/2008 Project closed on 12/31/2008	DPO	Fertilizers
8	**Kyrgyz Republic**		**10**		**10**	Board approved on 06/12/2008	2ILs	Safety nets, seeds, nutrition

	Country	Financing Source ($ million)				Status	Type of Operation	Activity
		FPCR TF*	IDA	IBRD	Total			
9	**Tajikistan**	**9**			**9**	Board approved on 06/13/2008	2 ILs	Nutrition, seeds
10	**Yemen**	**10**			**10**	Board approved on 06/26/2008	IL	Safety nets
11	**Moldova**	**7**			**7**	Board approved on 08/08/2008	IL	Safety nets, Nutrition
12	**Central African Republic**	**7**			**7**	Board approved on 08/13/2008	IL	School feeding, inputs, extension, infrastructure
13	**Somalia**	**7**			**7**	Board approved on 09/05/2008	IL	Inputs, irrigation, livestock
14	**Guinea**	**10**			**10**	Board approved on 09/19/2008	2 ILs & DPO	Import tariffs red., safety nets, inputs
15	**Bangladesh**		**130**		**130**	Board approved on 10/28/2008	DPO	Budget support
16	**Afghanistan**	**8**			**8**	Board approved on 08/05/2008	IL	Irrigation

	Country	Financing Source ($ million)				Status	Type of Operation	Activity
		FPCR TF*	IDA	IBRD	Total			
17	**Mozambique**	**10**	**10**		**20**	Board approved on 11/04/08	DPO	Budget support
18	**Niger**	**7**			**7**	Board approved on 08/26/2008	IL	Fertilizers, safety nets
19	**Ethiopia**		**275**		**275**	Board approved on 12/10/2008	2 ILs	Fertilizer, Safety nets
20	**Togo**	**7**			**7**	Board approved on 10/17/2008	IL	Ag. Production, school feeding
21	**Honduras**		**10**		**10**	Board approved on 08/07/2008	DPO	Budget Support
22	**Mali**	**5**			**5**	Board approved on 12/30/08	DPO	Budget support
23	**Southern Sudan**	**5**			**5**	Board approved on 10/03/2008	IL	Inputs, safety nets
24	**Philippines**			**200**	**200**	Board approved on 12/10/2008	DPO	Social protection

	Country	Financing Source ($ million)				Status	Type of Operation	Activity
		FPCR TF*	IDA	IBRD	Total			
25	**West Bank and Gaza**	**5**			**5**	Board approved on 11/12/2008	IL	Safety nets
26	**Guinea-Bissau**	**5**			**5**	Board approved on 09/22/2008	IL	School feeding, safety nets, inputs
27	**Benin**	**9**			**9**	Board approved on 10/25/2008	IL	Fertilizer
28	**Nicaragua**	**7**			**7**	Board approved on 1/21/2009	IL	School feeding, seeds and fertilizers
29	**Nepal**	**5**	**31**		**36**	Board approved on 09/29/08	2 ILs	Safety nets, seeds, fertilizer and food
30	**Kenya**		**50**		**50**	Board approved on 03/31/09	IL	Social Protection
		5			**5**	Board approved on 04/21/09	IL	Inputs
31	**Laos**	**2**			**2**	Board approved on 8/25/2009	IL	Safety nets

	Country	Financing Source ($ million)				Status	Type of Operation	Activity
		FPCR TF*	IDA	IBRD	Total			
		3			3	Board approved on 1/12/2009	IL	Rice Productivity
32	Senegal		10		10	Board approved on 05/6/09	IL	Nutrition and cash transfer
33	Tanzania		220		220	Board approved on 06/09/09	IL	Inputs, irrigation, safety nets
34	Cambodia		5		5	Board approved on 07/09/2009	DPO	Budget support
35	Comoros	1			1	Board approved on 07/10/2009	IL	Safety Nets
	TOTAL	196	768	200	1164			
Pipeline								
1	Senegal		10		10	October 2009	IL	Inputs, livestock, irrigation, rural finance
2	Nicaragua		10		10	October 2009	IL	Seeds
3	Sierra Leone	3			3	October 2009	IL	Safety Nets
4	West Bank and Gaza	3.4			3.4	November 2009	IL	Safety Nets

	Country	Financing Source ($ million)				Status	Type of Operation	Activity
		FPCR TF*	IDA	IBRD	Total			
	TOTAL	**6.4**	**20**		**26.4**			
	Grand Total GFRP	**202.4**	**788**	**200**	**1190.4**			

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