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Financial Sector Review and Strategy

Review of Domestic and International Players in Financial Sector Development

TASK 2 REPORT

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I. Introduction

The first report gave a broad-sweep review of the history of, and efforts to reform, the international financial architecture (IFA). This second report will examine the roles that public and private bodies are playing in strengthening the international financial system as it affects developing countries[1].

There are, however, so many players that it will be impossible to examine them all; consequently two criteria are applied to select the bodies that this report will survey. The first criterion for the selection of a public or private body is the importance of its activities for strengthening the financial system and reducing poverty. The second criterion is the relevance of these activities to the development of a strategy for USAID's future work in the financial sector. Consequently, this report will focus particularly on technical assistance (TA) and financial and in-kind assistance (FA), including loans, grants, guarantees, and investments for individual countries (or regions) because these are areas where USAID is already engaged. It will also extensively discuss surveillance, because such oversight offers an opportunity for USAID to expand its core activities to countries that Bank and Fund surveillance identify as needing technical assistance.

The 26 different organizations, their subsidiary bodies, and activities are examined below and briefly described in Table 1. Of the 26, ten are international bodies that operate world-wide, four are regional development banks (RDBs), seven are country donors, and five are private organizations. The contributions of the different donors selected to reforming the international financial architecture (IFA) are summarized in Table 2. They range from directly organizing the reform of the IFA, to overseeing macroeconomic and financial sector policies and conditions, to lending and other forms of financial assistance, to training, technical assistance, and research.

From the author's assessment of the donor's published reports, eight organizations are involved directly in reforming the financial architecture, 14 are working on data initiatives, 14 oversee macroeconomic conditions, 15 monitor financial sectors, seven develop standards and codes and three monitor these standards and codes. 17 "donors" say that they offer financial assistance in response to financial crises, 16 lend to reduce poverty and promote economic growth, and 16 offer aid recovery from natural disasters and conflicts. Six donors add macroeconomic conditions to their financial assistance and eight append structural conditions. All of the organizations except two (that is, 24 donors) offer technical assistance and/or training facilities. Clearly the field facing USAID is potentially crowded.

[1] *The Task Order instructs the writer to "assess who does what in terms of strengthening, safeguarding, standardizing, and regulating reform of the international financial system as it affects the financial systems of developing countries."*

Table 1 -- Introducing the Players

The Organization and its Subsidiaries	Acronyms	Activities
International Organizations/Operating in Different Regions		
International Monetary Fund	IMF	Provides Surveillance and crisis management
Poverty Reduction and Growth Facility	PRGF	Provides low-cost loans to low-income countries
World Bank Group	WBG	
International Bank for Reconstruction and Development	IBRD	Created to aid post-WWII reconstruction now aids the developing world
International Development Association	ID	Provides loans at low rates to poor countries
International Finance Corporation	IFC	Invests in private businesses
Multilateral Investment Guarantee Association	MIGA	Offers guarantees to developing countries; e.g, against political risk
Bank for International Settlements	BIS	A bank for central banks and a discussion forum for regulators
Financial Stability Forum	FSF	Created by the G-7 to increase international financial stability
Financial Stability Institute	FSI	Created by the G-7 to provide training to improve supervision of financial institutions
Organization for Economic Cooperation and Development	OECD	Originally western, now does research on various economic activties and publishes data worldwide
Paris Club		Reschedules government debts
World Trade Organization	WTO	Regulates world trade (Successor to GATT)
Regional Development Banks		
African Development Bank	AfDB	Offers FA and TA to African nations
Asian Development Bank	ADB	Offers FA and TA in Asia
European Bank for Reconstruction and Development	EBRD	Promotes development in the EU and beyond
Inter-American Development Bank	IDB	Aids development in Latin America and the Caribbean
Multilateral Investment Fund	MIA	Encourages private-sector development in the region
Inter-American Investment Corporation	IIC	Provides financing for small and medium-sized enterprises
Bilatoral Donors		
European Union European Investment Bank, Europe Aid, TACIS, and PHARE	EU EIB TACIS, PHARE	The aid organizations promote development in the EU, countries applying for membership, partner countries, and beyond
France's Agence Francaise de Developpement with Preparco	AfD	Provides financial and technical assistance to the developing world
Germany's Kreditansalt fur Wiederaufbau	KfW	Germany's investment bank for developing countries
Gesellschaft fur Technische Zusammenarbeit	GTZ	Germany's technical assistance arm for developing countries
Japan International Cooperation Agency	JICA	Japan's technical assistance arm for developing countries
Japan Bank for International Cooperation	JBIC	Japan's investment bank for developing countries
U.K.'s Dept. for International Development Commonwealth Development Corporation	DfID CDC	Undertake the UK's development assistance activities for the developing countries
U.S. Treasury's Exchange Stabilization Fund	ESF	Purchases and sells foreign exchange and provides crisis aid
Treasury's Office of Technical Assistance	OTA	Provides technical assistance to developing countries
Agency for International Development	AID	Provides financial and technical aid to developing countries
Private Sector Organizations		
Group of Thirty	G of 30	Influential on major issues
Institute for International Finance	IIF	Protects investors' interests, especially in the major markets
International Committee of the Red Cross	ICRC	Provides humanitarian assistance to member countries
Oxfam	Oxfam	Provides humanitarian assistance worldwide
Standard and Poor's	S&P	A rating service assessing investment risks in developed and emerging markets

Sources: Donors' publications and web-sites.

Table 2 -- Who Does What in the International Financial Architecture

	IFA	Data		Surveillance			Standards & Codes	Financial Assistance					TA
							Monitor		FA for Growth		Conditionality		
Donor Official	Reform	Develop Data	Collect Publ- Data	Macro Econo- mics	Finance Sector	Develop Standards & Codes	Standards & Codes	Crises	Poverty	Recov- ery	Macro	Struc- tural	Training
INTERNATIONAL													
IMF	H	**H**	**H**	**H**	**H**	H	**H**	**H**	L	H	**H**	H	H
IBRD	H	H	H	L	**H**	H	**H**	H	**H**	**H**	L	H	H
IFC		L	L	L	**H**			L	H	H		L	H
MIGA				L	L			L	H	H		L	L
BIS	H	H	H	L	L	H		H					L
FSF	H	L	L										H
FSI			L										H
OECD		H	H	H	H	H							H
Paris Club													
WTO						L							H
REGIONAL DEVELOPMENT BANKS													
AfDB		L	L	L	L			L	H	H	L	L	H
ADB	L	L	L	H	H			H	H	H	H	H	H
EBRD		L	L	L	L			L	H	H	L	L	H
IDB		L	L	L	L			H	H	H	H	H	H
BILATERAL DONORS													
EU		L	L	L	H			L	H	H			H
France								L	H	H			H
Germany								L	H	H			H
Japan								L	H	H			H
UK DFID								L	H	H			H
USAID				L	L				H	H			H
USTreas	H							H					H
PRIVATE SECTOR ORGANIZATIONS													
Group of 30	L	L			L	L							L
IIF	H	H	H	H	H	L							H
ICRC								L	H	H			
Oxfam								L	H	H			L
S&P		H	H	H	H		L						L
NUMBERS	**8**	**14**	**14**	**14**	**15**	**7**	**3**	**17**	**16**	**16**	**6**	**8**	**24**

Sources: Donor publications and websites

Notes:

"H" indicates that the donor's publications place a high emphasis on this topic.

"H" indicates that the donor's publications plcae an ***especially*** high emphasis on this topic.

"L" indicates that the donor conducts this activity, but the publications do not emphasize it.

Blank indicates that the analysts undertaking this study did not observe this activity in the donor's publications.

The next section of this report explores the bodies involved in reforming the IFA and their activities. Section 3 looks at surveillance--first at policies and conditions in the macro- economy and in the financial sector, second at data initiatives, and third at organizations working to develop/improve standards and codes of good practices in various segments of the international financial system and other bodies that monitor their implementation. Financial and in-kind assistance in the form of loans, grants, guarantees, and investments for individual countries (or regions) is examined in Section 4. Such assistance encompasses aid to prevent and manage crises, combat poverty, and help recovery from natural disasters, wars, or acts of terrorism. Also considered in this section are issues related to conditionalities that typically accompany lending by the International Monetary Fund (IMF) and the multilateral development banks (MDBs). Section 5 examines the activities of the many organizations that offer training and technical assistance to help countries strengthen their financial systems. It examines the types of assistance offered and the countries that benefit from it. Section 6 concludes.

II. Organizations Reforming the International Financial Architecture

As was pointed out in the first report, concerns about the organization and activities of the international financial institutions (IFIs) had been expressed before the emerging markets financial crises began in the mid-1990s[2]. The impetus for examining these topics came initially from the private sector; for example, the Bretton Woods Commission, which issued its report in 1994. As the Commission was composed of senior executives from financial institutions world wide, it might be expected to perceive profit opportunities in the existing arrangements. These arrangements gave rise to moderate volatility in rates and flows, which the private sector hoped would not lead to debtor default; and, if default threatened, it anticipated international aid to forestall it. Criticism of the moral hazard inherent in the status quo came mostly from conservative academic and think-tank critics in the United States and from policymakers in Europe[3].

The bodies that will be discussed in this section are importantly involved in financial architecture reform. They are country groups (G-7, G-10, etc), the Bank for International Settlements (BIS), the Financial Stability Forum (FSF), the Financial Stability Institute (FSI), the IMF, the World Bank Group, the Regional Development Banks (RDBs), and the U.S. Treasury.

II-A. The G-7, G-10 and other Gs

The country groups are shown in Table 3. The G-7, G-10, and their deputies are best known because they meet most frequently and regularly. When concerns about the IFA were exacerbated on government level by successive crises in Mexico, East Asia, Russia, and Latin America, the major industrial countries in the G-7 were joined by other developed countries in the G-10 and by emerging market countries in the G-22 and G-30 in calls for action. In particular, Finance Ministers and Central Bank Governors from "a number of systematically significant economies" created Working Groups on Strengthening Financial Systems, International Financial Crises, and Transparency and Accountability that issued their reports in October 1998. In April 1999, the G-7 decided not to fundamentally change the IFA but to bring national and international institutions together in a new body--the Financial Stability Forum (FSF)--to be hosted and serviced by the BIS and supported by the newly created Financial Stability Institute.

[2] *See, for example, the Bretton Woods Commission, an international group of private senior individuals with experience in international finance and development, convened by Paul Volcker, which issued a report in July 1994 to celebrate the 50th anniversary of the "Bretton Woods twins."*

[3] *Michael Bordo, Charles Calomiris, James Dorn, Allan Meltzer, William Niskanen, Jeffrey Sachs, and Anna Schwartz, come to mind. Blustein (2001) reports that some European countries, especially Germany and the U.K., became increasingly concerned about large "bailouts" during the 1990s.*

Table 3 -- Official Country Groups

Name	Start	Membership	Activities
G-5	1967	France, Germany, Japan, U.K., and U.S.	Plaza Accord, exchange rates
G-7	1976	G-5 plus Canada, and Italy	Consultation, IFA, debt, interest and exchange rates, meetings of central bank governors + ministers of finance
G-10	1962	G-7 plus Belgium, Netherlands, Sweden, and Switzerland	Favored IMF General Agreement to Borrow (GAB)
G-77	1964	77 developing countries	Discussed mutual interests
G-20		G-7, Argentina, Australia, Brazil, China, India, Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, EU, IMF and World Bank	Committed its members to participating in FSAPs and ROSCs
G-22	1972	22 of the G-77 developing countries	Interested in IMF gold sales and IFA: reported on financial crises
G-24	1989	24 industrial countries.	Focused on aid to Eastern Europe and the CIS
G-30[4]		Broad group of industrial, emerging and developing countries	Discusses matters of mutual interest

Source: Bakker (1996, pp.166-176), updated by the author.

II-B. The FSF and FSI

The Financial Stability Forum (FSF) was created in February 1999 and was charged with promoting financial stability by identifying incipient vulnerabilities and formulating policies to address them. Its membership is shown in Box 1. It might be noted that the list of members does not refer to experts on some of the financial activities (accounting, auditing, insolvency regimes, pension systems, corporate governance, and money laundering) that are monitored under the 12 standards and codes. The reason is that the FSF is composed of experts from the public sector, while the omitted subjects might best be represented by the private sector. This deficiency is countered to some extent by the ability of the Bank and the Fund, regulators, and central bankers to discuss these subjects, but it may also offer a target of opportunity for USAID to provide input on designing and improving these standards. USAID prides itself on its contacts with the private sector and could put them to good use in this instance.

In order to reduce systemic risk the FSF aims to improve the functioning of markets and to enhance the exchange of information and cooperation in supervision and surveillance[5]. It tries to achieve these objectives by developing and

[4] *Thre is also a separate Group of Thirty composed of senior executives from major financial institutions.*

[5] *The FSF has 41 members from 11 mature economies. Its Working Groups also include representatives from 20 emerging-market countries*

implementing internationally agreed standards and codes of good practice, and improving the sources and exchange of information among supervisors. It began its work by creating Working Groups on (1) highly leveraged institutions, (2) volatile capital flows, and (3) offshore financial centers. Additional Working Groups reported later, (4) on insurance and re-insurance, (5) development and implementation of standards and codes, (6) winding down large complex financial institutions, (7) diminution of liquidity in traded markets, (8) e-finance, and (9) deposit insurance. The FSF also publishes periodically a compendium listing researchers working on public sector financial stability. The Working Groups' ensuing reports are available on the FSF's web-site (www.fsforum.org).

Box 1 -- The Financial Stability Forum

The forum brings together on a regular basis senior representatives from:

- national authorities of important financial centers (Australia, Canada, France, Germany, Hong Kong, Italy, Japan, the Netherlands, Singapore, the U.K. and the U.S.),
- international financial institutions (BIS, IMF, OECD, and the World Bank),
- international regulatory and supervisory bodies (the Basel Committee on Banking Supervision, the International Association of Insurance Supervisors, and the International Organization of Securities Commissioners), and
- committees of central bank experts (for example, the Committee on the Global Financial System and the Committee on Payment and Settlement Systems).

Source: FSF (2001, p. 19).

The FSI conducts conferences where public and private research on topics relating to financial sector regulation takes center stage. It complements training offered by the Bank and the Fund and it coordinates training for developing market regulators by more experienced regulators from 32 regulatory bodies. It has been criticized for focusing almost exclusively on banking regulation in its early work, but is now moving to broaden its focus.

II-C. The Bank for International Settlements

The FSF and FSI both come under the auspices of the BIS, which was established in 1930 (making it the oldest IFI) as a bank for industrial-country central banks. Pursuing its long quest for international financial stability, the BIS offers a forum for discussions of monetary and financial cooperation, hosts meetings, provides facilities for various committees, and is very active in IFA questions. For example, it hosts the Basel Committee for Bank Supervision (BCBS) and other standard-setting bodies and typically provides their secretariats[6]. The BCBS code and code for systematically important payment systems are located on its web site (www.bis.org). As the bank for central banks, it provide for a broad range of banking services, especially by assisting countries in operationally managing (for example, depositing, storing and transferring) their international reserves.

[6] *The BIS cooperates with regional associations-CEMLA (Centro de Estudios Monetarios Latinamericanos), EMEAP (Executive Meeting of East Asian and Pacific Central Banks), SEANZA (Central Banks of Southeast Asia, New Zealand and Australia), SEACEN (Southeast Asian Central Banks), SAARC (South Asian Association for Regional Cooperation), AMF (Arab Monetary Fund), GCC (Gulf Cooperation Council) and SADC (Southern African Development Community).*

Its strong financial position and unusual political independence enables the BIS to play an important role in IFA issues. While the BIS uses the gold franc as its unit of account,[7] in March 2001 it had US$147 billion in assets, over US$6 billion in capital, held 7% of the world's foreign exchange reserves, and had made a net profit of US$527.5 million during its financial year. The venerable institution conducts research in house and offers opportunities for central bankers and regulators to present their research to each other at conferences. Until recently, it was criticized for confining its membership and opportunities to officials from major industrial countries. However it has opened its doors in recent years to major emerging markets. For example, outreach was conducted worldwide for the Basel Core Principles and deposit insurance initiative.

II-D. The IMF

The IMF appears to have taken to heart the strong criticism it has received recently. It has many new faces--the Managing Director, Deputy Managing Director, Directors of four leading Departments (Policy Review and Development, Asia Pacific, Research, and Capital Markets), plus a new U.S. Executive Director to wield what is, in effect, the only veto vote on the Executive Board.[8] As can be seen in its publications, the IMF is in the process of energetically reforming itself. It is: (1) adjusting its lending policies and facilities, (2) streamlining conditionality, (3) focusing down on core competencies, (4) increasing transparency; (5) persuading member countries to be more open (6) improving the quality of data it collects, (7) helping to develop and implement standards and codes; (8) improving surveillance of the financial sector in its Article IV consultations through Financial Sector Assessments (FSAPs), Reviews of Standards and Codes (ROSCs), and early warning indicators in order to avoid contagious crises, (9) establishing measures to effect appropriate sequencing for capital account liberalization, (10) searching for sustainable exchange rate regimes, (11) creating an office for external evaluation of IMF programs and (12) trying harder to involve the private sector in forestalling and resolving crises. It has eased the funding crunch it faced during the Asian crisis by increasing quotas by 45 percent, and making New Arrangements to Borrow additional funds (NAB) to supplement the earlier General Agreement to Borrow (GAB). Through these actions the Fund is hoping to change itself and help to stabilize the international financial system.

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[7] *The gold franc is an artificial currency defined as 0.29032285 grams of gold. Consequently, its exchange rate against the dollar varies with the dollar value of gold.*

[8] *In line with its financial contribution ("quota"), the U.S. Executive Director carries 17.16% of the votes. Countries' voting rights are adjusted from time to time as their quotas (as determined by the IMF Board) change. While the IMF Executive Board reaches agreement by consensus and rarely takes formal votes, board members understand that the most important decisions require an 85% majority.*

Transparency at the Fund

As recently as in 1997, IMF publicly released very few documents. Even IMF staff on crisis missions was sometimes denied access to Letters of Intent (LOIs) and Memoranda of Economic and Financial Policies (MEFPs), in which borrowing countries laid out the steps they would pursue to remedy deficiencies in their policies and infrastructure. The IMF secrecy was criticized as a factor contributing to international instability. Since then, there has been a sea- change in information disseminating policies and the IMF reveals a large number of documents on its web site (www.imf.org). As shown in Appendix II, its documents fall into four categories: (1) released, (2) presumed to be published, (3) released voluntarily by the country involved, and (4) confidential.

Table 4 shows that through March 2001 over one quarter of IMF membership had subscribed to the Special Data Dissemination Standard (SDDS), with the Asian and Eastern European countries being the most compliant. Eighty percent of all IMF members had allowed a Public Information Notice (PIN) to be placed

Table 4 -- Transparency at the Fund *(Through March 2001)*

Initiatives	Africa	Asia	Eastern Europe	Latin America	Middle East	Rest of World	Total IMF Members
Number of Countries	44	9	15	14	23	78	183
SDDS subscriber							
Number of countries	1	7	10	8	0	22	48
Percentage	2%	78%	67%	57%	0%	28%	26%
PINs published							
Number of countries	33	8	15	13	9	68	146
Percentage	75%	89%	100%	93%	39%	88%	80%
Article IV Staff Reports Published							
Number of countries	8	1	11	5	4	32	61
Percentage	18%	11%	73%	36%	17%	41%	33%

Source: Le Gall and Nsouli (2001, p. 16)

Notes: SDDS stands for the Special Data Dissemination Standards, PINs are Public Information Notices that are issued by the IMF's Board after, for example, board discussions of Article IV reports of the Fund's (typically annual) assessment of the country's condition and policies.

on the IMF web site after a discussion by the Executive Board. Eastern European, Asian, and Latin American countries had 89 percent more publications of PINs than other regions. One third of IMF members had publicly released an Article IV report, with Eastern Europe showing the greatest openness in this respect.

Despite the progress made, there is an on-going debate on transparency issues within the 24-member Executive Board that governs the IMF. The Fund sees a need "to balance the role of the Fund as confidential advisor in surveillance and lending operations with the desirability of the provision of timely and accurate information to the public. Executive Directors had emphasized the importance of greater transparency to the functioning of the markets in an environment of substantially increased private capital movements[9]". Some Directors feared, however, a loss of candor by national authorities and a trend toward negotiating with staff what would be said in the reports. The Fund will revisit the issue of yet further transparency and may ultimately consider, for example, whether to publicly release FSAP and technical assistance reports. (See Appendix II.)

II-E. The World Bank Group

The World Bank Group includes the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA--the concessional lending arm), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Association (MIGA), and the International Centre for Settlement of Investment Disputes (ICSID).

The Group's publications give a different impression from those of the IMF--of continuity in its fight against poverty rather than change[10]. The Bank does not seem to have energized self-reform to avoid outside interference, but this appearance may be deceptive. There is, for example, a new strategy for the financial sector to accommodate financial sector assessments (FSAPs) and Reviews of Compliance with Standards and Codes (ROSCs). There is also a shift away from direct lending to Governments or to state-owned banks to fund development projects because such lending has been found to impede the development of the private financial sector[11]. Moreover, the Bank points out that it has "changed dramatically" its priorities since 1980 by shifting from investing in physical infrastructure to health, education, and social protection[12].

TRANSPARENCY IN THE BANK

The Bank has long been perceived to be more open than the Fund and was less criticized for secrecy; nevertheless it has taken steps to release more information.While this issue is not discussed prominently in the Bank's Strategy for Financial Sector Reform, the World Bank's 2001 Annual Report (p.58) states, "The Bank has tripled the resources accessible through the Financial Sector Web site, adding online databases that allow users to access banking laws and compare information about how banks are regulated and supervised around the world." The Bank's debt tables are an invaluable source of information on capital flows.

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[9] *See PIN No. 01.3, page 1.*
[10] *See the World Bank's Annual Report for 2001.*
[11] *See Strategy for the Financial Sector, August 2000.*
[12] *See the Bank's web site article, 10 Things You Never Knew About the World Bank.*

II-F. The Regional Development Banks

The principal regional development banks are the African Development Bank, (AfDB), Asian Development Bank (ADB), European Bank for Reconstruction and Development (EBRD), and the Inter-American Development Bank (IDB). The ADB has raised the possibility of creating a crisis-lending facility for its Asian members. With this exception the development banks are continuing to adjust to the changing environment, without undergoing dramatic changes. Rather, they are returning to the priorities they held before the regional crises in Latin America, Asia, Russia and Eastern Europe forced them into crisis mode. At the same time, they are adjusting their operations to the new 21st century environment.

II-G. The U.S. Treasury

The G-7 convened the FSF and their central banks constitute the original core of BIS membership, which has only recently been extended to emerging markets. While there is no time to investigate the individual positions of the G-7 finance ministers on questions related to the IFA, the position of the U.S. Treasury is vital to this report and USAID's future role. The attitude of the new administration, revealed by Treasury Secretary O'Neill in (Box 2), will influence the opportunities open to USAID as it redesigns its strategy for the 21st century. Moreover, the U.S. is the most powerful voice in the IMF, WB, and IDB where, in each case, it is the largest shareholder[13]. (See Blustein, 2001.)

The Clinton Administration was unambiguously supportive of the IMF and the World Bank and favored/encouraged the large loans made to Mexico, East Asia, Russia, Brazil, Turkey and Argentina. The Report by the Council of Foreign Relations was broadly supportive but offered some suggestions for reform. It might be expected that this approval has changed with the new administration. As pointed out in the first report, the then Republican Congress's International Financial Institutions Advisory Commission (the "Meltzer Report") was critical of IFI performance, with some members calling for the abolition of the IMF and restructuring and diminution of the role of the World Bank. Before they took office, the Treasury Secretary and Deputy Secretary for International Finance both expressed reservations about the role and performance of the Bank, the Fund, and the U.S. as a bilateral donor and wanted the IMF to make smaller loans.

When the U.S. gives emergency bilateral assistance it does so from the Treasury Department's Exchange Stabilization Fund (ESF), which was created in 1934. The ESF was used initially to buy and sell foreign exchange in order to influence the rate of exchange, but increasingly in the 1980s came to be used to make emergency loans to countries experiencing a financial crisis. In 1995,

[13] *Japan and the U.S. are equally the largest shareholders in the ADB, each with 13% of quotas.*

Box 2-- Treasury Secretary O'Neill on the Bush Administration's Policy on IFI Reform

In his speech to the Economic Club in Detroit on June 27, 2001, Treasury Secretary said:

On the Multilateral Development Banks

- The multilateral development banks (MDBs) should provide funds only to projects that would increase productivity, and "make real products for real customers in competitive markets."
- "There are three elements to raising productivity: (1) improvements in human knowledge, (2) new and better physical capital, and ongoing entrepreneurial activity."
- "So I would like to see the MDBs place greater emphasis on education." (It has been only 7% of World Bank lending over the past 5 years.)
- "To raise productivity, you need open trade and stable capital markets."
- To create an entrepreneurial environment, and "spark innovation you need the rule of law, enforceable contracts and a stable government process with a minimum of corruption."
- We "also need to become more rigorous about measuring results."
- "We now understand that investing in agriculture while creating the environment to diversify into competitive, privately owned manufacturing is the key to development."
- The MDBs should make more grants and fewer loans where the interest and principal were not expected to be repaid.
- "MDBs should focus their resources on countries that do not have access to the private capital markets."

On the IMF

- The IMF should focus down on its core objectives. These are "to (1) promote sound monetary, fiscal, exchange rate, and financial sector policies, (2) carefully monitor economic conditions, and (3) deal with critical problems in the international financial system as soon as they are detected."
- "In the late 1990s, the IMF went well beyond these core objectives; putting too many conditions on some loans and putting too much money into some places in the face of dubious economic and political conditions."
- "Crises strike when there is a failure to detect financial stresses or imbalances, or when there is a failure to take necessary decisions to reduce the stresses…"
- "Conditionality can be substantially reduced."
- "Exaggerating the possibility of contagion leads to too-frequent intervention" and moral hazard.

On Recent Financial Crises

- The new administration inherited crises and could not start from scratch, but it is making changes:
- In contrast to the previous administration's policy, the U.S. did not provide bilateral assistance to Turkey.
- Rather, crisis lending should come from the IMF. As its resources are limited, this implies that there are "limits on what the official sector will do" in crisis situations.
- The U.S. insisted on "a firm commitment," on the record from the top leaders of the country as to ownership for the changes that must be made as a condition for aid.

the Clinton Administration used the ESF to give Mexico access to an unusually large credit of $20 billion in conjunction with loans from the IMF, World Bank, IDB, BIS, and other bilateral donors. Congress criticized the use of the ESF and passed the Mexican Debt Disclosure Act, which imposed a number of onerous reporting requirements on the Secretary of the Treasury pertaining to the use of the ESF. Congressional opposition curtailed the use of the ESF through 1997. By 1998, the Southeast Asian financial crises together with the apparent success of the Mexican rescue prompted Congress not to renew the impediments to ESF lending. Although the Clinton Administration was prepared to use the ESF to aid Indonesia, Korea, and Brazil, it did not do so. The Clinton and the subsequent Bush Administrations, have been mindful of the potential for Congressional opposition to such use (Henning, 1999).

The Bush Administration now wishes to delegatge crisis lending to the IMF, to reduce crisis funding. However, these changes are to be introduced over the long-term as crisis lending will not be curtailed "cold-turkey." Consequently, the administration initially supported large loans to Brazil, Argentina, and Turkey. Nevertheless, Argentina's deterioration in late 2001 to default and subsequent devaluation represents a testing of the new, more limited approach to crisis assistance[14].

II-H. A Summary of IFA Activities

The BIS is playing a catalytic role in designing and implementing a new financial architecture. For a while after the Asian crisis and subsequent criticisms of the IMF, it appeared that IMF was energetically changing itself to meet the challenges of the 21st century. The World Bank and the regional development banks are conducting "business as usual" with some necessary adjustments. The U.S. Treasury currently believes it is important to prevent crises by improving surveillance and installing early warning systems as it aims in the long term to reduce crisis lending and shift the reduced lending to the IMF. Treasury also aims to redirect IFI lending toward raising productivity through education, making markets competitive and improving the legal and political infrastructure. This is an important message for USAID as it rethinks its strategy in a new international environment changed by economic slowdown, political events, and terrorist attacks.

[14] *Regarding Transparency, the U.S. Treasury is subject to the Freedom of Information Act and maintains a web site at www.ustreas.gov. Information on U.S. positions is also available at http://usinfo.state.gov*

III. Surveillance

There have long been assessments of countries' macroeconomic policies in both the public and private sectors. World-wide and country assessments are now being significantly strengthened by increased use of early warning indicators and greater appreciation of the interplay between sound macroeconomic policies and strong financial systems. Improvements in data sources allow the private markets better opportunities to assess the investment risks they are taking. International agreements on standards/codes aim to increase resiliency in countries' financial systems. This section describes monitoring the implementation of these standards and codes.

Good surveillance requires (1) the collection and distribution of data that is essential to assessing the health of economies. It also entails (2) the evaluation of the appropriateness of each country's macroeconomic policies. Since the mid-1990, it has become recognized that good economic policies and a sound financial system are both essential to financial stability; consequently, (3) domestic financial systems are today examined for soundness. To strengthen macroeconomic policies and enhance financial sector soundness (4) successes and failures in implementing international standards and codes are now also examined. Surveillance is carried out principally by public bodies, but private organizations, such as the rating agencies Standard and Poor's (S&P), Moody's, and Fitch, also play a role.

III-A. Macroeconomic and Financial Sector Surveillance

This is a prime, "core" activity of the IMF. The IMF's Fourth Article of Agreement states that "The Fund shall oversee the international monetary system to ensure its effective operation, and shall oversee the compliance of each member with its obligations…". To fulfill this role, the Fund conducts global oversight in its biannual World Economic Outlook (WEO) and it Capital Markets reports. While it also does some regional surveillance, it conducts its oversight role for individual countries mainly via a country's annual Article IV examination. Countries may voluntarily place their Article IV reports on the IMF web site: 61 countries (45 percent of the 136 countries having an Article IV examination in fiscal year 2001) have done so.

The analytic framework, the content, and the format for Article IV assessments are standardized within the IMF. Upon joining the Fund, each staff member receives extensive training in the IMF's approach to macroeconomic analysis. The IMF Institute provides frequent courses in "IMF programming" for foreign officials and their staffs so that IMF procedures are understood worldwide. The programming exercise still does not fully address financial sector problems.

Until recent years, Fund surveillance focused on the economy (that is, on the real, fiscal, monetary, and external sectors) and neglected of the conditions of the financial sector. The IMF has now joined the World Bank in assessing the condition of countries' financial sectors in the Financial Sector Assessment Program and Review of Standards and Codes. While FSAP assessments are not published, the IMF attaches a Financial Sector Stability Assessment (FSSA) and the World Bank makes a summary Financial Stability Assessment (FSA), which are published with the consent of the recipient country.

The IMF is now also devoting resources to undertake assessments of Offshore Financial Centers (OFCs) in order to review and analyze the extent to which OFCs meet international banking, securities, and insurance standards and to determine if action is needed for those standards to be met. This activity has assumed greater importance since the events of September 11, 2001, which brought into prominence the tracking of illegal, especially terrorist, sources of funds. Participation in the offshore program is voluntary and technical assistance is offered. These assessments are intended to increase cooperation among supervisory bodies. Countries elect to have their reviews published on the IMF web site. The first such assessment (for Cyprus) was published on Aug. 20, 2001.

III-B. Data Collection and Dissemination

The BIS and the World Bank have long been major sources for data and analysis on developments in the international banking and financial markets and, in particular, information on country indebtedness, international debt securities, exchange-traded and over-the-counter derivatives. This data is published in the inter-agency semi-annual Statistics on External Debt.

The **OECD** has perceived the need for homogeneous data on the provision of foreign aid. It provides comparable data on the amounts of aid given by bilateral donors and that received by developing countries. In 1999 it issued a systematic and detailed classification of the sector destinations of foreign aid and asked its members to report data to it. The organization tabulates and publishes this data, which could help donor countries to determine the sectors of the economy lacking assistance and recipient countries to identify suitable donors. The codes relevant to the financial sector are not, however, placed together in a readily identifiable fashion. (See Box 3.)

The **IMF** publishes monthly (and annual) country-by-country data going back to at least 1968 for many countries in its International Financial Statistics, which encompasses macroeconomic data on national income and output, population, money and credit aggregates, exchange rates, and international trade and reserves. Beginning in 1995 the IMF began a major initiative to improve the quality of the data it supplies by setting standards for data preparation and dissemination. As shown in Table 5, these standards have two tiers. The first tier is the General Data Dissemination Standard (GDDS) that is applicable to all members. The data-improvement process began by educating and training staff around the world (using country role models) and developing metadata

Box 3 -- Data from OECD's Development Assistance Committee

The OECD's Working Party on Statistics modified its Creditor Reporting System in 1999. The resulting classification table that determines the sector of aid destination extends over 15 pages that cover the sector of destination, the form or type of the aid, and its policy objectives. Three-digit codes relate to different economic or social sectors: code 100 relates to social infrastructure and services, 200 to economic infrastructure and services, 300 to production sectors and 400 to multi-sector destinations. Codes, 500, 600, 700, and 900 relate to general aid that is not sector-specific. For each aid destination, the member country is asked to give the value (in US dollars) of investment projects, program aid, technical cooperation, grants, in-kind assistance, and other flows. While there is no special code series for financial sector activities, particular codes of interest for this study are listed in the table below. There is no specific code for financial sector activities. Information has to be gleaned from a number of codes as shown in Table 5.

(data templates) for the real, fiscal, financial and external sectors and, with help from the World Bank, socio-demographic data. In all cases, the aim was to improve the coverage, frequency and timeliness of information. By November 2001, 36 countries had subscribed to the GDDS.

The second tier of data standards is the Special Data Dissemination Standard (SDDS), which applies to members seeking access to the international capital markets. It guides such countries in meeting the capital markets' more demanding standards for data. By November 2001, 47 of IMF's 183 members (mostly industrial and capital-importing emerging markets that are listed in Table 6) had subscribed to the

Table 5 -- OECD/DAC Definitions of Aid to the Financial Sector

DAC Code	Description	More Detail
150	**Government and Civil Society**	
15010	Economic and Development Policy/Planning	Macroeconomic, fiscal and monetary policy, forecasting, structural reforms
15020	Public Sector Financial Management	Strengthening accountability and public expenditure management
15030	Legal and Judicial Development	Strengthening laws and legal/judicial systems
240	**Banking and Financial Services**	
24010	Financial policy and administrative management	Finance sector policy, planning and programs, institution capacity building, financial markets and systems
24020	Monetary institutions	Central banks
24030	Formal sector financial intermediaries venture capital etc.	All formal intermediaries; insurance, leasing,
24040	Informal/semi-formal financial intermediaries	Micro credit, savings and credit cooperatives, etc.
24081	Education/training in banking and financial services	
311	**Agriculture**	
31193	Agricultural financial services	Financial intermediaries for the agricultural sector
321	**Industry**	Direct support to SME development including
32130	SME development	accounting, auditing, and advisory services

Source: DAC: Reporting on the Purpose of Aid: Classification by Sector of Destination, July 1999.

SDDS. The IMF Board has supported staff efforts to use data on core statistical indicators reserves to assist surveillance and an country-specific benchmarks towards improving data on reserves, foreign currency liquidity, and external debt.

The IMF came only recently to consider issues related to data on the health of country's financial sector. The provision of comparable data across countries is plagued by fundamental differences in countries' accounting practices in general and their regulatory requirements regarding loan classification and provisioning, in particular. Until these issues are resolved, international comparisons of capital adequacy will remain impeded. There may be an opportunity for AID

Table 6 -- IMF Data Initiative

Initiative	Objectives	Subscribers (as of Nov. 4, 2001)
GDDS 1997	To guide developing countries in the provision to the public of comprehensive, timely, accessible, and reliable economic, financial and socio-demographic data. There are 4 dimensions: (1) data coverage, periodicity and timeliness, (2) access by the public, (3) integrity of the disseminated data, and (4) quality of the disseminated data as it relates to the four sectors of the economy.	36: Albania, Antigua and Barbuda, Armenia, Azerbaijan, Bangladesh, Barbados, Benin, Bolivia, Bulgaria, Cameroon, Cote d'Ivoire, Dominica, Fiji, Gambia, Grenada, Jordan, Kazakhstan, Kuwait, Kyrgyz Republic, Mali, Malta, Mauritius, Mongolia, Nepal, Panama, Paraguay, Romania, St Kitts and Nevis, St. Lucia, St, Vincent and the Grenadines, Senegal, Sri Lanka, Tanzania, Uganda, Venezuela, and Yemen.
SDDS 1996	To guide countries that have or might seek access to the international capital markets in the preparation and dissemination of economic and financial data. There are 18 categories in 4 dimensions: coverage, periodicity and timeliness of data, access by the public, integrity of the disseminated data, and quality of the disseminated data.	47: Argentina, Australia, Austria, Belgium, Brazil, Canada, Chile, Colombia, Croatia, Czech republic, Denmark, Ecuador, El Salvador, Estonia, Finland, France, Germany, Hong Kong SAR, Hungary, Indonesia, Ireland, Israel, Italy Japan, Korea, Latvia, Lithuania, Malaysia, Mexico, Netherlands, Norway, Peru, Philippines, Poland, Portugal, Singapore, Slovak Republic, Slovenia, South Africa, Spain, Sweden, Switzerland, Thailand, Tunisia, Turkey, U.K. and U.S.
DQRS	To create a common understanding of data quality by providing access to related articles and other sources.	Available on line to every member country and to anyone interested.

Source:
http://dsbb.imf.org

Notes: GDDS stands for the General Data Dissemination Standard, SDDS is the Special Data Dissemination Standard and DQRS is the Data Quality Reference Site available on the internet for countries to consult.

to play a constructive role here by supporting the work of the standard-setting bodies and focusing on implementing these standards and codes in the countries to which USAID provides technical assistance.

III-C. Developing Standards and Codes

Much of the design work for the new international standards and codes of good practice is being done by groups of government regulators, IFI staff, and private professionals. The IMF and the World Bank have participated in the design of many of these standards and codes.

The BIS has been a catalyst in this activity by providing the secretariat for many associations and hosting their meetings. The regional development banks have played smaller roles. Individual governments will have had influence on the design processes through their country's participants[15].

As an aid to macroeconomic stability, the IMF has developed a Code of Good Practices on Fiscal Transparency, a second Code of Good Practices on Transparency in Monetary and Financial Policies, and has set standards for good data. It is also cooperating with the OECD and Financial Action Task Force (FATF) in designing standards to combat money-laundering. The World Bank is working to establish a common set of standards declaring corporate insolvency and handling the failed firm. It has also cooperated with the OECD in designing standards for good corporate governance. The BIS' Basel Committee on Banking Supervision (BCBS) has established a set of 25 Core Principles for Effective Banking Supervision and its Committee on Payment and Settlement Systems (CPSS) has designed standards for systematically important payment systems. Standards for the securities and insurance markets have been produced by the International Organization of Securities Commissions (IOSCO) and the International Association of Insurance Supervisors (IAIS), respectively. The International Accounting Standards Committee (IASC) and the International Federation of Accountants (IFA) have built standards for accounting and auditing, respectively. There are no standards in this set for other parts of the financial system, such as pensions or housing finance. This laguna may present an opportunity for AID to act constructively.

III-D. Monitoring the Implementation of Standards and Codes

The G-7 and the FSF have allocated the task of monitoring compliance with standards and codes to the IMF and the World Bank. This responsibility has placed a substantial burden on the Bank and the Fund and demanded a substantial reallocation of resources away from their traditional roles. While many standards and codes are mentioned in the literature, the IMF and WB plan to monitor 12 modules (standards), divided into 3 groups. As shown in Table 7, oversight of the first group falls to the IMF, the second is monitored jointly by the Bank and the Fund, and the third group is overseen by the Bank. The assessments of observance are done in the form of Reports on the Observance of Standards and Codes (ROSCs), which are usually undertaken in the context of an IMF-World Bank Financial Sector Assessment Program (FSAP). FSAPs aim to assess a country's financial strengths and vulnerabilities and may also identify priorities for development[16]. The focus is on providing feedback to country authorities on what they need to do to address the weaknesses that have been identified.

[15] *There have, for example, been extensive discussion between the International Accounting Standards Committee (IASC) and the U.S. FASB (the Financial Accounting Standards Board) on international accounting standards.*

This feedback has led to a substantial increase in countries' demands for technical assistance to remedy deficiencies identified during the monitoring process. The Bank and the Fund would welcome the assistance and cooperation

Table 7 -- The Twelve Standards and Codes

Modules/Date	Name of Standard or Code	Design	Monitor
Monitored by the IMF			
Data Dissemination 1996/7	Special Data Dissemination Standard (SDDS) General Data Dissemination System (GDDS) http://dsbb.imf.org	IMF IMF	IMF IMF in ROSC
Fiscal Transparency	Code of Good Practices on Fiscal Transparency in www.imf.org/fiscal	IMF	IMF in ROSC
Monetary and Financial Policy Transparency 1999	Code of Good Practices on Transparency in Monetary and Financial Policies www.imf.org/monfintransparency	IMF	IMF in FSAP
Banking Supervision 1997	Core Principles of Effective Banking Supervision www.bis.org/publ/bcbs30a.html	BIS'Basel	IMF in FSAP Committee
Monitored Jointly by the IMF and the World Bank			
Securities Markets 1998	Objectives and Principles for Securities Regulation www.iosco.org	IOSCO	IMF/WB
Insurance Supervision 2000	Insurance Supervisory Principles www.iaisweb.org/framesets/pas.html	IAIS	IMF/WB
Payments Sytems in 2001	Core Principles for Systematically Important Payment Systems www.bis.org/publ/cpss43.html	BIS'CPSS	IMF/WB
Money Laundering 1996	Adaptation of the 40 recommendations to prevent money laundering www.oecd.org/fatd	FATF/IMF	IMF/WB in ROSC
Monitored by the World Bank			
Corporate Governance 1999	Principles of Corporate Governance www.oecd.org/daf/governance/principles.html	OECD WB	WB in ROSC
Accounting	International Accounting Standards www.iasb.org.uk For banking www.bis.org For securities and insurance in process www.iosco.org	IASB	WB in ROSC
Auditing	International Auditing Practice Statements (IAPS) www.ifac.org	IFAC	WB in ROSC
Insolvency Regimes and Creditors' Rights 2001	Standard under development www.worldbank.org www.uncitral.org/en-index.html www.imf.org/external/pubs/ft/orderly/index.html	WB, UNCITRAL IMF, INSOL	WB in ROSC
In general, ROSC can be found at:	www.imf.org/external/np/rosc/index.html www.worldbank.org/ifa/rosc/html		

Source: IMF SURVEY Supplement (September 2001 p. 20) and FSF (2001).

[16] *All FSAPs monitor Monetary and Financial Transparency and the Basel Core Principles. Country circumstances determined whether other codes are monitored.*

of other donors in meeting these demands. The two IFIs have stated that they lack the resources to meet both the increased demands for TA and their obligations to continue monitoring countries' conditions.

FSAPs and ROSCs

The FSAP and ROSC programs were initiated by the international community to help stabilize the international financial system. Hence, they focus on internal and external vulnerability and the propensity of any country's financial system to lead to contagion internationally. They were not designed to evaluate a country's developmental needs or to help it to grow and reduce poverty. The materials presented in the sections that follow on financial assistance and technical assistance suggest that many donors are offering the same kind of assistance and are serving the same countries. This raises a question whether the FSAP and ROSC programs need to be adapted to give greater consideration to developmental needs or whether some other mechanism needs to be created to plan and coordinate so that international financial and technical assistance can be used efficiently and effectively.

Participation in ROSCs and FSAPs is voluntary. That is, a country may chose whether to not allow the Bank and Fund to visit the country to conduct an ROSC and FSAP. ROSCs may be published, but FSAPs are not released publicly. As shown in Table 7, of the IMF's 183 members, 40 countries had participated in a ROSC by spring 2001. These reviews had 110 modules that assessed individual codes and 80% had been publicly released. By the end of March 2001, 12 countries had participated in an FSAP, and 49 had completed or committed to receive an FSAP later that year. The two IFIs plan to undertake 24-30 FSAPs each year. Stressing the interplay between macroeconomic policies and financial sector soundness, the IMF produces a Financial Sector Stability Assessment (FSSA) from the FSAP process that is used as part of the Article IV examination. When the Article IV Report is published (as in the cases of Israel and Poland recently), so is the FSSA. Similarly, the World Bank does its own Financial Stability Assessments (FSAs).

[17] *Countries that participated in early FSAP pilot assessments were: Cameroon, Canada, Colombia, El Salvador, Estonia, Hungary, India, Iran, Ireland, Kazakhstan, Lebanon, and South Africa. Countries receiving an FSAP in 2001 were: Argentina, Armenia, Croatia, Czech Republic, Dominican Republic, Finland, Georgia, Ghana, Guatemala, Iceland, Israel Latvia, Mexico, Peru, Poland, Senegal, Slovenia, Tunisia, Uganda, United Arab Emirates, and Yemen. Countries that have confirmed their willingness to undergo an FSAP in 2002 are: Barbados, Brazil, Bulgaria, Costa Rica, Cote d'Ivoire, Egypt, Gabon, Korea, Lithuania, Luxembourg, Malta, Morocco, Nigeria, Philippines, Russia, Slovak Republic, Sri Lanka, Sweden, Switzerland, Ukraine, United Kingdom, Uruguay, and Zambia.*

Table 8 shows that countries in Latin America followed by those in Eastern Europe have been most willing to commit to FSAPs[17]. Their percentages exceed the world-wide average of 27 percent. On the other hand, the Rest of the World category of countries, which included the industrial countries, and Eastern Europe have completed or committed to more ROSCs. Among the G-

Table 8 -- Participation in Standards and Codes Initiatives (March 2001)

Initiatives	Africa	Asia Europe	Eastern America	Latin East	Middle World	Rest of	The Total IMF Members
Number of Countries	**44**	**9**	**15**	**14**	**23**	**78**	**183**
FSAPs completed							
Number of countries	2	0	3	2	3	2	12
Percentage of countries	5%	0%	20%	14%	13%	3%	7%
FSAPs completed and committed							
Number of countries	7	2	7	8	7	18	49
Percentage of countries	15%	5%	25%	9%	13%	33%	100%
ROSC Modules completed							
Number of Modules	17	6	27	10	14	36	110
Percentage of Total Modules	15%	5%	25%	9%	13%	33%	100%
ROSC Modules completed and Committed							
Number of Modules[18]	43	14	50	33	33	58	231
Percentage of Total Modules	19%	6%	22%	14%	14%	25%	100%

Source: Le Gall and Nsouli (2001, p. 16).

Note: The phrase "FSAPs completed or committed" refers to assessments that have already been completed, are currently in progress or for which the Bank, the Fund, and the country concerned have entered into a formal agreement for an imminent assessment.

7, only Canada has undergone an FSAP although the United Kingdom was supposed to have one in 2002. Russia, Sweden and Switzerland were also scheduled for an FSAP during 2002.

Problems with FSAPs and ROSCs

Staff who have participated in FSAP and ROSC missions consider that the examinations are potentially valuable. However, they voice numerous criticisms. (1) The process is unduly bureaucratic, with a rote-like completion of checklists. (2) The examinations are costly to the Bank and the Fund--roughly $600,000 for each examination. The resources expended may be disproportionate

[18] *Le Gall and Nsouli assume that an FSAP, on average, will result in 3 ROSC modules, because not all standards will be tested in each country. The reason is that some standards are not relevant in undeveloped countries.*

to the small size and/or early stage of development in some countries (for example, Costa Rica). (3) Assessments are also very demanding for the host country--preoccupying many skilled staff for a considerable period and constituting a major focus/distraction for the host country. (4) The resulting reports are long and often disjointed because typically15 different people, drawn from different organizations and different countries, write individual sections. There can be a lack of coordination among the 15 or so members of the FSAP mission and an absence of responsibility for the final product. The two lead agencies (IMF and World Bank) have very different cultures. In addition, experts from cooperating national regulatory agencies are also involved in FSAP missions. This situation leads to conflicting styles of writing and excessive length of the reports, which can run to 400-500 pages in three volumes that can be laced with repetition. (5) As the IFIs lack in-house supervisors in sufficient numbers, there is a heavy reliance on non-IFI staff to conduct the assessments. The IMF, for example, has made an agreement with a number of central banks and supervisory agencies to help staff the missions[19]. (6) Participants raise questions as to how well the experience of the non-core staff fits the needs of each country host. Can, for example, a supervisor from a small country adequately assess the risks that derivatives pose in the US markets? (7) The follow up that is necessary to remedy deficiencies that have been identified is inadequate. (8) FSAPs, according to the intent of the FSF, focus on promoting stability; not encouraging economic and financial development. Although the two are related, as the assessment of the major emerging financial markets nears completion, it may be time to redirect the FSAP program more to development issues if it is to continue by assessing the smaller non systemic economies.

The criticisms are numerous. But perhaps it is not surprising that there would be "teething problems" in establishing such a major new effort at financial sector assessment. Moreover, IMF staff assert that many of these criticisms applied principally to the early pilot programs and that many of the problems have already been resolved.

A Proposal for Improved Follow-Up

To meet the important criticism of inadequate follow-up, the World Bank is proposing to develop a technical assistance plan for countries wishing to improve their financial systems after a ROSC or FSAP. A secretariat would help decide, together with bilateral donors, who would offer assistance to

[19] *The IMF and WB have completed agreements with more than 50 regulatory agencies to help staff these demanding missions. The IMF has agreed that it will use only its own and cooperating regulatory staff on its FSAP missions. The World Bank does not appear to have made such a binding commitment in order to staff its missions.*

which countries. It is not clear whether the IMF shares this view. There is possibly opportunity for USAID to cooperate with the secretariat in choosing the countries it will assist and the projects it will underwrite.

Monitoring by the Private Sector

Private sector bodies such as **Moody's and Standard and Poor's (S&P), Fitch/IBCA**, and others rate countries according to their strength as sovereign and private debtors and the health of their financial institutions. This service is likely to grow in importance as it is incorporated into the regulatory assessment of capital adequacy under the revised Basel Capital Standards. There is likely to be a significant increase in the demand for rating services; this may turn out to be an opportunity for USAID.

In this section **S&P** is chosen as the example to follow. It rates the credit worthiness of approximately 90 sovereign nations. This assessment involves economic analysis but it can be different from the IFI analysis because it is undertaken by bank analysts rather than macroeconomists. S&P also assesses many individual financial institutions and financial systems. Unlike the financial sector assessments of the IMF and WB, S&P and other private rating agencies assess the condition of individual institutions. For example, S&P staff conduct 3-4 days of "due diligence" when assessing the condition of an individual institution. Their analysis is likely to encompass most of the largest banks so that the team has a good handle on the systemic implications of their analysis. S&P has been a pioneer in considering forward-looking estimates of contingent liabilities and leading indicators of stress. Rating agency staff assumes that the data they are given are accurate. S&P also conducts regional analysis.

Rating agency analysis is available mainly to subscribers. Data on the condition of individual banks is important to customers in choosing their bank. Currently many countries require their banks to publish data on their condition in the financial press. But this does not facilitate effective comparison by readers. During the bank and thrift crises in the United States consumers benefited from comparisons by experts of the extensive data on the portfolios and condition of banks and thrifts ("call report data") that are available in a consumer-unfriendly fashion from the banking regulators.

USAID might find a useful niche in offering initial funding for such services in emerging markets. In many cases, the private markets find it difficult to profitably offer data services, because the service they offer is a public good. The FDIC is currently working to provide call report data in a more consumer-friendly fashion in the United States. USAID could benefit from its experience and offer, together with the FDIC such expertise to developing countries.

IV. Financial Assistance

The next two sections discuss separately financial and in-kind assistance (FA) and technical assistance (TA) to developing countries, while recognizing that the two activities are frequently tied together[20]. If a country warrants a loan, it may need TA to make the best use of the money; moreover, if a country needs a knowledge transfer it may require FA to make the capital investment needed to put into operation the new skills. Consequently FA and TA are often (but by no means always) provided together by donors in order to bring a project to a successful conclusion[21].

The questions that will be addressed in this section include (1) data and methodology, (2) how donors provide assistance (in the form of loans, grants, guarantees, or equity participations), (3) which organizations ("donors") are involved in financially assisting peoples in other countries, (4) their motivations for doing so, (5) the reasons for aid, (6) what types of activities they support, (7) which countries receive aid, (8) whether aid achieves its objectives and is efficiently provided, and (9) the conditions attached to FA ("conditionality"). A summary of the section appears in item (10).

IV-A. Data and Methodology

Because of resource constraints, the majority of the information on the FA and TA projects that the different donors undertake and the countries that they service is drawn principally from the OECD's DAC, from donors' publications (for example, their annual and special reports and their web sites), and from e-mail responses to the author's questions. While admittedly providing only a first pass at the interesting information that might be gleaned on donor philosophies, strategies and activities, these sources are still revealing in a number of senses. Moreover, they are supported by interviews with donor representatives, where possible, and the personal experiences of team members in a number of countries.

Some of the data obtained were quantitative, representing numbers of activities and funds available and expended. They are summarized in Tables 9 and 14; caution must be exercised in making comparisons because it is possible that different donors have used different definitions in compiling their numbers. The problem arises because the OECD classification is not applicable to all donors. Other data are qualitative. It should be noted that these qualitative materials passed through two filters are presented in the appendices III and IV and Tables 12, 13, 15, and 16. First, they show what the donor aimed to emphasize in its reports. Second, they portray what the analysts derived from these

[20] *The OECD refers to such aid as "official development assistance" (ODA) when it is provided by the public sector.*

[21] *For example, 60 percent of IMF TA goes to countries with a Fund-supported program. MDBs typically charge for the TA they provide and lend the country the funds to cover the charge.*

reports. Thus, it is likely that a donor performs more activities than are captured in these tables. It is certainly true that the donor will operate in more countries than are portrayed in the appendices and text tables, because only the top 25 or so countries are included for those donors that provided numerical data and other donors most likely mentioned only a subset of the countries they serve[22].

IV-B. Loans, Grants, Guarantees, and Investments

Financial assistance (FA) to a country can take the form of loans, grants, guarantees, and/or equity investments. All four are discussed in this section. The Meltzer Commission critics of IMF and MDB lending observed that a number of countries received ostensibly short-term loans over extended periods. Some countries did not repay. In IFI parlance, they either "go into extended arrears" or have their loans renewed[23]. Continuing to roll over loans to countries that do not repay may imply that the IFIs ever-green their own loans while criticizing this practice at banks in both the private and pubic sectors. The moral hazard inherent in this practice may affect countries as well as financial institutions.

Part of the repayment problem lies in a conflict between humanitarian desires and commercial principles. When it was finally recognized that a number of very-low income countries needed assistance very badly and that they would be unable to repay loans, the IFIs created the trust funds mentioned below in order to lend to such countries at zero, or very low interest rates or to provide no-cost grants. For example, the International Development Association (IDA) is the World Bank's concessional lending arm, the Poverty Reduction and Growth Facility (PRGF) is the IMF's low-cost vehicle, and the Fund for Special Operations offers the IDB's concessional window.

The World Bank divides borrowers into three groups-in 2000 (i) those with annual per capita income over $5,225 which borrow from the IBRD, (ii) those with lower per capita income, which receive a mixture of IBRD and IDA funds, and (iii) those with annual per capita income below $2,995 that receive concessional funds at 0 interest. The IDB currently identifies two types of borrower based on their per capita income. The poorest countries (Bolivia, Guyana, Haiti, Honduras and Nicaragua) receive funding through the concessional win-

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[22] *For example, only the top 30 countries USAID serves are listed, whereas it services more than three times that number.*

[23] *Being in arrears on an IMF loan frequently disqualifies a borrower from additional FA and TA from the IMF and many other donors. At April 30, 2001, Afghanistan, the Democratic Republic of the Congo, Iraq, Liberia, Somalia, and the Sudan were the countries that had obligations to the IMF that were overdue by 6 months or more (IMF 2001 Annual Report, p. 73). These countries are noticeably absent or underrepresented in the country tables for financial and technical assistance. If Afghanistan is to receive massive international aid its arrears must be removed. In the past this has sometimes been done with US financial assistance.*

dow at 0.5% interest. The IMF divides member countries into 4 categories--low income (with per capita GDP below $760 a year), low-middle income (from $761 to $3,030 per year) high-middle (to $9,360 a year), and high income (over $9,361 a year). It charges the 22 countries approved by April 2001 for the HIPC (Heavily Indebted Poor Countries) initiative just 0.5 per cent per annum for funds.

IV-C. Donor Organizations

The data in Table 9 has been extracted from the OECD's database wherever feasible; otherwise it comes from donor publications. While the OECD has taken careful steps to ensure comparability in its data, not all donors use its system of classification. Thus the data may not be strictly comparable because it has not been possible to ensure that the definitions the donors use are identical. So the estimates-especially those for FA commitments -- presented should be seen as rough approximations.

Research conducted for this paper showed a very large number of donors. They are briefly described in Appendix I. It is not possible to survey all, or even most of the players. Those chosen for further examination are thought to be the most important from USAID's perspective--they are listed in Table 9. The IMF is shown as currently the largest donor as determined by its $282 billion in assets. The World Bank Group is second with $250 billion. However, these figures exclude the two IFI's trust fund assets because comparable data is lacking. The World Bank Group has over $100 billion in trust fund assets, which, if included, would rank it ahead of the IMF, whose trust fund assets appear to be substantially smaller. Germany and the EU's aid organizations are backed by $200 billion in assets. The BIS ranks fifth with almost $150 billion. As government agencies, the U.K. and the U.S. do not maintain separately endowed facilities. Among the RDBs, the IDB is largest with over $100 billion in assets and the ADB has $44 billion.

Total financial commitments (including loans, grants, guarantees and equity investments) as shown in column 3 of the table (refer to 2000 to 2001)[24]. Column 3 shows total aid provided by the donors to developing countries, while column 4 shows aid that is provided directly; it excludes aid donated by individual countries to multilateral organizations, such as the IMF and World Bank.

The World Bank Group ($23.2 billion) and the IMF ($18.6 billion) made the largest commitments to the developing world during these years. This data excludes the non-comparable commitments of these two agencies' trust funds,

[24] *OECD data are for 2000. The fiscal year of some other organizations runs between the two years. For example data is shown for the IMF's 2001 fiscal year, which runs from May 2000 through April 2001.*

Table 9 -- Development Aid by Major Donors in 2000-2001:

Loan Commitments Grants, Guarantees, and Equity Investments to Developing and Transition Countries

Donor	Assets ($million)	Total Aid* ($million)	Direct Aid** to Devel. Cos ($million)	Commitments to Financial Systems*** ($million)	Grants ($million)	Guarantees ($million)	Equity Investments ($million)
OFFICIAL SECTOR ORGANIZATIONS							
INTERNATIONAL BODIES							
IMF**	**282**	**18.6**	**18.6**	**~11**	**1.7**	**No**	**No**
World Bank Group**	**250**	**23.2**	**23.2**	**~5,000**	**Yes**	**Yes**	**Yes**
IBRD	222.8	17.8	17.8	3,100	2,250	Yes	Yes
IFC	26.2	3.9	3.9	1,170	No	547	637
MIGA	0.9	2	2	~70	...	2,000	No
BIS	147.7	Not Known	0	0	0	0	0
FSF	...	...	0	0	0	0	
FSI	...	...	0	0	0	0	0
OECD	...	0	0	0	0	0	0
Paris Club	...	0	0	0	0	0	0
WTO	...	0	0	0	0	0	0
REGIONAL DEVELOPMENT BANKS							
AfDB	13.2	2.6	2.6	250	Yes	334	3
ADB	43.8	9.2	9.2	185	172	294	78
EBRD	19.2	2.4	2.4	710	nO	189	545
IDB	112	7.1	7.1	...	yES	175	512
BILATERAL DONORS							
EU	197.7	17	17	Small	Yes	Yes	
France	15.7	5.8	2.8	200	3,116	16.6	600
Germany	201	6.3	2.7	117	2,696	0	No
Japan	89	13.5	9.8	~10	5,678	No	36.3
UK	Government	5	2.7	132	2,563	Yes	Yes
US (Total)	Government	12.5	...	160	8,093	Yes	Yes
USAID	Government	10	7.4	~70	~8,000	Yes	Indirectly
USTreas	Government	0,006	0,006	6	6	Yes	No
PRIVATE SECTOR ORGANIZATIONS							
Group of 30	...	0	0	0	0	0	0
IIF	0.012	0	0	0	0	0	0
ICRC	...	0.567	0.567	0	0	Yes	0
Oxfam	1.076	0.3	0.3	Very Small	yes	0	0
S&P	...	0	0	0	0	0	0
COLUMN TOTAL	**1191.4**	Not Applicable	**106.4**	**13 Donors**	**13 Donors**	**14 Donors**	**10 Donors**
OECD TOTAL		**130.7**	**130.7**				

Sources: Data on Official Development Assistance for France, Germany, Japan, UK and US came from OECD's DAC. They exclude $1.3, $2.3, $3.7, $1.8, and $2.6 billion respctively in aid to non-developing (Part II) countries. Other data is from Donor publications and websites. Additional data for Germany were supplied directly by the Bundesbank.

Notes

* Includes aid given directly to developing and transition (OECD Part I) countries and that conveyed to multilateral organizations, such as the IMF and World Bank.

To avoid double counting in the total, estimates of direct aid do not included contributions of bilateral aid agencies to multilateral agencies. * The financial sector is defined broadly as in Box 3.

****Data for the IMF and World Bank do not include the assets of, and aid from, their trust funds.

The EU's aid total consists of $5.4bn from the EIB, plus $6.9bn from Europe Aid, plus $3.8bn from TACIS and $1.bn from PHARE. France's AfD spent $9.2 bn of its own funds plus $2.3bn from the French Government and gave $1.8bn to the IMF's PRGF.

Germany's GTZ and KfW spent $4.8bn in aid to developing countries in 2000. Germany made $836 in loans ($375 went to the IMF's PRGF) plus $488 in grants, for a total of roughly $2.2 bn in direct aid.

Japan spent $13bn on foreign assistance in 2000/1, $8.4bn went directly to developing countries from JBIC and JICA. The rest was given to multilateral agencies.

The UK spent $5 billion in aid to developing countries in 2000/1, and states that half went to the IMF's PRGF, EU, UN, and World Bank.

The estimate of USAID's total financial assistance subtracts approprations for food aid and operating expenses from the FY2001 appropriation of $7.8bn.

Expenditure estimates for the Treasury's Office of Technical Assistance exclude funds received from USAID.

which would have added another $6 billion to the World Bank total and a smaller, but unknown, amount to the IMF's total. (IMF lending has been substantially reduced from its peak at $32.2 billion in 1998 following the Asian cris's.) The Bank and the Fund are followed by the EU (with $17 billion in total aid) and Japan (with $13.5 billion). A large segment of Japan's aid, however, is contributed to international organizations rather than being offered directly.

Among the RDBs, the ADB ranked first with almost $9.2 billion in commitments, the IDB second ($7.1 billion), followed by the AfDB ($2.6 billion) and EBRD ($2.4 billion). Among bilateral donors, Japan was the biggest provider of funds in 2000 and USAID was second. USAID provided roughly 8 percent of the total aid to developing countries as listed here. (U.S. emergency assistance is discussed elsewhere.) The two charities included in the survey (the International Committee of the Red Cross and Red Crescent (ICRC) and the British charity, Oxfam,) made significant private-sector contributions to international financial aid. They expended $567M and roughly $300M in 2000, respectively.

From the sketchy information on financial assistance to countries' financial sectors, as broadly defined in Box 3 and shown in column 5, it is clear that the World Bank Group was the largest donor in 2000 to 2001[25]. The contributions of EBRD, AfDB, ADB, France, Germany, the U.K, and U.S. were also significant[26].

IV-D. Donor Motivations

There are basically three rationales for assistance by bilateral donors. The first is humanitarian--a quest to succor less fortunate peoples. The second motivation is the donor's political self-interest[27]. Friendly countries may be rewarded, especially if they have responded positively to requests for favors, such as hosting the donor's military bases or allowing its planes to fly over the beneficiary's territory. Neutral countries may be persuaded to become allies. In short, financial assistance (and TA) is a tool of foreign policy. This appears to be the case

[25] *Aid to the financial sector includes the OECD's items: 15010 (macroeconomic policy), 15020 (public finance policies), 15030 (financial legal systems), 15040 (micro credit), 24010 (financial policies), 24020 (central banks), 24030 (financial institutions), 24040 (micro credit institutions), 24081(training), 31193 (agricultural credit institutions, and 32130 (SMEs).*

[26] *These figures do not take the size of the donor country into account. For example, if aid were measured per capita for the donor country, Japan and the Netherlands appear most generous, perhaps because they spend les per capita for national defense than other donor countries.*

[27] *Countries that receive aid may be more optimistic about their future prospects and less driven to hostilities to redress economic inequities. Thus, humanitarian aims may coincide with the donor's self-interest. Representative Jim Kolbe, Chairman of the Appropriations subcommittee on foreign aid has said: "We need to start thinking of the foreign assistance budget as part of the national security budget." (Washington Post, February 9, 2002, p. A26).*

for the United States and observers have noted that the same is true for the U.K. It is also easier to understand and empathize with the needs of countries long associated with a donor. Thus Commonwealth countries are important members on the UK's list of beneficiaries. Simlarily, France's "overseas territories and departments" receive much of France's aid. To a certain extent, the aim of Germany's TA agency, Deutsche Gesellschaft fur Technische Zusammenarbeit (GTZ), working in close cooperation with the financing arm, Kreditanstalt fur Wiederfbrau (KfW), is to offer improved economic and social prospects to people of German origin living in a recipient country. The third motive is commercial self-interest when aid is tied to the purchase of the donor's goods and services[28].

A number of countries, but most notably Japan, prefer to donate to the IMF and the MDBs, rather than to pursue their own agendas in FA and TA. These donors decided that aid can be provided more cost-effectively by IFIs that already have the administrative means in place than by duplicating aid bureaucracies. Japan, the Netherlands, Australia and others donate a large share of their aid resources to international agencies and down-play their own provision of financial and technical assistance. Such a strategy is likely to reduce the incidence of duplication, conflicting aims and advice that is evident in the present multiplication of bilateral and multilateral initiatives. The IFIs typically make provision for contributors to specify uses for their contributions through the creation of specially designated Trust Funds.

Multilateral agencies may have the same motivations lying behind their missions as stated in their Articles of Agreement. Thus the purposes attributed in Article I to the World Bank Group's main body--the International Bank for Reconstruction and Development (IBRD)--include reconstructing and developing economies "destroyed or disrupted by war" and encouraging through international investment "the development of productive facilities and resources in less developed countries." The IMF is charged in Article I with providing "the machinery for consultation and collaboration on international monetary problems," facilitating "the expansion and balanced growth of international trade" and promoting "high levels of employment and real income." It is also exhorted to shorten the duration and lessen "the degree of disequilibrium in the international balance of payments of members." Large members with voting power may pressure the IFI to aid their friends and allies and RDB aid may be tied to membership.

IV-E. Reasons for Financial Assistance

Aid can be divided into three categories: (i) dealing with financial crises, (ii) responding to natural disasters and conflict, and (iii) combating poverty by

[28] *Aid from regional development banks is frequently tied to membership. Hence industrial nations have commercial as well as humanitarian and political reasons for membership.*

stimulating economic growth. While it is logically satisfying to give crisis lending to the IMF, anti-poverty and pro-growth loans to the development banks, and disaster relief to charities, in fact many donors participate in all three. For example, the IMF claims that it must provide crisis, poverty and humanitarian assistance because all countries encountering these difficulties will experience balance of payments problems. Correspondingly, in the mid-90s the MDBs lent to combat financial crises in order to supplement the IMF's limited resources.

i. FA TO COMBAT/FORESTALL FINANCIAL CRISES

The first report in this series discussed issues relating to crisis lending-particularly lending by the IMF. This report looks beyond the IMF; for example, Table 2 shows that 17 organizations provide financial assistance to countries experiencing financial crisis. Much of IMF lending in the years since its establishment refers to redressing balance of payments problems. This fact is illustrated in Table 10, which lists the purposes of, and conditions attached to, different types of IMF loans. IMF loans come from two distinct sources--the General Resources Account (GRA), which consists of the IMF's own funds, and the Special Facilities for low income members, which consist of Trust Funds from bilateral donors and the proceeds from special sales of IMF gold. The effects of the Asian crises on the volume and distribution of IMF lending is illustrated in Table 11, which clearly distinguishes between lending from the General Resources Account and the Special Facility[29]. Lending against financial crises from the GRA surged in 1998 and was subsequently reduced by more than half.

While the US Treasury's TA department does not give financial assistance, the US government has made bilateral loans in the past--for example, to Mexico in 1995 via the Exchange Stabilization Fund (ESF). As discussed above, this action generated much criticism and Congress took action to reduce the use of this particular loan window. According to BIS and Treasury legal counsel, to overcome this constraint on US emergency aid, the BIS has subsequently granted the recipient government a bridging loan that is guaranteed by funds from the ESF to allow the Treasury to aid crisis countries.

The BIS provides banking services to central banks to assist them in managing their international reserves. As a banker to central banks it requires maintaining a high degree of liquidity as investments in top-quality commercial banks and short-term government securities. The Bank is not permitted to make advances to governments nor to open accounts in their name. However, it provides investment services to banks and sometimes makes short-term (usually) collateralized advances to central banks. According to BIS legal counsel, the organization has

[29] *The controversy over IMF lending has been discussed in the first report and in Section II above and will not be pursued further here.*

provided bridging finance to anticipate aid from, and guaranteed by, multilateral and bilateral donors since the international debt crisis of the 1980s[30]. For example, BIS made a US$13.3 billion short-term contribution to broader lending program to Brazil in 1998.

Table 10 -- IMF Credit Facilities in 2001

Facility	Purpose	Conditions	Access	Charges*	Repayment
Credit Tranches and Extended Fund Facility					
Stand-By Arrangement (1952)	Assist countries with short-tem balance of payments problems	Policies to restore confidence that payments problems will be quickly resolved	Annual: 100% of quota;cumulative:300% of quota	Basic rate + surcharge of 100bp (200bp) for >200% (300%) of quota	Maximum 3.25-5 years; expected: 2.25-4 years
Extended Fund Facility (1974)	Assist countries in structural reforms to resolve longer balance of payments problems	Adopt 3-year structural program, with detailed annual statements of policies	Annual: 100% of quota;cumulative:300% of quota	Basic rate + a surcharge of 100 (200) basis points for loans >200% (300%) of quota	Maximum: 4.5-10 years; expected: 4.5-7 years
Special Facilities					
Supplemental Reserve Facility (1997)	For countries with short-tem balance of payments problems arising from crises of market confidence	In addition to regular arrangement/program with strengthened policies to restore confidence	No limits, but activated when other programs reach their limits	Basic rate + surcharge of 300 basis points, rising over time to 500 basis points	Maximum: 2-2.5 years; expected: 1-1.5 years
Contingent Credit Line (1999)	Precautionary defense to be readily available against balance of payments problems from contagion	Preconditions: (1) no balance of payments problems, (2) good policies; (3) good relation with private creditors; and (4) a satisfactory program	Expected to be 300% to 500% of quota	Basic rate + surcharge of 150 basis points rising over time to 350 basis points	Maximum: 2-2.5 years; expected: 1-1.5 years
Compensatory Financing Facility (1963)	Medium-term aid for temporary export shortfalls or cereal import excesses**	Available to members with conditionality appropriate for an upper-credit tranche loan	55% of quota	Basic rate	Maximum: 3.25-5 years; expected: 2.25-4 years
Emergency Assistance					
Natural Disasters (1962)	Quick- to medium-term aid to help recovery and economic adjustment	Reasonable efforts to overcome balance of payments difficulties	…	…	…
Postconflict (1995)	Quick- to medium-term aid to establish macroeconomicstability after civil unrest, political turmoil or war	Focus on institutional and administrative capacity building to pave the way for an upper-credit tranche or Poverty Reduction and Growth Facility (PRGF) arrangement. Facility for Low-Income Members	…	…	…
Facility for Low-Income Members					
Poverty Reduction and Growth Facility*** (1999)	Longer-term aid for deep-seated, structural balance of payments problems to reduce poverty and stimulate growth	Based on a Poverty Reduction Strategy Paper to combine macroeconomic, structural and poverty reduction policies	90% of quota for first-time users, 65% for others. Maxima; 140-165% of quota	0.5% a year	5.5- 10 years

Source: IMF Annual Report 2001, pp. 38-39.

Notes:
* IMF's basic lending rate was 4.3 percent at the end of April 2001.
** Other contingent qualifications were removed in 2000.
*** Replaces the older Enhanced Structural Adjustment Facility.

[30] *It began this little-known practice during the debt crisis in the 1980s.*

ii. Post-conflict FA

Table 2 (column 11) above reports that 16 donors provide financial assistance to help countries recover from destruction caused by conflict or natural disasters. Table 10 also illustrates the effects of terrorism in September 2001 on IMF lending when the Stand-By and Supplemental Reserve facilities were called into action be member countries. IMF total lending for FY2002 will be higher than that in FY 2000 and 2001, partly in response to post-conflict lending. Lending in these two years was substantially lower then the peak in 1998. The ADB and the IDB also observe that their lending accelerated in response to the crises in their regions but has later subsided.

Table 10 -- Members' Use of IMF Credit (SDR billion*)

Facility	Sept. 2001	Jan.- Sept. 2001	Jan.- Sept. 2000	FY 2001 **	FY 2000	FY 1999	FY 1998	FY 1997
General Resources Account	**9.4**	**21.3**	**2.8**	**13.2**	**22.3**	**28.4**	**30.4**	**4.4**
Stand-By	8.8	20.6	1.8	13.1	15.7	14.3	27.3	3.2
Supplemental Reserve Facility	7.5	12.7	0	0				
Extended Fund Facility	0.6	0.7	1.0	0.06	6.6	14.1	3.1	1.2
Compensatory Reserve Facility	0	0	0	0	0	0	0	0
Poverty Reduction and Growth Facility	**0.05**	**0.5**	**0.3**	**1.3**	**0.6**	**1.0**	**1.7**	**0.9**
TOTAL	**9.5**	**21.8**	**3.2**	**14.5**	**22.9**	**29.4**	**32.2**	**5.3**

Sources: IMF Annual Report 2001 (p. 107) and IMF Survey October 22, 2001.

Notes:
* An SDR was equal to $1.2781 at the end of October 2001.
** The IMF's fiscal year runs from May through April.

iii. Financial assistance to reduce poverty and promote growth

Table 2 shows that 16 organizations offer loans, grants, guarantees or investments to help countries to reduce poverty and increase their economic growth. In the early decades of MDB FA, it was typically made to governments or state agencies to promote economic growth--which they did through state-owned corporations or government departments. However, the World Bank observed in the 1990s that such actions conflicted with the desire to privatize state-owned industries and encourage the development of the private sector in beneficiary countries. Such FA also impeded the development of banks and other financial intermediaries in recipient countries, because these financial institutions were unable to offer loans at rates competitive with MDB loans to finance state-owned industries. It also conflicted with the desire for greater reliance on funding from industrial countries' private sectors. This realization led to the creation of agencies, for example MIGA at the World Bank, to offer political risk insurance on projects undertaken in the private sector. Other bodies stimulate private-sector development (for example the International Finance Corporation (IFC) at the

World Bank and the Multilateral Investment Fund and the Inter-American Investment Corporation at the IDB).

Table 12 - Who Does What in Financial Assistance?

Donor Official	Crisis	Macro	Payment	Banking Develop	Banking Commerce	Cap/Market Securities	Insurance	Pension	Housing	Rural Micro SMEs	Other NBFIs	Corp Gov	Money Laund
INTERNATIONAL													
IMF	**H**	**H**											
IBRD	L	L	H		H	H	H	H	H	H	H	**H**	H
IFC					H	H	H	H	H	H		H	
MIGA					H	H			H	H	H		
BIS	H	L											
FSF													
FSI													
OECD													
Paris Club													
WTO													
REGIONAL DEVELOPMENT BANKS													
AfDB	L	H		H	H					H	H	H	
ADB	H	H	L		H	H	H	H	H	H	H	H	H
EBRD				H	H	H	H	H	H	H		H	
IDB	H	H			H	H	H	H	H	H			L
BILATERAL DONORS													
EU		H								H			
France	L	H			H					H			
Germany	L	H	H	H	H	H				H	H		
Japan	H	H											
UK DFID	H	H			H	H	H	H		H	H	H	H
USAID			H		H	H	L	H	H	H	H	H	L
USTreas	H	H											
PRIVATE SECTOR ORGANIZATIONS													
Group of 30													
IIF													
ICRC	H	H								L			
Oxfam	H	H											
S&P													
NUMBERS	13	14	4	3	11	9	7	7	7	13	7	7	5

Sources: Donor publications and websites

Notes:
"H" indicates that the donor's publications place a high emphasis on this topic.
"**H**" indicates that the donor's publications place an ***especially*** high emphasis on this topic.
"L" indicates that the donor conducts this activity, but its publications do not emphasize it.
Blank indicates that the analysts undertaking this study did not observe the activity in the donor's publiscations.

Nevertheless, the IDB lends mostly to national, regional, and municipal authorities and to sub-regional governmental organizations such as the Andean Development Bank and the Caribbean Development Bank. Only up to five percent of IDB loans and guarantees go to private businesses--and this flow is precluded if the host government objects. Thus, statism is alive and is encouraged by such financial transfers.

IV-F. Types of Activities Supported

Appendix II shows the types of projects that the different donors support through loans, and/or grants and guarantees. This data is summarized in Table 12. It seems likely from these tables that there are certain trends in FA. Most donors support similar projects. The World Bank has stated that it directs its FA to banks and other depository institutions in low-income countries, but supports financial broadening in middle income countries by encouraging the development of securities markets. It is noticeable in the tables that FA for micro, small- and medium-sized enterprises (SMEs) is currently being undertaken by virtually all donors. Corporate governance is also a current favorite. Furthermore, a number of donors are promoting the development of stock markets in small countries. This process is occurring at a time when established stock markets in emerging economies are waning and losing business to the exchanges in New York and other regional financial centers. This raises a question of whether such FA is well-directed.

IV-G. Country Beneficiaries

Not only are there trends and favorites in projects, but lenders have specially favored borrowers. Country favorites can be seen in Appendix III, which offers descriptive summaries and country tables by continent. Table 13 summarizes this information, showing the number of countries in each region that are favored by 0, 1, 2, or 3 donors, etc. In the early 90s countries in transition from directed to market economies in the Baltic countries and Eastern Europe and the Former Soviet Union (FSU) were the major FA recipients. By the mid- to

Table 13 - Multiple Donors of Financial Assistance by Continent

Number of Donors	Number of Sampled Countries with 0 to 13 Donors in Each Region				
	Africa	Asia	Europe	Middle East	Western Hemisphere
0	0	0	0	0	2
1	2	1	2	4	4
2	3	1	2	6	3
3	2	5	5	1	4
4	4	5	3	0	1
5	5	3	3	1	3
6	3	4	3	0	1
7	1	2	1	0	2
8	3	0	1	0	1
9	3	3	0	0	0
10	0	0	0	0	0
11	0	1	0	0	1
12	0	0	0	0	0
13	0	0	1	0	0
Average*	**4.8**	**4.5**	**4.0**	**2.0**	**4.1**

Sources: Data in Appendix II as summarized in the tables there.

Note: * Represents the average number of donors per country in each region.

late-90s, the majority of IFI FA went to countries experiencing financial crises (especially Argentina, East Asia, Mexico, Russia, and Turkey). Beneficiaries today are more likely to be in Africa. The Middle East is noticeable for the dearth of its receipts from most of the donors listed (although not from USAID). As expected, among bilateral donors, the U.K.'s DFID favors Commonwealth countries, France lends into its sphere of influence (particularly in Africa), and Germany favors countries with expatriate German populations.

Among private organizations the IIF and S&P do not provide FA but are interested in the condition of major borrowers in the emerging markets-middle-income countries. The International Committee of the Red Cross and Red Crescent (ICRC) and the British charity, Oxfam, provide assistance to the neediest countries, especially those attempting to recover from war. ICRC does not assist recovery from natural disasters, although the domestic Red Cross committees would do so, as does Oxfam.

IV-H. Evaluation

Evaluating the effectiveness of aid provided is a relatively recent development for many donors[31]. The IMF, for example, created an office to examine the effectiveness of its programs only in 2001. The World Bank has considered its effectiveness for rather longer, and has a chapter devoted to this issue in its 2001 Annual Report, but often the answers to questions have not been encouraging. (See, for example, Dollar and Pritchett, 2000, and Easterly, 2002.) USAID, on the other hand, has been conducting self-evaluation over a longer period.

IV-I. Conditionality

The conditions attached to IFI loans, grants, and guarantees are typically described as macroeconomic or structural. The Meltzer Commission and non government organizations (NGOs) protesting the IMF/WB Annual and Spring Meetings have criticized the Fund and the Bank for imposing excessive and unrealistic conditions on countries that accept their loans. The Fund, for example, extended the conditions it imposed beyond macroeconomic targets to structural benchmarks in the financial and legal sectors. Critics called for a diminution of conditions and focusing down on IMF core competencies. The IMF's Managing Director aimed at this when he took up his new position in 2000. Similar if less intense pressures have been applied to the World Bank organizations to limit the conditions attached to their loans.

There is however a downside to reducing macroeconomic and structural conditionality. Currently, the IFIs have very little leverage over member institutions

[31] *USAID has been evaluating its assistance for a number of years, however.*

that do not borrow from them. They can offer advice in technical assistance programs--only to have it ignored. Technical assistance reports are not published so the world will not know when deficiencies are identified or what progress is being made to remedy them. Staff can judge that a country is weakening itself and the international financial system by not complying with standards and codes, but weak countries can choose not to participate in a ROSC or not to have it published if it is unpleasantly surprised by the evaluation. FSAPs are not published so the markets do not have the opportunity to punish those in non-compliance by charging higher rates for funds borrowed in the private markets or by withholding such funds.

Without conditionality, where IFIs discipline FA recipients, disciplining pressure must be applied by the private sector. That requires a high degree of transparency so that the markets can assess borrowers effectively. While progress is being made in the quality and quantity of data that is publicly available, there are still data deficiencies. Adverse assessment must be translated into corrective action. Unfortunately, the recent financial crises in Asia, Russia, and Latin America have raised doubts about the markets' abilities to provide effective market discipline. Even when warning signs are available, lenders appear to succumb to moral hazard. One lender follows another unknowingly into making loans to “fashionable” countries without sufficient consideration of the risks involved or the level of interest rates necessary to compensate for those risks.

IV-J. Conclusions

There appear to be trends in the types of activities supported by FA and in the countries chosen to benefit from it. This raises questions about the efficacy of the aid being offered in general and about the best activities and countries for USAID to support. Answers to these questions lie beyond the scope of this Task 2 report but will be pursued further in Task 5 report.

V. Training and Technical Assistance

The discussion of issues relating to technical assistance in this section includes (1) the providers; (2) charges for TA; (3) types of the activities supported; (4) country recipients; and (5) summary observations. Data, methodology and motivations are the same as for financial assistance. Thus, motivations are humanitarian and/or self-interest/foreign policy and data are drawn from published sources, interviews and team experience.

V-A. Providers

Training and technical assistance play a dominant role in USAID's portfolio of activities. It is an area where there are many other players. The IFIs are large suppliers in these "markets." Nevertheless, other international bodies, such as the OECD and individual countries are important providers, as is shown in the donor summaries in Appendix I.

It is very difficult to obtain comparable data on TA outlays in total, and the numbers presented are no more than rough orders of magnitude. However, Table 14 attempts to provide some estimates of the total resources expended by the different entities on TA activities covering the full spectrum from agriculture to industry, government, and social causes. It also attempts to estimate donors' TA to the financial sector (as broadly defined in Box 3)

The data in Table 14 suggest that USAID and other country donors are the largest providers of TA in general, followed by the World Bank Group. The ADB, EBRD, OECD, the BIS, IDB, and IMF devote smaller amounts, but still in excess of $100 million a year to TA in general. USAID does not report how much it spends on TA, but its efforts are substantial.

The BIS, IMF, IIF, S&P, and US Treasury's TA Department almost exclusively offer economic/financial sector advice. Taking into account the percentages of total outlays that donors report they devote to the financial sector, the World Bank Group appears to be the biggest provider of TA to the financial sector, followed by BIS, EBRD, EU, France, Germany, and USAID.

As pointed out in Section III above, the World Bank and the IMF have been devoting increasing amounts of their technical assistance resources to surveillance. Staff of these organizations indicated that this had required a reallocation of resources from their previous remedial TA activities to surveillance. Initially, at the IMF at least, this meant a diminution of stand-alone TA activity because of resource constraints. In time, however, this problem is being resolved by allocating (hiring/borrowing) more resources to meet the needs for both TA and surveillance. The two organizations have made agreements with a number of central banks and supervisory authorities around the world to supply supervisors to participate in FSAP and ROSC missions. They also take such staff on and hire consultants for their regular TA missions to supplement in-house resources.

Table 14 - Technical Assistance by Major Donor Organizations in 2000-2001

Donor	Total TA Outlays ($million)	TA to Financial Sector ($million)	TA to Financial Sector (%)	Professional Staff	Charging Policies
OFFICIAL SECTOR ORGANIZATIONS					
INTERNATIONAL BODIES					
IMF	**118**	**~10**	**Most**	**2,000**	**None, but conditionality**
World Bank Group	**945**	**200**	**20**	**10,000**	**Mixed**
IBRD	880		18	...	Grants and Loans
IFC	63		34	...	Market rates, grants
MIGA	2		<3	...	Grants
BIS	114	~110	Most	...	None
FSF					None
FSI					None
OECD	200	...	...	...	Grants
Paris Club	No TA	No	No	No	No TA
WTO	81		v. small	500	Grants
REGIONAL DEVELOPMENT BANKS					
AfDB	67.9	~12	18		Grants and Loans
ADB	417	~25	6	3,600 days	59% Loans, 41% Grants
EBRD	~230	~115	50		42% Loans, 58% Grants
IDB	~280	~20		1,200	76% Loans, 24% Grants
BILATERAL DONORS					
EU	~2,500	~180	4.5		Grants
France	1,283	~130	10	(AfD) 1,300	Loans and Grants
Germany	1,640	~90 CHECK	6	12,000	All Grants
Japan	2,430	28	1	(JICA) 1,200	Loans and Grants
UK	685	-35	4.5	(DFID 1,300	Mostly Grants
US (Total)	4,316	...	...	>3,000	Grants
USAID	2,550	~60	2.4	3,000	Grants
USTreas	6	6	100	20	Grants
PRIVATE SECTOR ORGANIZATIONS					
Group of 30	...	All	100	Small	...
IIF		~12	100	...	Member Fees
ICRC	0	0		...	None
Oxfam	0	0		22,000**	None
S&P	...	Most	Most	1,200	Yes
COLUMN TOTAL	**15,318**	**~1,123**	**Calculate**	**...**	**Mixed**
OECD TOTAL	**12,767*** **	**...**			**Grants and Loans**

Source: OECD's DAC, Donor Annual Reports and Websites

Notes:
... Means data are not available.
* Data for USAID are provisional.
** Oxfam's staff are mostly volunteers.
*** OECD's Total for technical Cooperation is for TA grants to developing countries only.

Nevertheless, while the supply of staff to provide TA is increasing, the FSAP/ROSC process is generating an even larger increase in the demand for such aid. Countries with potentially deficient supervisory systems are requesting pre-assessment technical assistance in order to reduce the likelihood of being found deficient during the assessment. In addition, countries discover during an FSAP/ROSC that they have deficiencies that they did not anticipate and lacunae that some prescient individuals did foresee subsequently become officially acknowledged. Consequently, there is likely to be a continuing need for the Bank and the Fund to supplement in house TA resources in order to met the demand for assistance. There will be a need to coordinate the international donor response to this need. While the IMF, in its first Technical Assistance Annual Report, states that it has been reluctant to act as an international TA coordinator--because such action would place excessive demands on its existing resources--the World Bank and some Fund staff recognize the need for international coordination to effect an efficient response to FSAP follow-up. There is likely to be a role for USAID to play in this process.

V-B. Charging for TA

Different providers have differing policies with respect to charging for the TA services they offer. At one end of the spectrum assistance provided by bilateral donors and the IMF, which do not charge for their services. MDBs, making development loans to countries, often have a line item for technical assistance as part of the loan. Interest will need to be paid by the recipient and the principal repaid. Recognizing the needs of the poorest countries, TA grants have become increasingly common in recent years as part of the HIPC (Highly Indebted Poor Countries) process. At the other extreme, emerging market countries may reimburse the providers for the TA they receive. Thailand, for example, has purchased Bank assistance on payments systems, Hong Kong has reimbursed the World Bank for TA, and Saudi Arabia paid the Fund for its TA. Developing countries also hire private-sector firms to provide TA-sometimes paying with funds from their own Treasuries, in other times using funds lent by an IFI[32]. For example, Thailand reimbursed S&P for TA on rating services.

V-C. Types of Assistance Offered

The providers of different types of TA are shown in Table 15, which divides TA into training (with 24 donors), research (16 donors), macroeconomic (22 donors), and financial. The financial sector is defined broadly, as in Box 3 above. In the financial sector, guidance is given to the commercial banking sector by 22 donors, to the securities markets by 21 donors, to the insurance industry by 16 donors, to the pension sector by 11 donors, and to the housing-finance markets by 10 donors. Assistance is also provided to finance micro, small and medium enterprises (SMEs) by 14 donors, to assist other non-bank financial institutions by 19 donors, and to improve corporate governance by 19 donors. Seventeen donors provide TA to improve payments systems, 13 donors help to combat money-laundering, 15 donors encourage improvements in law and justice, and 13 work to improve accounting systems[33].

[32] *RDBs typically restrict the use of funds lent to a borrowing country to contractors from a member country. As a result, membership in a particular RDB, such as the IDB, often extends well beyond the region to industrial countries in Europe and Asia.*

In the 1980s and early 90s, TA focused on improving banking practices and the supervision and regulation of banking markets. Such activities continue for most TA providers as can be seen from Table 10, but are now commonly complemented by attention to the securities, insurance and SME markets and to corporate governance. Efforts to deal with the problems of offshore financial centers and to combat money laundering have gained prominence during the past two years, but have been recognized to be urgent since September 11, 2001.

TRAINING AND RESEARCH

Table 15 shows that virtually all donors offer training. The FSF maintains a Supervisory Training Directory on its web site (www.fsforum.org). It cosponsors training centers for senior supervisors in Toronto and Singapore. It maintains a roster of research on financial stability being undertaken by the regulatory and central banking communities. Its sister organization, the Financial Stability Institute (FSI) holds conferences to help train regulators in the different fields of domestic and international finance. The BIS offers technical assistance to central banks of Central and Eastern Europe, the Commonwealth of Independent States (CIS), some Asian countries and coordinates training offered by over 20 central banks in industrial countries. The BIS participates with the EBRD, IMF, OECD, and WTO in the Joint Vienna Institute's training center. It also hosts meetings of central bank research economists and conducts research in house. The Bank and the Fund also offer training and conduct extensive research on financial sector issues[34].

V-D. Country Beneficiaries

Appendix III lists the number of countries in each region receiving TA from 0,1, 2, 3…, etc, donors. The data there are summarized in Table 16. It reveals an unequal distribution of TA across the regions. Europe receives the most assistance on average, followed by Asia and Africa, and the Middle East receives the least.

V-E. Donor Coordination

The author has been surprised at the amount of TA that is being offered, the number of donors that are operating in certain countries, and the repeated patterns of topics covered. The information presented leads the author to inquire whether the best use is being made of the resources expended or whether it could be utilized more effectively. It raises a question of whether the coordination of donor activities is sufficient. In Russia, the country with the most (13)

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[33] *A non-bank financial institution.*

[34] *The Securities and Exchange Commission, the Federal Reserve System, and the Federal Deposit Insurance Corporation also provide training and research, but their activities lie beyond the scope of this task 2 report.*

Table 15 - Who Does What in Technical Assistance?

Donor Official	Train	Restruct	Macro	Payment	Banking Dvlpmt	Com'l	Cap/Mark Security	Insurance	Pension	Housing	Rural Micro SMEs	Other NBFIs	Corp Gov	Money Laund	Law	Acc Aud
INTERNATIONAL																
IMF	H	**H**	**H**	H		H	H		L		L	L	H	**H**	L	L
World Bank Group																
IBRD	H	H	L	H	L	H	H	H	H	H	H	H	**H**	H	H	H
IFC	H		L	L		H	H	H	H	H	H	H	H	L		
MIGA	L		L		L	H	H	H	L	H	H	H	L			
BIS	H	H	H	H		H	H	H				L	H	H		L
FSF	H	L	H	H		H	H	H				L	H	H		
FSI	H	H				L	L	L					L	L		
OECD	H	H	H	L	H	H	H	H	H	L	L	L	**H**	H	H	H
Paris Club																
WTO	H	L	H			L	L	L				L			L	
REGIONAL DEVELOPMENT BANKS																
AfDB	H	L	H	L	H	H	H				H	H	H		H	
ADB	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H
EBRD	L	L	H	L	H	H	H	H			H	H	H		H	H
IDB	H	H	H	L	L	H	H	H	H	H	H	L	L	H	L	L
BILATERAL DONORS																
EU	H	H	H	H	H	H	L				H		L		H	H
France	H		H		H	H					H	L			H	
Germany	H		L	H	H	H	H			H	H	H				
Japan	H		H	H												
UK DFID	H	L	H			L	H	H	H		H	H	H	H	H	H
USAID	H		L	L		H	H	H	L	H	H	H	H	H	H	**H**
USTreas	H	H	L			H	H					L	H	H		
PRIVATE SECTOR ORGANIZATIONS																
Group of 30	H		H	L		H	H	H					H		L	L
IIF	H	H	H	H		H	H	L	L	L		L	L		L	L
ICRC																
Oxfam	L															
S&P	L	H	H	L	L	H	H	H	H	L		L	H	L	L	L
TOTAL	**24**	**16**	**22**	**17**	**11**	**22**	**21**	**16**	**11**	**10**	**14**	**19**	**19**	**13**	**15**	**13**

Sources: Donor publications and websites

Notes:

"H" indicates that the donor's publications plcae a high emphasis on this topic.

"H" indicates that the donor's publications plcae an ***especially*** high emphasis on this topic.

"L" indicates that the donor conducts this activity, but the publications do not emphasize it.

Blank indicates that the analysts undertaking this study did not observe this activity in the donor's publications.

Table 16 - Multiple Donors of Technical Assistance by Continent

Number of Donors	Number of Sampled Countries in Each Region Receiving TA from 0 to 13 Donors				
	Africa	Asia	Europe	Middle East	Western Hemisphere
0	0	0	0	2	2
1	3	0	0	3	2
2	5	1	2	5	3
3	4	5	5	1	2
4	1	6	2	0	6
5	7	2	4	0	2
6	1	2	4	0	3
7	0	0	1	0	0
8	3	5	2	0	1
9	0	1	0	0	0
10	1	2	0	0	1
11	2	0	0	0	0
12	0	0	0	0	0
13	0	0	1	0	0
Average	**4.7**	**5.2**	**5.5**	**1.8**	**3.8**

Sources: Data in Appendix IV.

Note: The average represents the average number of the donors surveyed per country in each region.

donors in this study, the need for donor coordination of the became apparent. According to one IFI staffer, "the donors themselves were crying out for coordination." It has been provided by the Bank and the Fund and staff report that they maintain a matrix of who is doing what in TA for the banking system in Russia; and that this has reduced the duplication that was occurring but has not eliminated it[35]. It would seem to be a good idea to use this approach in other countries. In fact, the author of this report would like to see some international body construct and maintain a set of such matrices worldwide. The EU coordinates European TA to the extent that it receives funds from members and uses it to provide assistance, and its staff agree that coordination is needed elsewhere because EU members continue to offer bilateral TA. Officials from Germany and Japan, with whom the author corresponded, agree that there is a need for additional coordination.

[35] *Interviews revealed the case of one country where the USAID and Treasury OTA were offering advice on the same subject in the same country seemingly without consulting each other. ashington described German efforts, under the auspices of OECD, to coordinate TA in Bolivia, where there were more than 100 NGOs and other organizations offering assistance.*

The OECD's Development Assistance Committee (DAC) asks member countries to report their financial and technical assistance in detail using to a carefully designed set of definitions. Much of the information collected is publicly available, but it is not clear to what extent it is used by the donor community in planning its aid. Such use would be difficult, however, because of the lag between the collection and the general availability of the data. DAC has also attempted to coordinate TA activities, issuing a much-criticized report on aid to Mali. Staff at the German Embassy in Washington report that the OECD asked Germany to coordinate both technical and financial aid to Bolivia in a pilot project. More than 100 NGOs and other organizations were offering assistance in Bolivia at that time. The coordination in Bolivia met with mixed success, reducing but not eliminating duplication. It appears that countries go shopping for aid to find a donor that will give it whatever it wants, regardless of their needs.

VI. Conclusion

A number of conclusions can be drawn from this study. First, it seems apparent that USAID has not been and will not be actively involved in reforming the international financial architecture. The US Treasury is likely to continue to take the lead for the U.S. on this subject.

Second, USAID has not participated in the FSAP surveillance program to date-the G-7 gave that task to the Bank and the Fund. The design of FSAP program will be reconsidered this year as the first round of assessments is completed. USAID, along with other donors, might want to influence the new configuration. It would seem that USAID might want to move the FSAP focus further from its present emphasis on systemic stability issues and move it toward increased consideration of developmental issues--recognizing that questions of the development and stability of financial markets are inextricably intertwined. And it might want to play a role in any coordinated effort at FSAP follow up. This issue will be developed further in the fifth report.

Third, USAID is not a dominant player in the provision of many forms of financial assistance. It makes fewer loans, guarantees and investments than many other donors, and it will probably not change this approach. In the future the principal form of its assistance will come as technical consulting services and advice for which it imposes no charges. So the study's conclusions that are most relevant to USAID relate to the TA activities of other international donors.

Observations on Donor TA Activities

Resource constraints have limited the sources of information on TA that are available to study. Consequently, only a brief assessment can be made of donor philosophies, strategies and activities. Nevertheless, these sources are still revealing in a number of senses and are supported by interviews and personal experiences of team members in a number of countries.

Belated recognition of the importance of financial sectors

The first impression from these sources is that donors in general have come only belatedly to appreciate the importance of the financial sector for financial stability, economic growth and poverty eradication. Indeed some donors do not seem to have internalized the shift in emphasis to reflect the changes in priorities that an appreciation of the importance of the financial sector would imply.

One implication of this delayed realization is that donor publications in a surprising number of instances give scant attention to financial sector issues. The laggards include the AfDB and IDB among multilateral donors, and France, Japan, and USAID among the bilateral donors[36]. These donors continue to focus of physical and social infrastructure projects. This criticism is also somewhat, applicable, to the World Bank where financial sector activities are important but are relegated to a subordinate role in its annual report. Even the OECD, in its noble efforts to track donor assistance, gives less attention to the financial sector than to other sectors.

Some other institutions such as the IMF, Treasury Office of TA, the Institute for International Finance (IIF), and S&P, pay more attention to financial sector soundness and efficiency, because that is virtually their sole mandate. Nevertheless, realization of the inter-connections between financial stability and economic growth came late to the IMF[37]. Other donors seem to have moved beyond the intellectual leap into the financial sector to report their activities prominently. (See for example the publications of the ADB, OECD, EU, Germany and the U.K.)

Trends

The a second impression is that there are distinctive trends in FA and TA. It is surprising how many donors have shifted their focus from transition economies in the early 1990s towards Africa today. Appendix IV reveals also a geographic concentration of assistance in some countries and a dearth in others--the Middle East appear to be unappealing to the donor community, although USAID is an exception. Further, the data shows that certain topics, such as micro-and SME-finance and establishing stock-markets, have become very popular and that other topics, such as corporate governance, appear to be becoming bandwagons. At the same time, less attention is paid in many donor publications to issues of commercial bank supervision and regulation, which are neither new nor exciting.

It is well beyond the ability of this study to draw conclusions from these observations, but it does raise the following question: is there a tension between the humanitarian and political/ commercial rationales for TA (and FA) assistance? A donor may choose to gain foreign policy advantage by offering assistance to a large number of countries, as for example USAID and the majority of other donors do. A donor may also choose to offer advice on a wide range of subjects. Doing so will mean that each donor will maintain a large bureaucracy in order to

[36] *IDB staff report that the IDB attempted to cull information on its activities in the financial sector from its loan documents. It took the analyst 6 months to compile a list and even then, the analyst was unsure of its completeness because uses were often not reported and persons asked to verify the classifications did not always respond. After reporting the results for two years, the reporting exercise was dropped.*

[37] *For example, Bank Soundness and Macroeconomic Policy by Lindgren, Garcia, and Saal (1996) is the IMF's first concentrated focus on this issue.*

provide effective advice in a large number (typically more than 100) countries. Does this represent the most efficient use of limited international assistance resources? What are the alternatives?

Tallying and reporting aid

The answer to these tentative observations on possible trends cannot be found in this limited study, which does, however, raise a question whether greater efforts need to be made on multi-donor organization. Such re-organization could come in several stages. The least intrusive of donor self-determination would be to have some international body keep a tally of all the assistance, financial and technical, that is being offered. For example, at present the FSF keeps a tally of research that is being done in the official sector on issues relating to financial stability and the OECD's Development Assistance Committee (DAC) currently asks members to report their assistance to it in a wide range of aid categories. But a number of donors would seem to be unable to provide such information on their activities to assist developing country financial systems because their reporting systems were designed before the importance of financial sectors became recognized.

If information on which donors were offering advice on each topic were readily available in a timely fashion, the donor community could make more informed decisions about the type and venue of its aid. That is, it could exercise self-discipline, and beneficiary countries could have more information concerning what they could realistically request from each donor.

Coordinating aid

The second stage leading to greater international cooperation among donors would have some multilateral body to coordinate assistance. For example, the FSI goes somewhat further than listing courses available by attempting to coordinate training sessions that are offered by the regulatory community. It would be much harder to coordinate the broad swath of donor TA and FA activities, but it would appear to be a potentially valuable service. Perhaps when the international community comes to appreciate how much assistance to financial sectors is already being offered by donors, recognition would grow of the need to organize this aid. While appreciating the daunting nature of this task, the present author believes that it would be worthwhile.

Some coordination already exists, but there are disagreements on its efficacy among those with whom this issue has been discussed. Some find the present ad hoc arrangements adequate; others do not. There has been suggestions that the Bank and the Fund are about to propose greater international integration of resources to carry out the TA that the FSAP process is revealing to be necessary for financial stability and economic growth. Any such proposal will be supported in the team's Task 5 report.

Political and historical context

The third impression is the importance of historical and political context in allocating and channelling aid. Bilateral donors give assistance to countries that matter to them--often these are former colonies, especially if they retain ties to the "mother-country." France, Germany, and the U.K. mention so in their publications. Other donors seek political influence. The Treasury TA Office web site states that, "the Office aims to transform state-directed financial systems in countries where the U.S. has critical foreign policy interests." The EU in particular is looking in the future to give assistance to countries that are in the process of applying for EU membership and also to a much wider group of "partner" countries in the Middle East and Central Asia, some of which have expressed interest in EU membership at a later date[38].

The effectiveness of aid

The fourth and final impression is that much remains to be studied regarding the effectiveness of the TA that has been provided. Such evaluations would help allocate the limited resources that are available to assist countries and shed light on the potential usefulness of greater international organization of donor resources and cooperation among donors.

Looking Forward

Since September 11, 2001 attention has been given to issues relating to the total amount of aid available and its destination. A number of donors have stated their intentions, including the United States.

UK's DfID, in its published plans for the future, calls for three changes in the provision of aid to developing countries. The first request is for an increase in the U.K.'s and other governments' commitments to developing countries. The second priority is greater reliance on grants and less on loans that poor countries cannot afford to repay. The third quest is for an end to tied aid.

Any increase in the U.K.'s commitment may be counterbalanced by a decline in aid from Japan. The Washington Post reports that Japan's "sagging economy" is causing it to waiver on foreign aid as a shift in public opinion may cause Japan to take a less generous stand than it has in the past. Japan has already reduced its development assistance budget by 10 percent from levels elevated by its emergency assistance to southeast Asia. It has sharply curtailed its aid to China and Southeast Asia. Some politicians regret these cuts. However, a recent public opinion poll has revealed a marked decline in the percentage (64)% of

[38] *The author, for example, participated in IMF TA missions to Syria in 1996 and 1997 and was surprised to find that the country was receiving TA from TACIS in preliminary preparation for applying for membership, as confirmed by the Syrian authorities and the resident EU staff.*

people wanting the government to maintain or expand its overseas development assistance. This number represents a decline from 84 percent in 1991 and a sharp increase in the number desiring a cut in aid. The United States has committed funds to Afghanistan in a way that will not transfer/reduce aid to other parts of the world. But the work on rebuilding Afghanistan is only beginning; the President announced a substantial increase in US aid in March 2002.

Germany aims through international cooperation to reduce the incidence of poverty by half by 2015. It will continue to work with the OECD's Development Assistance Committee, which reviews aid projects, provides guidance on the provision of aid, and tries to assure the quality and coordination of aid assistance. Germany recognizes a need for greater aid coordination.

A new round of WTO negotiations on trade in financial services commenced in 2000. It is expected to be a slow and contentious process in moving towards further liberalization and a consequent change in the international financial architecture. Many developing countries wish to retain the waivers they have been granted from opening their markets to foreign competition, while the providers of financial services hope for more open markets.

It is too early to assess what will be the outcome of these opposing trends.

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Appendix 1: The Players
Their TA Activities: What and Where?

Donor publications, while admittedly a limited resource, have revealed substantial insight into the motivation, the extent, and the characteristics of donor TA activities. After a brief introduction to each donor, the types of financial sector TA they offer and the locations where they have recently provided it are summarized below.

The International Financial Institutions

International Monetary Fund (IMF)[39]

The IMF was created in 1944 as one of the Bretton Woods twins. The history of its role in providing stability in the international financial markets has been described in the report for Task I.

The IMF is an important provider of technical assistance but it operates differently from some other major donors. Its TA covers the financial sector (as broadly defined) and does not focus just on financial institutions. It is given exclusively to governments or regulatory bodies and their staffs. It focuses on macroeconomic operations, data production, and financial (especially banking) supervision and regulation The process of applying for TA looks as follows: a country writes a formal letter of request for TA; if the request is approved, a TA country mission will be arranged. It will be staffed from in-house experts, experts from regulatory bodies around the world, and/or private consultants. The IMF hires only individual persons, not consulting companies. In certain cases, the IMF will place a consultant as a long-term advisor in a country with a one- or two-year contract. The IMF does not charge for its TA and only 60 percent of its assistance is given to countries that are indebted to it.

IMF publications state that the Fund spent $118 million on TA in fiscal year 2000 and utilized 340 staff years. Most of these outlays went to the financial sector as broadly construed to include monetary and financial policies. Some outlays occured as follow-ups to FSAP studies. Payments systems, financial sector (including commercial banks and NBFIs) supervision and regulation, deposit insurance, the financial and operational restructuring of troubled banks, capital market development, creating and operating asset management companies regulating securities markets, SMEs, credit bureaus, corporate governance, and combating money laundering, are areas of specialty. These subjects are identified in Table 15.

The IMF has a vigorous research output in its areas of specialty and holds conferences on financial topics of interest to an invited audience. Incoming staff are trained in IMF policies and procedures (“programming”) by the IMF Institute, which also conducts a lively and typically excess-demand program of training in new/controversial financial sector issues and policies for its staff. The

[39] *The IMF issued its first annual Technical Assistance Report for 2000.*

Institute offers training courses in Washington, in its regional training centers, and individual countries and leaders in macroeconomic and financial subjects. Countries receiving TA from the IMF in 2000 are listed in Appendix IV. The emphasis is shifting away from transition countries to economies in Africa.

The Fund's 2000 Technical Assistance Report remarks on page 47 that coordination of donors' technical assistance activities can time consuming and that, with the exception of the Monetary and Exchange Affairs (MAE) and Fiscal Affairs Departments, it avoids this role. MAE, which is responsible for TA relevant to financial institutions coordinated TA to the transition economies in the early 1990s (see Zulu et al. 1994).

World Bank Group

The World Bank Group consists of the International Bank for Reconstruction and Development (IBRD), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), and the International Development Association (IDA). The IBRD was created in 1944 as the second of the Bretton Woods twins to aid reconstruction and development after the Second World War. Its history and evolution are described in the Task 1 report. Its aim is "to reduce poverty in middle-income and creditworthy poor countries by promoting sustainable development through loans, guarantees, and non-lending services," such as technical advisory and training services.

In the financial sector, the World Bank Group seeks to create specialized financial intermediaries (NBFIs), such as leasing companies, private equity funds, SME and housing finance. In 2000, for example, it worked to establish/promote:

- Good practices in micro-, SME-, and rural-finance in Chad, Kenya, Madagascar, Mozambique, Nigeria, Senegal, South Africa, Tanzania, and Zambia in Africa, Bangladesh, Cambodia, China, Fiji, India, Indonesia, Kyrgyz Republic, Maldives, Mongolia, Papua New Guinea, and Vietnam in Asia; Bulgaria, Croatia, Kazakhstan, the Kyrgyz Republic, Moldova, Ukraine, and Uzbekistan, and Yugoslavia in Europe and Central Asia; Belize, Costa Rica, Mexico, and Peru in Latin America; and Syria, in the Middle East.
- Good corporate governance in China.
- Privatization in Botswana, Cameroon, Mauritania, Nigeria, South Africa, and Tanzania in Africa; Bosnia, Georgia, and Romania in Europe; Brazil and Panama in Latin America; and Lebanon in the Middle East.
- Risk management systems and stronger systems for the supervision and regulation in the insurance and contractual savings and pension industries in Madagascar and Nigeria in Africa; Albania, Croatia, and Romania in Europe; and in China and Honduras.

- Improved policies, regulation, supervision, and the institutional framework in order to develop capital markets, especially bond markets in Azerbaijan, China, Thailand, Vietnam, and the Dominican Republic.
- Stronger institutional, legal, regulatory, supervisory, and restructuring/operational systems for banking in Samoa, Kyrgyz Republic, Russia, Tajikistan, Turkmenistan, Uzbekistan, Yugoslavia, and the Syrian Arab Republic.
- Direct foreign investment in the Republic of Congo, Mauritius, Mozambique, Sao Tome and Principe, Senegal, and Zimbabwe in Africa; Bhutan, Cambodia, China, East Timor, Indonesia, Mongolia, Samoa, and Tonga in Asia; Albania, Armenia, Bosnia, Croatia, Kyrgyz Republic, Romania, Russia, Slovak Republic, Turkey, and Yugoslavia in Europe/Central Asia; Brazil, Costa Rica, and Honduras in Latin America; Egypt, Morocco, and Saudi Arabia in the Middle East/North Africa.
- An improved legal, legislative, administrative infrastructure in Armenia, Bosnia, Bulgaria, Czech Republic, Lithuania, Macedonia, Moldova, Romania, Russia, Slovak Republic, Slovenia and Turkey in Europe; Burkina Faso, Cape Verde, Kenya, Senegal, Sierra Leone, Tanzania, Uganda, and Zimbabwe in Africa; Egypt, Qatar, and Yemen in the Middle East; Cambodia, China, Indonesia, Philippines, Solomon Islands, Tonga, Vanuatu, and Vietnam in Asia; and the CARICOM, Colombia, Costa Rica, El Salvador, Guatemala, and Panama in Latin America and the Caribbean.

The Bank for International Settlements (BIS)

The BIS was founded in 1930 to help solve the problem of German reparations after World War I. It currently has 49 voting members (mostly central banks), but 50 central banks and 16 international institutions were represented at its recent meetings. It coordinates international monetary and financial policies and promotes international financial stability. BIS is also the central bank for central banks and acts as an agent for international settlements. It is composed of the heads of central banks and, unlike the other IFIs. Is relatively immune to political pressure.

The BIS acts as a "think-tank" an it is an important participant in reforming the international financial system, as it has been described in the main body of this report. For example, it supports the G-10 by coordinating and hosting its meetings. It promotes the development of standards and codes, by for example, providing the secretariat and venue for the meeting of the Basel Committee on Banking Supervision (BCBS). The BCBS was formed in 1974 to deal with the international problems revealed by the failure of Herstatt Bank. It is famous for the Basle Concordat of 1983, the Capital Accord of 1988, which is now being revised, and the 1997 Core Principles of Baking Supervision. The Core Principles provide one of 12 standards monitored by the IMF and World Bank in their FSAPs and ROSCs (Table 6 above). Similarly, the BIS hosts the Committee for Payment and Settlement Systems (CPSS) and the International Association of Insurance Supervisors, which have each issued another of the 12 standards and codes.

While the BIS is active in reforming the international financial system and provides guaranteed bridging finance during financial crises it does not offer TA services. However, it hosts conferences, provides data services, and participates in FSF/FSI training sessions.

The Financial Stability Forum (FSF)

The FSF met first in August 1999 and, as described in Section II, formed a number of working groups to study problems in the international financial system. Being created by the G-7, it focused initially on the concerns of the major industrial countries about instability in emerging markets, but has recently reached out to other nations and in 2001 it hosted its first regional meeting for the Asia-Pacific region in Tokyo.

The FSF's major contribution to technical assistance is to maintain a Financial Supervision Training Directory of courses offered in various parts of the world by different donors for (i) entry to middle level mangers, (ii) middle management and (iii) senior managers. The donors include the AfDB, ADB, APEC, Bank of Guatemala, Bahrain Monetary Authority, Bank of England, Bank of France, Bank of Russia, BIS, CEMLA, Czech National bank, Federal Financial Institutions Examination Council (FFIEC), Federal Reserve, Federal Deposit Insurance Corporation (FDIC), FSI, French Banking Commission, IMF, International Banking and Financial Institute, National Association of Insurance Commissioners (NAIC), Netherlands Bank, Office of the Comptroller of the Currency, the Reserve Bank of India Bankers' College, South African Reserve Bank, SEACEN Centre, SEANZA (South East Asia, Australia and New Zealand), the Association of State Bank Supervisors, the Toronto Centre and the World Bank. The training appears to be offered by regulators for regulators

The FSF also maintains a directory (available on its web site: www.fsforum.org) of who in the official sector is studying what in the areas of macroeconomic management and surveillance, market infrastructure and functioning, and prudential regulation and supervision. The directory covers, for example, money laundering, corporate governance, payment and settlement systems, electronic finance, securities markets, insolvency and debtor-creditor regimes, insurance, and offshore financial centers.

Financial Stability Institute (FSI)

The FSI organizes the training sessions for public officials that are listed by the FSF and presents them in different regions of the world. The courses focused heavily on bank supervision through 2001, but also extend to the legal and regulatory framework for banks, risk management, and corporate governance for banks. The industry scope is in the process of being extended. The courses are given by experienced regulators and supervisors to other, less experienced supervisors and regulators.

Organization for Economic Cooperation and Development (OECD)

After beginning initially in Europe in 1960, the Organization for Economic Cooperation and Development (OECD) has now expanded its membership to 30 countries and also serves 70 non-member countries that range from mature emerging markets to the least developed countries in Africa. It is committed to the expansion of international trade in goods and services and the liberalization of capital flows. It created the Center for Cooperation with Non-Members (CCNM) in 1998 to work with non-members on OECD's themes of trade, the environment, education, employment, and financial markets.

In its macroeconomic activities, the OECD conducts country surveillance, monitors economic growth and productivity, studies monetary and exchange rate policy, and makes twice-yearly economic forecasts. It has several roles to: (1) collect and publish data, (2) conduct policy discussions, (3) establish benchmarks, guidelines and best practices, and set legally binding codes on trade in invisibles, capital movements, and financial services. It is also working on codes for insurance. It has established a Committee on Financial markets (CFM) to determine practices for the international financial markets.

OECD aims at convergence in the areas of:

- Company law reform;
- Principles for Corporate governance and and privatization and the governance of state-owned assets (in, for example, Argentina, Brazil, Chile, China, India, Malaysia, Romania, and South Africa);
- Enterprise development;
- Insolvency reform and response to corporate distress (for example, in Asia and central and eastern Europe);
- Financial disclosure and accounting reform; (OECD has created accounting and auditing associations on in Eurasia and South East Europe.)
- Financial statistics;

- Capital movements;
- The modernization, regulation and supervision of insurance markets (especially life and health insurance). OECD works for the adoption of its insurance principles, guidelines, and procedures in Central and Eastern Europe, the CIS, the Baltic countries, Asia, and Latin America. It has worked, in Hungary, Poland, Romania, the Slovak Republic, and Ukraine, and has held training courses in Vienna and Istanbul;
- The regulation and supervision of private pensions (both defined-benefit and defined-contribution schemes) in China and the Asia-Pacific region; and
- Money Laundering together with the Financial Action Task Force (FATF).

PARIS CLUB

The Paris Club is an informal group of official creditors who meet 10-11 times a year to find coordinated and sustainable solutions to the payments difficulties of debtor nations. Debt relief is granted through rescheduling. The Paris Club has made 338 agreements for 76 debtor nations since 1956 and has rescheduled $375 billion in debts since 1983.

THE WORLD TRADE ORGANIZATION (WTO)

The WTO provides the first and only multilateral framework of principles and rules for government policies and regulations affecting trade in financial services. It currently has 132 member countries that have signed on to its rules ("WTO agreements") governing trade between nations. An additional 31 countries have requested admittance to the club. WTO succeeded the 1974/9 General Agreement on Tariffs and Trade (GATT) in 1995. (GATT excluded rules governing trade in services, but the US and the European nations kept pressing for an expansion of GATT rules to include services and they were ultimately successful in 1997 when the Financial Services Agreement (FSA) was made.

The WTO offers TA to countries in order to integrate members into the international trading system, allow them to expand their trade, and help them to obtain the full benefits of membership. The TA provided is driven by demand and is adapted to recipient's needs. It currently focuses on the 30 least-developed countries, many of which are in Africa. In 1999, 28 percent of assistance went to Africa, 21 percent to the Asia/Pacific region, 17 percent to Central and Eastern Europe and Central Asia, 26 percent to Latin America and the Caribbean, and only 9 percent to the Middle East.

While most TA currently concerns the market access issues of tariffs, import licensing, customs valuation and inspection, health issues, and technical regulations and standards, it now is increasing focusing on matters relating to the international trade in financial services-- a topic only recently admitted to its agenda. WTO assistance is given through training sessions, seminars and workshops, and technical missions on preparing legislation, regulations, and notifications. It does some, currently limited, TA on implementing WTO commitments in the financial sector and is in the process of issuing new rules governing governments' rights to issue regulation and restrict access to foreign suppliers. These rules may grant extra flexibility to the least-developed countries.

New negotiations to open domestic financial markets in developing countries to greater international competition began in February 2000. A tension between industrial and developing countries has been observed over the liberalization of financial services. Consequently, the negotiations, which will influence the configuration of the international financial architecture, are expected to be "drawn out and complicated" (Wertman and Cooper, 2001).

The Regional Development Banks

The African Development Bank (AfDB)

The African Development Bank, established in 1964, has 53 member countries in Africa plus 24 elsewhere. It provides loans, grants, and guarantees and also makes equity investments. It aims to enhance skills and capacity in African developing countries so that they themselves may manage project-cycle investments and activities. In terms of assets, it is the third largest of the four RDBs studied in this report and has a large FA program. While lending to the financial sector was 10 times higher during the Asian financial crisis, it has now fallen to a relatively modest at 3.2 percent by the end of 2000.

Through TA, the AfDB aims to enhance skills and capacity in African developing countries so that they themselves may manage project-cycle investments and activities. It encourages cooperation among member countries and offers TA in:

- Debt management and good governance;
- Regional institutions for cooperation and research; and
- Reducing poverty and raising living standards through improving agriculture, rural development, education, health, water resources, gender equality, and the environment.

While the AfDB does not feature its activities in the financial sector in its publications, nor reveal which countries benefited from which types of project, member financial sectors received 18 percent of AfDB loans in 2000. TA accompanies these loans and focuses on:

- Development banking,
- Commercial banking,

- Bon-bank financial intermediation,
- Micro-finance and SME initiatives for agricultural and rural credit, and
- The legal and regulatory environment.

The Asian Development Bank (ADB)

The ADB was created in 1963 to promote the development of the Asia-Pacific region. The ADB's TA budget was $364 million in 2000, 45 percent in the form of grants, the rest as loans for TA. TA for the financial sector was 20% of all TA in 1998, having doubled from the previous year as a result of the Asian crisis. The materials ADB publishes emphasize the Bank's attention to the financial sector and describe individual projects being conducted in member countries. In order of priority, it offers assistance to:

- Development finance institutions (for example, in Fiji, India, and China);
- Development of capital markets;
- Privatization;
- Deregulating interest rates and improving monetary policy;
- Reduce public sector domination over financial sector resources (in Korea and Sri Lanka);
- Promote private financial intermediation and enhancing competition (in Cambodia and Thailand);
- Strengthen the debt-securities markets through interest rate benchmarks and enhanced liquidity (in India and Thailand);
- Ease regulatory bottlenecks, improving clearing and settlement and transparency to promote capital-market development (in Pakistan);
- Improve regulation and supervision in the banking, securities, insurance, and pension markets (in Bangladesh, India, Korea, Pakistan, Sri Lanka, and Thailand) and deposit insurance (in Korea);
- Develop Micro and SME finance (in China, East Timor, India, Pakistan, and Thailand);
- Promote Corporate Governance, construed as including commercial laws and regulations, accounting, auditing, disclosure, protection of minority shareholders, bankruptcy and foreclosure, fiduciary responsibility, and training officers and directors (in Indonesia, Korea, the Kyrgyz Republic, Lao PDR, Nepal, Papua New Guinea, and Vietnam);
- Restructure and recapitalize troubled banks (China) via asset management companies (in Korea);

- Counter money laundering (in 9 unnamed Asian countries);
- Reform Insolvency law and introduce secured transaction reform (Thailand);
- Manage Pension and provident funds (Thailand);
- Introduce Secondary mortgage finance (Korea, and Thailand);
- NBFIs (in Korea);
- Provide Credit information and rating systems (in Korea);
- Promote Housing and urban development (in the Philippines); and
- Assist in development Rural finance (in the Lao PDR and Tajikistan).

The European Bank for Reconstruction and Development (EBRD)

The European Bank for Reconstruction and Development (EBRD) was created in 1991 to assist countries in central and eastern Europe and the Commonwealth of Independent States (CIS) to transition from command to market economies. The assisted countries were to be wedded to multi-party democracy, pluralism, and market economics. The EBRD promotes private sector activities in 27 countries, strengthens financial institutions, legal systems, and the infrastructure necessary to support for the private sector.

The financial sector is the largest recipient of EBRD's TA grants. For example, it made TA grants of $61 million in 2000. Its TA supports sound banking principles in the provision of services to the corporate and retail sectors and encourages businesses to operate transparently and under good corporate governance. It makes equity investments in, and provides loans to, local financial institutions that on-lend to private enterprises, particularly SMEs. Its priorities are to promote:

- Sound financial sectors;
- Micro- and SMEs;
- Commercial approaches to infrastructure development;
- Restructuring large troubled, but viable, enterprises; and
- Increasing equity investments through 10 regional venture funds, 7 post-privatization funds, 7 small enterprise equity funds, and an SME equity fund.

The Inter-American Development Bank (IDB)

The IDB was established in 1959 to accelerate economic and social development in Latin America and the Caribbean. In addition to the bank, there is an Inter-American Investment Corporation (IIC) that finances SMEs and a

Multilateral Investment Fund (MIF) that stimulates private-sector development. Its operations encompass the entire spectrum of economic and social development, ranging from agriculture to industry, physical infrastructure, to social sectors and the environment.

According to its publications, the IDB does not pay as much attention to the financial sector as it does to physical and social investment. It does not list assistance to the financial sector in its budget. While its TA is typically embodied in its loans, it also gives TA grants. In 2000 it had projects to support economic liberalization, economic and fiscal strengthening, private investment and competitiveness, and the reform of the state and its social policies. For example it promoted:

- Micro and SMEs (for exporters in Argentina, for businesses in Santiago in Chile, and also in Mexico, Peru, Trinidad and Tobago);
- Networks of mediation and arbitration (in Argentina);
- The legal and regulatory framework in securities markets (Barbados);
- Auditor General Offices (in Colombia and the Dominican Republic);
- Financial sector supervision, for example for commercial banks (in the Dominican Republic, Honduras, Jamaica, and Mexico), for insurance companies (in Honduras, Jamaica, Trinidad and Tobago), and also for pensions (in Trinidad and Tobago);
- The administration and disposition of assets of closed banks (in Ecuador, Jamaica, and Mexico);
- Housing finance (in Mexico);
- Restructuring the banking system (in Mexico);
- A property registry (in Costa Rica); and
- Anti-corruption measures (in Paraguay).

Bilateral Donors

The European Union (EU)

The European Union aims to assert its identity on the international scene partly through humanitarian aid to non-EU countries and through action in financial crises. It maintains the European Investment Bank (EIB) to develop the economies of member countries. It also aids countries seeking accession to the EU (that is, Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, the Slovak Republic and Slovenia) and also partner countries (elsewhere in Europe, the Mediterranean, Caribbean, the Pacific Region, Asia, Latin America, and the Balkans).

In addition to the European Investment Bank, there are a number of other bodies offering external aid: (1) the Europe-Aid Cooperation Office that provides financing and technical assistance to more than 150 countries and territories, (2) TACIS, and (3) PHARE.

TACIS provides grant-financed TA to enhance the transition process in 13 countries in Eastern Europe and Central Asia (Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, the Kyrgyz Republic, Moldova, Mongolia, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan). The program also provides an opportunity for officials from the EU and partner countries to meet on a regular basis to enhance cooperation. Its priorities have been: institutional, legal and administrative reform, restructuring state enterprises, private sector development, transport and communications, energy, nuclear safety and the environment, the rural economy, food production, processing and distribution, developing social services, and education.

While the TACIS program conducts activities in the financial sector, its accounting does not identify them and its publications do not feature them. Nevertheless, it offers policy advice, sends teams of consultants, conducts studies, and offers training by setting up partnerships, networks, and pilot projects and by twinning in order to develop and reform institutions, organizations, and legal and regulatory frameworks.

PHARE focuses on institutional reform toward decentralization in transition economies, including legal and regulatory reform. It offers TA in the form of grants for privatization, restructuring state-owned enterprises, modernizing banking and financial systems, developing markets and social safety nets, and encouraging foreign investment. Of its $8 billion in financial commitments (grants) made during the 1990s, only 3 percent went to the financial sector, while 13 percent went to privatization and SMEs.

France (AFD)

The Agence Francaise de Developpement Group (AFD) is France's main agency for project aid. It operates in more than 60 countries with a network of 45 local offices in Africa, the Pacific, Asia, the Caribbean, the Mediterranean, south-east Europe and overseas France (that is, France's remaining colonies). (See Appendix IV.) It operates as a business on its own account and also on behalf of the state and maintains a balance sheet and profit and loss account. It has a triple A rating from the three major rating agencies and is profitable. Half its borrowings from the market are subsidized by the state in order to provide low-cost loans to poor countries. It also borrows from the French Treasury.

It aims to stimulate growth and combat poverty by financing "job-creating opportunities through a varied and evolving range of financial projects. Its operations cover infrastructure, manufacturing sectors, financial systems and social, education and health projects." It also promotes urban and rural development, the environment and the reduction of gender inequalities. It believes that neither public-only nor private-only investments will meet developing countries' needs; consequently, it aims to create a public/private partnership. In tandem with its subsidiary, PROPARCO, AFD works with the private sector, by assisting businesses with their projects and advising them on assistance available from its own or other donors' resources.

AFD makes loans and grants and equity investments and offers guarantees either directly to companies or through local financial institutions. Its financial assistance totaled roughly $635 million in 2000. While data on lending to the financial sector is not available, ranked as AFD's third priority. In the financial sector AFD has created financial instruments to mobilize local savings and share risks in ways that are beyond the scope of national banking and financial systems to create and develop SMEs.

AFD focuses its activities on the poorest countries--41 of the 48 countries classified by the United Nations as low income. Working with local authorities and NGOs, often in Francophile and Francophone countries, it aims to increase per capita income by encouraging development projects, supporting trade associations, and restructuring financial systems. It contributes funds to the IMF's PRGF. In overseas France it supports local governments and enterprises and implements France's social housing policy.

The agency is not heavily involved in providing technical assistance and only approximately 10 percent of its TA goes to the financial sector. However, its Centre d'Etudes Financieres, Economiques et Bancaires (CEFEB) provides training for senior officers and managers from developing countries and overseas France. CEFEB trains about 500 people a year in banking and financial systems, strategy and corporate finance, assessment and follow-up of development projects, economic and financial forecasts. This training includes: (i) 3-month diploma courses at the Sorbonne, (ii) 2-3 week courses in Paris for bank managers, companies' financial officers, and mangers financing micro enterprises, (iii) tailor-made seminars abroad as requested by companies and financial institutions, (iv) in-service training for staff from AFD and the Ministry of Foreign Affairs.

GERMANY (GTZ AND KFW)

The German Federal Government conducts its aid operations through three channels. The Deutsche Gesellschaft fur Technische Zusammenarbeir (GTZ) is primarily responsible for technical cooperation, while the Kreditanstalt fur Weideraubrau (KfW) offers financial and personnel assistance. The German government also cooperates with multilateral organizations such as the World Bank and the EU.

In the financial sector, the GTZ emphasizes self-help to ensure that target groups have access to funds they need. It offers new financing techniques, such as revolving credit funds and group credit with shared liability, to self-help groups of SMEs. The financing is combined with advisory services, seminars and workshops, and a partner program with German Savings Banks.

GTZ experts advise on financial operations, rather than on supervision and regulation. In cooperation with the German Savings Bank Association, GTZ experts help build commercial banks, savings organizations and banking academies. They help reorganize the financial markets, set interest rates, and improve bank accounting, auditing, and legislation. GTZ offers training in marketing, customer service, operational management, and computer evaluation systems. It encourages technology transfer.

The top 25 countries that GTZ served in 2000 are ranked in Appendix IV. The projects that GTZ supported in recent years have focused on:

- Establishing and strengthening financial institutions for rural areas and savings associations (in Bolivia, Colombia, India, Mali, Mongolia, Nepal, the Philippines, Sri Lanka, Thailand, and Uganda);
- Reforming the banking system and initiating systems of deposit insurance (in Bosnia-Herzegovina and Vietnam);
- Establishing and strengthening local stock exchanges (in Croatia, Kazakhstan, and Uganda) and forming a securities commission (in Bulgaria);
- Promoting micro and SMEs (in El Salvador, Ghana, Guatemala, Thailand, and Vietnam);
- Forming development banks (in Bulgaria, Sri Lanka, and Uzbekistan);
- Implementing a system of payment and settlement (in Uganda);
- Creating a system of regulation and supervision for micro-finance institutions (in Guatemala, and Uganda) and for credit and savings cooperatives (in Nepal);
- Enhancing NBFIs (in Ghana); and
- Linking banks with self-help groups (in Indonesia).

Japan (JICA and JBIC)

Japan has each year since 1991 been the most generous of the bilateral donors, providing over $15 billion in assistance in 1998. It offers overseas development assistance in 3 ways: financing through the Japan Bank for International Cooperation (JBIC), TA from the Japan International Cooperation Agency (JICA), and donations to multilateral agencies. Its philosophy is to donate funds to the multilateral agencies and let them provide FA and TA. Consequently, it downplays its own direct assistance. However, in 1999, JICA provided $1.14 billion in TA that strongly emphasized physical investment but it also supported building business and financial systems. The top 20 country recipients of its TA are listed in Appendix IV. JIBC also offered grant-financed TA, but provides no data on it.

United Kingdom (DFID)

The U.K.'s aid agency, the Department for International Development or DfID, is part of the government. It provides loans, grants, guarantees and makes equity investments and is the fourth largest donor behind Japan, the USA, and Germany.

DfID provided roughly $805 million in TA in FY 2000-2001 and does not charge for its assistance. It aims to make financial services more readily accessible to the poor. For example, in the financial services industry, it advises on micro-finance products including micro-insurance, micro-leasing, micro-pensions, post-conflict micro-finance, and micro-finance for agriculture. In its business development services, it supports the use of information and communication technologies, and uses entrepreneurs as trainers for SMEs. In order to improve the legal and regulatory environment, it advises on extra-judicial mechanisms to resolve disputes, and on ways to engage both the public and private sectors in the development of better policies, laws, and regulations.

Geographically, DfID has a bias toward assisting commonwealth and anglophile countries, but also operates in post-conflict countries. For example, India, Uganda, Ghana, Bangladesh and Tanzania were the top DfID TA recipients in 2000-2001, as they were in the earlier period. Other recipients of TA are ranked in Appendix IV. DfID has been a leading supporter of:

- Micro- and SME-finance operations in Bangladesh, India, sub-Saharan Africa and South Asia and Latin-America (on a commercial basis is the last case);
- Savings and insurance projects to reduce the vulnerability of the poor in East Africa;
- Anti-money-laundering projects in 8 countries in East and Southern Africa and, cooperating with the EU, in 10 east and southern Asian communities;
- Privatization and capital market development in Bosnia;

- Creating and strengthening the legal, regulatory, supervisory frameworks for secured transactions, property rights, bankruptcy law, and an independent judiciary;
- Strengthening governments' budgeting, accounting, auditing, accountability and resource management systems, as in Bangladesh;
- Improving macroeconomic management;
- Controlling capital flows and the opening of capital accounts; and
- Helping countries to meet IMF data requirements and comply with the international standards and codes.

The US Treasury Office of Technical Assistance

Like the aid agencies in Germany, Japan and the UK, the US offers TA through government agencies, one of which is the Treasury Department's Office of Technical Assistance. This office does not make loans or equity investments or offer guarantees. The Office aims to transform state-directed financial systems into market-based operations in countries where the U.S. has critical foreign policy interests and where the governments are committed to policy reform and private sector growth. To achieve these objectives in 2000 it placed long-term and intermittent advisors to ministries of finance, central banks and other government departments in beneficiary countries in the areas of:

- Budget policy and management (in Georgia, Haiti, Macedonia, Nigeria, Senegal, South Africa, and Ukraine);
- Financial institution policy and regulation (in Albania, the Czech Republic and Thailand);
- Government debt issuance and management (in Egypt, Kenya, Tanzania, Thailand, Uganda and Ukraine);
- Financial crimes and law enforcement (in El Salvador, Georgia, and Moldova);
- Tax policy and administration (in Bosnia, Macedonia, South Africa, and the Ukraine); and
- Resolving banking crises (in Indonesia, Turkey, and Yugoslavia).

Initially Treasury TA was offered to countries in Central and Eastern Europe and the Former Soviet Union. Now, the Treasury has expanded its activities to multi-year programs in South Africa, the West African Economic and Monetary Union, Senegal, Thailand, and Colombia. Other beneficiary countries are identified in Appendix IV.

The U.S. Agency for International Development (USAID)

USAID'S operations are described in the Task III report.

Private Sector Organizations

Group of Thirty

The Group of Thirty is a private body to which many of the developed world's largest financial institutions belong. It has been active in attempts to reform the international financial institutions, being the de facto author of the Bretton Woods Report in 1994. It has been a pioneer of standards/good practices for payment and settlement systems and international insolvencies since the 1980s and for derivative transactions since the early 1990s.

The Institute for International Finance (IIF)

While the IIF does not provide technical assistance to beneficiary counties, it monitors the condition of the major emerging-market-economies, their financial systems, and their major financial institutions. It holds meetings twice yearly to coincide in time and place with the Bank/Fund Annual and Spring meetings. It hosts conferences at these times where it presents the results of its extensive market research. It is also very active in studying and trying to influence the setting of standards and codes, particularly those relating to bank capital standards.

The IIF has the largest lending and financial institutions as its members. It originally had predominately industrial country members, but now is broadening its catchment areas. It lobbies the IMF on lenders' behalf on issues relating to international debt. The IMF's new administration has been more receptive to listening to its views, while not necessarily accepting them or acting upon them. One of the IMF's recent reforms has been to create a liaison group with players in the international capital markets and IIF is a prominent member of this group.

The International Committee of the Red Cross (ICRC)

The International Committee of the Red Cross and Red Crescent (ICRC) is a charity providing humanitarian assistance through 177 ICRC societies in Africa, Asia, Latin America and the Caribbean, Europe and North America, the Middle East and North Africa. It operates in areas afflicted by wars within and between countries. It has found a trend that there were more wars within countries (24 of the 25 major conflicts in 2000) than between countries and Africa has been the most troubled region. Apart from food and medical assistance it pursues solutions to conflicts, conducts diplomacy, traces missing family members, and legal/humanitarian improvements. It offers TA to help countries achieve its objectives.

OXFAM

The charity is a confederation of 12 non-governmental organizations in America, Australia, Belgium, Canada, Germany, Great Britain, Hong Kong, Ireland, the Netherlands, Quebec, Spain, and New Zealand. Seeking solutions to "poverty, suffering and injustice," it provides strategic funding for development projects, emergency relief in times of crisis, and campaigns for social and economic justice. It has no religious or political affiliations. It aims to make globalization work for the poor by implementing "fair rules for the global economy," improving poor people's access to markets, "regulating direct foreign investment, building gender equality into the policies and practices of the WTO," and decreasing violent conflict. Oxfam believes that people have five rights-right to a sustainable livelihood, to basic social services, to life and security, to be heard, and to an identity and consequently works to defend them. It offers loans, grants and training.

STANDARD AND POOR'S (S&P)

S&P, established in 1860, describes itself as "entering a third century of independent insight and information to the financial community to help them (sic) determine value in the market place." It creates benchmarks and provides stock indices, rating services, real-time market data, stock recommendations, global market commentary, retirement services and "a comprehensive portfolio of products and services to help investors" manage risk.

While not an important part of its business activities, S&P does provide technical assistance for which it charges fees. For example the authorities in Thailand have purchased its advice in setting up rating services in Thailand. It rates sovereign countries and municipal authorities, public finances, companies, financial institutions, investment funds, and fixed income and insurance companies and products and gives corporate governance scores. It has offices in 21 major locations--industrial countries and important emerging markets. It is not, as yet, interested in the lesser-developed countries, but might be used by USAID to advise such countries in setting up rating services for their companies and financial institutions.

Appendix 2 - IMF Policies and Practice Regarding the Publication of Documents

Document	Board Policy	Practice
Surveillance		
Concluding Statements of Article IV Missions	Voluntary*	45% published in FY2001
Article IV Staff Reports and combined Article IV/UFR Staff Reports	Voluntary	73 countries since June 1999
Recent Economic Developments, Selected Issue Papers, Statistical Appendices	Voluntary	Routinely published
Financial System Stability Assessments (FSSAs)	Voluntary	Released along with Article IV
Reports of Observance of Standards and Codes (ROSCs)	Voluntary	Routinely published
Public Information Notices (PINs) following Article IV Consultations	Voluntary	More than 3/4 in 2000
PINs following Board discussions of regional surveillance	Voluntary	Routinely (80%) published
Financial Sector Assessment Program reports	Confidential	None published
Use of Fund Resources (UFR)		
Poverty Reduction Strategy Papers (PRSPs) and Interim PRSPs	Presumed	Staff do not recommend board endorsement unless PRSP published
Joint Staff Assessment of PRSPs	Presumed	Not known
Letters of Intent/Memoranda of Economic and Financial Policies	Presumed	Not known
Technical Memoranda of Understanding with policy content	Presumed	Not known
Use of Fund Resources Staff Reports	Voluntary	Some published
Chairman's Statements	Presumed	Not known
HIPC Summing Up	Presumed	Combined with Chairman's Statement
HIPC Initiative Papers	Presumed	Not known
Post Program Monitoring staff reports and Press Information Notices (PINs)	Voluntary	Not known
Decision on waivers of non-observance or applicability of performance criteria	Presumed	Referenced in Chairman's Statement
Policy Documents		
Board Papers on Policy Issues	Discretion	If completed or "useful"
PINs following Board discussions of policy issues	Discretion	If completed or "useful"
Staff Visit Concluding Statement	Voluntary	Not known
Mission Team Assessment on Staff-Monitored Programs	Voluntary	Not known
Mission Concluding Statements on Staff-Monitored Programs	Voluntary	Routinely published
LOI/MEFP in Staff-Monitored Programs	Voluntary	Not known
Stand-Alone Staff Reports in Staff-Monitored Programs	Voluntary	Not known
Other Documents		
Technical Assistance Reports	Confidential	None published
Telephone Directory	Confidential	Not publicly available

Source: IMF Annual Report 2001

Notes: Voluntary release requires the agreement of the country concerned.

Appendix 3 - Foci of Loans, Grants, Guarantees and Investments by Donor

Body	Focus of Lending	Lending to Countries
Official Organizations		
AfDB	Promote the investment of public and private capital for social and economic development to reduce poverty: development and commercial banking, and NBFI intermediation, for agricultural and rural development, improvements in education, environment, health, and water supplies. Creation of a legal, regulatory, economic environment to encourage good corporate (and other) governance and debt management. Micro and SMEs finance promoted through development finance institutions. Promotes commercial banks and NBFIs.	Of its 53 members, the top 24 recipients in 2000 are ranked: Mozambique, Ethiopia, Ghana, Gambia, Benin, Eritrea, Mauritania. Tanzania, Malawi, Guinea, Zambia, Burkina Faso, Cameroon, Lesotho, Cape Verde, Djibouti, Mali, Algeria, Angola, Botswana, Burundi, CAR, Chad, and Comoros.
ADB	To overcome crises offers. Financial sector loans to: aid central and commercial banking; finance micro and SMEs; reform interest rates; improve financial sup® monetary policy and corporate governance; restructure troubled banks; deposit insurance; privatize; increase competition; develop the debt, equity, insurance, and mortgage markets/regulation and pension and provident funds; improve legal accounting/audit infrastructure; including insolvency and secured transaction laws. Also combats money laundering; improves clearing and settlement and housing finance.	Of 21 developing countries aided, the top 11 were ranked in order in 2000: China, Indonesia, India, Vietnam, Pakistan, Nepal, Sri Lanka, Philippines, Bangladesh, Mongolia, and Papua New Guinea; also Korea, Thailand, Uzbekistan, Cambodia, East Timor, Fiji, Kyrgyz Republic, Laos, Tajikistan, and Bhutan.
BIS	Provides short-term credits to central banks, usually on a collateralized basis. Anticipates loans from the IMF.	Brazil and other countries since the 1980s. Little information is available.
EBRD	Foster the transition from command to market economies and encourage private-sector development. Supports the real economy, government institutions and policies, sound financial and legal systems, micro and SMEs finance, private and entrepreneurial initiatives, restructuring, competition, privatization, infrastructure, sound banking, insurance, venture, enterprise and equity mutual funds, transparency, and good corporate governance. Makes equity investments in venture, post-privatization, and enterprise funds. Makes no mention of lending for improving payments systems, housing finance, or pensions.	27 transition economies in C&E Europe and CIS committed to democracy and market economics. In order for 2000: Russia, Poland, Ukraine, Croatia, Kazakhstan, Romania, Bulgaria, Lithuania, Azerbaijan, Macedonia, Bosnia, Estonia, Uzbekistan, Czech Republic, Latvia, Armenia, Moldova, Georgia, Slovenia, Slovak Republic, Hungary, Albania, Belarus, Kosovo, Kyrgyz Republic, and Tajikistan.

EU	There is aid for (1) members states; (2) pre-accession countries; and (3) others. The EIB promotes training, research and development, information and communication technologies, innovation and entrepreneurship, and the environment for members. The EIF provides venture capital for high-tech projects for EU members and applicant members. The European Development Funds (EDFs) provide funds to state and local governments to aid agriculture, forestry, fisheries, less developed members (Spain, Greece, Ireland, Portugal), social causes, maintain employment, transport, communications, energy, environment, urban areas, tourism, SMEs. Abroad, the EU gives macroeconomic, security, nuclear safety, education, and humanitarian assistance, assists health, private-sector development, restructuring state agencies, agriculture, consumer protection, financial sector, and SMEs.	150 countries. Members ranked were: Germany, Italy, Spain, U.K. France, Portugal, Greece, Denmark, Belgium, Sweden, Austria, Finland, Netherlands, Ireland, and Luxembourg. Among prospective EU members: Poland, Romania, Hungary, Bulgaria, Czech Republic, Albania, Bosnia and Herzegovina, Lithuania, Slovak Republic, Latvia, Estonia, Slovenia and countries in the Euro-Mediterranean Partnership. Loans are also provided to countries in Africa, Caribbean, Pacific, Asia, Latin America and the Balkans. Aided in Eastern Europe/central Asia: Russia, Ukraine, Kazakhstan, Uzbekistan, Azerbaijan, Georgia, Moldova, Armenia, Belarus, Kyrgyz Republic, Turkmenistan, and Tajikistan.
FSF	Not applicable	Not applicable
FSI	Not applicable	Not applicable
France	Industry, agriculture, urban and rural development, electricity, environment, mining, education, health, transport, tourism, communications, and the financial sector. Encourages gender equality and environmental conservation. In the financial sector, promotes micro and SMEs, helps banks mobilize savings and share risks. Offers training for managers in both public and private sectors in banking, corporate finance, and forecasting.	Of 41 countries in the French sphere of influence--90% were in Africa. They were ranked in 2000: Cote d'Ivoire, Cameroon, Morocco, Congo Brazzaville, Tunisia, Republic of Congo, Gabon, Guinea, Vietnam, Mauritius, Ghana, Mozambique, Senegal, Angola, Algeria, South Africa, Mali, Madagascar, Mauritania, Burkina Faso, Burundi, Haiti, Somalia, Seychelles.
Germany	KfW is a promotional/development bank both for the German economy (via export and project finance and venture capital for SMEs) and developing countries. In the latter, it develops the social, economic and legal infrastructure, develops trade, industry, and natural resources, protects the environment, and offers financial and health advisory services for state-owned and private businesses. It also aids privatization, regulation, rural finance, savings associations, SMEs, NBFIs, banks, deposit insurance, stock exchanges, development banks, and payments systems.	Of 50 countries aided, the top 20 ranked in order in FY 2000 were: Morocco, Indonesia, Egypt, Jordan, Mozambique, Tunisia, Sri Lanka, Macedonia, Bolivia, Kosovo, Dominican Republic, Israel, Albania, India, China, Guatemala, Namibia, Philippines, Nicaragua, Nepal, and also Cote d'Ivoire, Kenya, Tanzania, Brazil, and Palestine.

IDB	Lends to promote all aspects of social/economic development: 29% goes to social sectors (health, education, environment, micro-enterprises); 28% to infrastructure (energy, transportation, communications); 22% to productive sectors (agriculture and fisheries, industry, mining, tourism, science and technology); 15.6% to modernizing state agencies, policies and administration; and 5% to export financing. It strengthens managerial and institutional capacity, social safety nets, and micro-SMEs. In the financial sector, it aids securities, insurance, pension, housing finance, and banking markets; establishes stock exchanges, and combats corruption.	Of 28 recipients, the rankings in 2000 for commitments were: Mexico, Argentina, Brazil, Chile, Peru, Colombia, Jamaica, Ecuador, Paraguay, Honduras, and Nicaragua. Also: Bahamas, Belize, Bolivia, Costa Rica, Dominican Republic, El Salvador, Guyana, Panama, Suriname, Uruguay, and Venezuela.
IMF	Offers stand-by arrangements and special facilities from general resources to assist countries in dealing with balance of payments problems. These countries may be experiencing/seeking to avoid an economic or financial crisis or attempting to recover from internal or external conflict or natural disasters. There is a separate trust fund for concessional lending from the Poverty Reduction and Growth Facility (PRGF). (The IMF's lending facilities are listed in Table 10.)	30 countries received regular commitments in FY 2001, including in order: Turkey, Argentina, Nigeria, Pakistan Vietnam, Croatia, Sri Lanka, Kenya, Uruguay, Peru, Yugoslavia, Panama, Cameroon, Moldova, Georgia, Gabon, Ethiopia, Congo, Madagascar, Panama, and Latvia. Top recipients from the PRGF were: Vietnam, Kenya, Moldova, Cameroon, Georgia, Ethiopia, Madagascar, Nicaragua, Mali, Ghana, and also Benin, Bolivia, Gambia, Guinea, Guyana, Honduras, Macedonia, Malawi, Nicaragua, Rwanda, Senegal, Tanzania, Uganda, and Zambia.
Japan: JICA (JBIC*)	Socio-economic and physical infrastructure, including the power, gas, transport, telecommunications, agriculture, and food industries. Also assists health and family planning, the environment, social and human resource development. Supported economic stabilization during the Asian crises.	Through grants to ADB, IMF, WB. 85% directly to 19 countries in Asia: China, Thailand, Philippines, Vietnam, Peru, Sri Lanka, Romania, India, Kazakhstan, Bangladesh, Morocco, Tunisia, Iran, Uzbekistan, Mongolia, Nepal, Papua New Guinea, and also Swaziland and Chile.
OECD	Not applicable as does not give financial assistance.	Not applicable.

U.K. CDC	Combats financial crisis and offers debt relief. Promotes innovative projects in micro-finance for agriculture, insurance, leasing, pensions and savings products. Offers aid to post-conflict countries and poor peoples. Supports the macroeconomy, government management, transparency, and business development through information and communication services for SMEs. Aids the legal, regulatory and policy environment, for example through bankruptcy laws, support for property rights, and use of arbitration for dispute resolution. Combats money-laundering promotes micro and SME finance, capital, savings and insurance markets, and combats money laundering.	In order for 2000/01: Sub-Saharan Africa (54%), Asia (29%), Europe (9%) and Americas (8%)--in the last region it invests on a commercial basis. In order for 2000/1: India, Uganda, Ghana, Bangladesh, Tanzania, Malawi, Zambia, Kenya, Sierra Leone, Rwanda, Mozambique, South Africa, China, Russia, Indonesia, Montserrat, Nepal, Nigeria, Guyana, and Pakistan.
US AID	Focuses on improving schools, hospitals, and governance, and helping countries to recover from conflict and disasters and to improve their democratic institutions.	Among 104 recipients for 2002, the rankings were: Israel, Egypt, Ukraine, Jordan, Bosnia, India, Russia, Kosovo, Ethiopia, Haiti, Bangladesh, Indonesia, Peru, Georgia, Honduras, Armenia, Mozambique, Guatemala, W. Bank/ Gaza, Albania, Kenya, Uganda, Sudan, Tanzania, Ghana, Romania, Bulgaria, Macedonia, Nicaragua, Bolivia, Kazakhstan, South Africa, and Angola.
U.S. Treasury	While the Treasury TA department does not give FA, the US government can give assistance to countries in crisis.	Not applicable.
World Bank Group		
IBRD	Reduce poverty in middle income and credit-worthy poor countries through loans, guarantees, and TA. Since 1960 also lends at 0% interest to the poorest countries through IDA. In the financial sector it focuses on banking and access to financial services for low-income countries and capital markets for middle income countries. Development and capacity building: restructuring, privatizing, supervision/regulation, setting standards, corporate governance, payments systems, debt management, corporate debt restructuring, financing for micro and SME, rural finance, regional financial markets, electronic finance, banking laws, credit-reporting and scoring, housing finance, insurance supervision, payments systems, securities markets, pension systems, leasing, NBFIs, insolvency law, anti-money laundering, and transparency.	Among 85 countries, the top 25 recipients of loan approval in FY 2001 were: India, Mexico, Brazil, Turkey, China, Ethiopia, Vietnam Indonesia, Argentina, Russia, Pakistan, Uganda, Kenya, Bangladesh, Madagascar, Senegal, Honduras, Colombia, Nicaragua, Nigeria, Eritrea, Poland, Peru, Yemen, and Romania.

IFC	Improving the investment climate, business practices, infrastructure, securities markets, commercial banks and credit institutions, and their supervision and regulation. Supporting local capital and debt markets, competition, privatization, micro and SME finance, corporate governance, transparency, housing finance, insurance (life and other), pension markets, housing finance and the secondary mortgage markets.	Of 138 countries the top 25 in FY 2001 were: Brazil, Argentina, Mexico, India, Turkey, Indonesia, Pakistan, Thailand, Chile, Venezuela, Korea, Egypt, China, Colombia, Russia, Morocco, Czech Republic, Poland, Peru, Nigeria, Hungary, Lebanon, Zimbabwe, Kenya, and the Philippines. Overall 38 were in Africa, 29 in Europe and central Asia, 22 in Asia, and 30 in W. Hemisphere.
MIGA	Political risk insurance, investment promotion for mining, tourism, training for investment promotion, investment intermediaries, MIS, best business practices and financial sector standards to attract direct foreign investment, information technology, privatization, mortgages, micro and SMEs; securitization of loan and lease receivables in Brazil.	61 countries, for example, top 25 in FY 2001: Brazil, Argentina, Peru, Russia, Ecuador, Colombia, Dominican Republic, Tanzania, Mozambique, Turkey, Romania, Philippines, Guatemala, China, Pakistan, Jamaica, Costa Rica, Nicaragua, Bangladesh, Czech Republic, Venezuela, Moldova, Swaziland, Indonesia, and the Kyrgyz Republic.
WTO	Not applicable	Not applicable
Private Sector and Non-Governmental Organizations (NGOs)		
Group of Thirty	Not applicable	Not applicable
ICRC	Its humanitarian mission is to protect the lives and dignity of victims of war and internal violence and to provide them with assistance… It also endeavors to prevent suffering by promoting and strengthening humanitarian law and universal humanitarian principles. It supports rehabilitation, restitution and reparation, and improves the political, institutional, socio-cultural, and economic environment. Provides humanitarian assistance and guidance. (Its literature makes no reference to aiding countries experiencing natural disasters. Assistance in this case provided by the domestic Red Cross or Red Crescent Organization.)	In Africa with ranks: Sudan (3), Rwanda (5), Somalia (8), Sierra Leone (9), Guinea (10), Nigeria (14), Liberia (15), Uganda, and many other nations through regional activities. Asia: Pakistan (1), Sri Lanka (6), Indonesia (12), Myanmar (13), Nepal (17), East Timor (20), Philippines (24), and others through regional aid. In Latin America; Colombia (7), Peru (16), Brazil, and others. In Europe: Russia (2), Yugoslavia (10), Southern Caucasus (Armenia, Azerbaijan, Georgia, 11), Macedonia (13), Bosnia and Herzegovina (15), Albania and others. In the Middle East: Pakistan (1) Israel (4), Iraq (10), Kuwait (13), Lebanon (21) Yemen (24), Jordan, Syria, Iran, and Egypt.
IIF	Does not lend but influences lending environment.	Serves major lenders to emerging markets and emerging-market borrowers.

Oxfam	Provides charity assistance in the following order of expenditure: protection from disasters and violence (40%); health (HIV/AIDS) and education (30%); secure livelihoods (30%); right to be heard (10%); right to equity (gender and diversity 5%). For example: Cut the Cost campaign to fight the high cost of drugs, combat drought, floods, and conflict. Offers loans; for example to a farmers' coop in Guatemala to allow it to buy a truck to bypass the marketing middleman.	More than 75 countries in 2000: Africa (49%); South Asia (17%); Latin America (15%); E. Europe, FSU and Middle East (12%); and East Asia (7%). For example: Afghanistan, Bosnia, Cambodia, Caucasus, Chile, Colombia, El Salvador, Eritrea, Guatemala, India, Indonesia, Kenya, Kosovo, Mali, Mozambique, Nepal, Philippines, Rwanda, Sierra Leone, South Africa, Sri Lanka, Tanzania, Timor, Vietnam, and Yemen.
S&P	Does not lend, but influences private-sector lending decisions.	Not applicable.

Sources: Donor annual reports and other publications and web sites.
*JICA stands for the Japan International Cooperation Agency and JBIC for the Japan Bank for International Cooperation.

Appendix 4 - Foci of Technical Assistance by Donor

Body	Focus Activities	Countries
Official Organizations		
AfDB	Through training and workshops enhances skills and capacity to handle development investments, manage debt, and maintain good corporate governance. Supports research institutions. Conducts feasibility, environmental, engineering studies to support agriculture, education, health, water, women's rights, environment, and regional cooperation. For FS, does development and commercial banking, non-bank financial intermediation, micro and SME finance, legal and regulatory environment, and merger/takeover assessment.	Of its 53 regional members, those receiving TA were ranked in 2000: Uganda, Mozambique, Ethiopia, Ghana, Gambia, Benin, Eritrea, Mauritania. Tanzania, Malawi, Guinea, Zambia, Burkina Faso, Cameroon, Lesotho, Cape Verde, Djibouti, Mali, Algeria, Angola, Botswana, Burundi, CAR, Chad, and Comoros.
ADB	Agriculture, natural resources, micro-finance development, SMEs, capital market development, privatization, deregulating interest rates, private financial intermediation, monetary policy, competition, debt securities market via interest-rate benchmarks and liquidity, removing regulatory bottlenecks and infrastructure deficiencies, disclosure, investor protection, clearing and settlement, bank regulation and supervision, corporate governance, accounting and auditing, bankruptcy and foreclosure laws, restructuring failed banks, anti-money laundering, housing finance, pensions, securitization and secondary mortgage markets, NBFIs, accounting and legal reform including insolvency law, credit-rating systems, and export finance.	Of 32 countries aided, the order of TA grants was: China, Indonesia, India, Vietnam, Pakistan, Nepal, Sri Lanka, Philippines, Bangladesh, Mongolia, Papua N.G., Uzbekistan; also Cambodia, East Timor, Korea, Kyrgyz Republic, Lao Republic, Tajikistan, and Thailand. For example, a micro-finance bank and an export guarantee agency in Pakistan, sup/reg., asset management, mortgage-backed securities, credit-rating in Korea, and liquidity for SMEs in Thailand. TA for countries affected by the Asian financial crisis.

BIS	Promotes cooperation among central banks and the regulatory community to aid global financial stability. Provides high quality financial instruments and services, mainly to central banks. Bimonthly meetings of central bank governors to discuss monetary policy and condition of the world economy and financial markets and consult with heads of supervision in G10. Provides secretariats to G10 Governors and their committees-Basel Capital Accord, fair value accounting, resolving large and complex financial failures, gold and foreign exchange, the IAIS and the Joint Forum of the BCBS, IAIS, and IOSCO. Collects and analyses data relevant to central banks, especially on banks' cross-border and foreign currency positions. Permanent committees: Basel Committee on Banking Supervision, Committee on the Global Financial System, Committee on Payments and Settlement Systems. Coordinates training through the FSI and financial stability through the FSF, Joint Vienna Institute and Toronto Center.	Greater inclusiveness--regional offices in Hong Kong and Mexico City. Now includes major emerging markets as well as industrial countries. Holds regular meetings on monetary policy in Africa, Asia, Eastern Europe, and Latin America, in addition to those in Basel. 130 countries participate in the BCBS process, and 170 countries through global outreach via a biennial International Conference. Supports regional meetings of central banks: Centro de Estudios Monetarios Latinoamericanos (CEMLA), Executives' Meeting of East Asia-Pacific Central Banks (EMEAP), South African Development Community (SADC), Macroeconomic and Financial Management Institute of Eastern and Central Africa (MEFMI) and South-east Asian Central Banks (SEACEN).
EBRD	TA to support the real economy, government policies and institutions, a sound financial sector, micro and SMEs, finance, private and entrepreneurial initiatives, restructuring problem institutions, equity investment instruments, competition, privatization, strengthening the financial regulatory, supervisory and legal systems infrastructure. Promotes sound development and commercial banking, insurance, equity mutual funds, transparency through good accounting and disclosure, and good corporate governance.	27 transition economies in C&E Europe and CIS committed to democracy and market economics in 1999: Russia, Bosnia, Bulgaria, Ukraine, the Kyrgyz Republic, Poland, Croatia, Uzbekistan, Estonia, Azerbaijan, Slovenia, Tajikistan, Lithuania, Moldova, Macedonia, Kosovo, Slovak Republic, Latvia, Turkmenistan, Kazakhstan, Georgia, Belarus, Armenia, Romania, Yugoslavia, Albania, Hungary, and the Czech Republic.

EUTACIS and PHARE	EU's TA bodies seek to promote freedom, social justice, security and EU law. TACIS aids the transition process from a centralized to a market economy, focusing on support for the infrastructure. TA for: environmental/nuclear safety, public administration, education, urban redevelopment, tourism, agriculture/food, fisheries, forestry, restructuring state enterprises, private sector development; energy, transport; auditing, payments systems, and policy advice. PHARE assists in twinning, institution-building, strengthening public administration, promoting convergence to EU standards and economic and social cohesion. In order: for physical infrastructure, (transport etc); education, privatization and SMEs; humanitarian needs, environment, agriculture, public sector, financial sector, social needs, including employment. Aided banks and legal reform.	150 countries.TACIS recipients in Eastern Europe and central Asia were ranked: Russia, Ukraine, Kazakhstan, Uzbekistan, Azerbaijan, Georgia, Moldova, Armenia, Belarus, the Kyrgyz Republic, Turkmenistan, and Tajikistan. PHARE is for pre-accession states. The countries it aided in rank order were: Poland, Romania, Hungary, Bulgaria, Czech Republic, Albania, Bosnia and Herzegovina, Lithuania, Slovak Republic, Latvia, Estonia, Slovenia and countries in the Euro-Mediterranean Partnership.
FSF	Publishes periodic audits of ongoing studies by public bodies relating to sound economic and financial systems. Has studied financial soundness topics through Working Groups on: Highly Leveraged Institutions, Capital Flows, Offshore Financial Centers to combat money laundering, Implementation of Standards, Sound Financial Systems, Data and Disclosure, and Deposit Insurance. Maintains an extensive, world-wide training directory and organizes courses offered by supervisors from AfDB, APEC, ADB, Bahrain, Guatemala, BoE BoF, BoR, BIS, CEMLA, Czech NB, Fed, FDIC, OCC, India, IMF, South Africa, SEACEN, SEANZA, and WB.	First Asia-Pacific regional meeting held in Tokyo in Fall 2001. Training offered in Austria, the Bahamas, Bolivia, Brazil, Czech Republic, Ghana, Hungary, Malaysia, Philippines, Korea, Mexico, Singapore, Switzerland, Russia, South Africa, Thailand, Taiwan, United Arab Emirates (UAE), and Zambia. Such training is available to countries in neighboring areas.
FSI	Strengthens financial systems globally, discusses prudential supervision assists supervisors in implementing new policies and procedures. Has used seminars and regional workshops for senior supervisors worldwide. Initially focused on banking, including risk management, corporate governance, consolidated supervision, resolving problem banks, the Core Principles for Effective Banking Supervision, and the Basel Capital Accord, but has added seminars on securities, insurance supervision, and deposit insurance.	Has held 9 seminars in Basel and 15 in the regions. Supports training centers in Toronto, at the IMF Institute, Joint Vienna Institute, the World Bank and the regional development banks. Over 1,100 supervisors from no-G10 countries have participated.

France	Supports particularly urban infrastructure and rural development; also industry, agriculture, mining, electricity, education, health, transport, communications, tourism, and telecommunications. Financial engineering, legal and financial project appraisal and advice, e.g. for mergers and takeovers. Provides training for about 500 senior public- and private-sector bank and financial sector managers a year in strategy and corporate finance, assessing and following up development projects, making economic and financial forecasts. Aids regional development and commercial banking, SMEs, mergers and acquisitions, commercial banking, legal systems, and urban/rural finance.	France provides TA to more than 60 countries, especially "overseas territories and departments." The French sphere of influence is (mainly in Africa): Cote d'Ivoire, Cameroon, Morocco, Congo Brazzaville, Tunisia, Republic of Congo, Gabon, Guinea, Vietnam, Mauritius, Ghana, Mozambique, Senegal, Angola, Algeria, South Africa, Mali, Madagascar, Mauritania, Burkina Faso, Burundi, Haiti, Somalia, Seychelles.
Germany	Supports education, the environment, offers policy and legal advice and emergency aid to governments. Promotes development finance and private sector and savings, especially rural finance and new financing methods--group credit, consolidation and self-help for micro/SMEs and NGOs, and housing. Offers consulting, marketing assistance, seminars and workshops, advice to banking associations and academies, banking and other legislation, auditing, and technology transfer. Strategies for financial sector development, payment and settlement systems, supervision/regulation for micro-finance, etc; rural finance, postal savings bank, S&Ls, stock exchanges and securities and exchanges and commissions and their regulation, development banks, SMEs, NBFIs, agriculture credit coops and a state agricultural bank.	Offers TA especially to 120 countries, especially those with peoples of German origin that are living abroad. Provided TA ranked in 2000 order to: China, Yugoslavia, Russia, Ethiopia, Indonesia, India, Kenya, Brazil, Guinea, Mozambique, Peru, Tanzania, Saudi Arabia, Mali, Pakistan, Vietnam, Bolivia, S. Africa, Malawi, Sri Lanka, Thailand, Bosnia and Herzegovina, Nicaragua, Romania, and Guatemala. Also aids Bulgaria, Colombia, El Salvador, Mongolia, Nepal, the Philippines, and Sri Lanka.
IDB	Supports all aspects of social, economic and financial development: roads, electricity, health, water, public institutions, poverty, trade, environment, and small businesses. Provides training and does research in regional macroeconomics, development and commercial banking, the securities, insurance, pension, and housing-finance markets. Offers TA to micro, SME and rural enterprise financing institutions, and NBFIs. Combats money-laundering, promotes payment systems and corporate governance.	Aided 26 countries, in order in 2000: Colombia, Brazil, Dominican Republic, Ecuador, Honduras, El Salvador, Paraguay, Peru, Nicaragua, Bolivia, Panama, Guatemala, Haiti, Guyana, and Mexico. Also: Argentina, Bahamas, Barbados, Belize, Chile, Costa Rica, Jamaica, Suriname, Trinidad and Tobago, Uruguay, Venezuela, and the general region.

IMF	Provides TA in monetary and exchange policies (foreign reserve management, liquidity, public debt management); sound and efficient banking and financial systems (supervision & regulation) restructuring, bankruptcy, payments), to central banks and supervisory agencies (legal, accounting). Also gives TA on capital markets (especially government debt-markets), non-bank supervision and regulation, credit bureaus. Offers training courses, seminars and workshops. Supports macro-fiscal management (revenue mobilization, budget preparation, expenditure rationalization); central banking, statistics (government, monetary, financial, balance of payments, currency reserves, national accounts, insolvency law reform, SMEs, NBFIs, securities markets). Combats money laundering.	29% to Europe, 27% to Africa, 23% to Asia, 11% to Middle East, and 10% to Latin America/Caribbean. For low income/HIPC countries. Recovery action plans for East Timor and West Bank/Gaza, also Albania, Angola, Azerbaijan, Bangladesh, Barbados, Bulgaria, Burundi, Cameroon, Central African MU, Cote d'Ivoire, Ethiopia, Eritrea, Fiji, Gambia, India, Kazakhstan, Kosovo, Kuwait, the Balkans, Cambodia, the Caribbean, Nigeria, Panama, E. Timor, Tunisia, Turkey, Uganda, Ukraine, Yemen, and Pacific region.
Japan (JICA)	ProvidesTA support to the physical infrastructure: the food, health, (including family planning), power, transportation and telecommunications industries. Supports environmental protection and the development of social and human resources. Since the Asian crisis, has provided TA to achieve economic stabilization. For TA to financial sectors, Japan donates funds to ADB, IMF, and WB via the Japan Special Fund. Promotes financial sector policy development and implementation.	151 countries during 1999: Asia 43%, Western Hemisphere, 21%, Africa 16%, Middle East 10%, Europe 3%, IFIs 6%. In order, Thailand, Indonesia, China, Philippines, Brazil, Vietnam, Sri Lanka, Mexico, Kenya, Argentina, Paraguay, Turkey, Nepal, Malaysia, Chile, Tanzania, Egypt, Laos, Mongolia, and Morocco.
OECD	Provides TA to identify and monitor good practices (especially corporate governance) to reduce crises, economic surveillance, forecasting, trade, environment, education, macroeconomic growth (fiscal, monetary, exchange rate policies), employment, and productivity. Promotes efficient financial markets via conferences, workshops, and improved data. Promotes international standards, privatization, accounting and disclosure, company and insolvency law reform, supervision/regulation for financial institutions, corporate governance, accounting and disclosure, privatization in the banking, securities, insurance and other NBFIs, pensions and health insurance markets. Promotes electronic commerce and combats money laundering.	30 member countries offer TA to 70 non-members, initially in Europe, including Estonia, Latvia and Lithuania, central and eastern Europe (Czech Republic, Hungary, Poland, Romania, Slovak Republic, Ukraine) and Russia and other CIS. Also now in Asia (China, India, Malaysia) Baltic and Latin America countries (Argentina, Brazil, Chile), and South Africa.

Paris Club	Finds coordinated, sustainable voluntary solutions to debtor nations' payment problems. Has made 338 agreements since 1956 covering $375 billion since 1983. Since 1996, has joined the HIPC initiative to reduce debt burden to sustainable levels.	Rescheduling for 76 debtor countries. HIPC initiative for 41 poor countries.
UK DfID	Innovative projects in financial services for micro-finance in insurance, leasing, pensions, post-conflict situations, and agriculture. Business development: information and communication services for micro- and SMEs and NGOs. Legal and regulatory: extra-judicial dispute arbitration, development and enforcement of better policies, laws, and regulations. Widen range of financial products and savings vehicles, raise efficiency and services for the poor. Anti-money laundering. Supports privatization, capital-markets development, bankruptcy, accounting, and secured transaction laws, property rights, corporate governance. Macroeconomic advice, budgeting, accounting, tax, expenditure control and resource management in public sector, accountability through auditor generals, opening capital accounts, banking/ financial supervision, implementing standards and codes.	Especially Commonwealth countries. In order: India, Uganda, Ghana, Bangladesh, Tanzania, Malawi, Zambia, Kenya, Sierra Leone, Rwanda, Mozambique, South Africa, China, Russia, Indonesia, the Caribbean, Nepal, Nigeria, Guyana, and Pakistan.
USAID	Supports: agriculture, health/population, water, bridges, the environment, utilities. In FS, it supports the following sectors: SME, micro, and rural finance, commercial banking/central banking, securities and commodity markets, pensions, insurance, NBFIs, housing-finance industries, and also the accounting/auditing infrastructure. In each sector it has 12 support activities: evaluation, legislation, supervision, enforcement, privatization, resolution/deposit insurance, transparency/governance, training, and public relations.	Of 104 countries aided, Egypt, and Israel received the greatest assistance in 2001. In Africa: Angola, Eritrea, Kenya, Mali, Morocco, Mozambique, Rwanda, Senegal, Sierra Leone, S. Africa, Uganda, and Zambia were aided. In Asia: China, India, Indonesia, E. Timor, Bangladesh, Cambodia, Mongolia, Pakistan, Philippines, and Vietnam. In Europe: Hungary, Georgia, Croatia, Yugoslavia, Macedonia, Kosovo, Albania, Bosnia, Romania, Bulgaria, Turkey, Tajikistan, and Uzbekistan. In the Middle East: Egypt, Jordan, W. Bank/Gaza. In the W. Hemisphere: Bolivia, Chile, Haiti, Honduras, Ecuador, Mexico, Paraguay, Guatemala, Nicaragua, El Salvador, Colombia, Peru, and Venezuela.

U.S. Treasury	Provides TA to support US international financial policies to ministries of finance and central banks. For example, it aids the transformation from state to market-based systems. Offers TA in central banking, budget policy and administration, tax and debt-issuance policy and management. For financial institutions: offers TA in central, commercial and savings banking (supervision, regulation, enforcement, and restructuring). It supports government securities markets, treasury auctions, anti-corruption/money laundering initiatives and promotes transparency in public finance and sound and transparent financial institutions.	40 countries-in Africa: Angola, Egypt, Kenya, Nigeria, South Africa, Senegal, Tanzania, Uganda, and the West African Economic and Monetary Union. In Asia: Thailand, Malaysia, and Indonesia. In CE&E Europe: Albania, Bosnia, Bulgaria, Czech Republic, Croatia, Macedonia, Romania, Serbia, Slovak Republic, Turkey. In FSU: Armenia, Georgia, Kazakhstan. Moldova, Russia, and Ukraine. In Latin America: Colombia, El Salvador, Peru. Also Jordan (in 2002).
World Bank Group		
IBRD(WB)	In the financial sector focuses on banking and access to financial services for low-income countries and on capital markets for middle income countries. For development and capacity building: the legal and regulatory environment, removing administrative barriers, improving incentives, diagnostics and data systems, restructuring, privatizing, supervision and regulation, standards, corporate governance and debt restructuring, debt management, micro and SME finance, rural finance, regional financial markets, electronic finance, banking laws, credit-reporting and scoring, housing finance, insurance supervision, payments systems, securities markets, pension systems, leasing, NBFIs, insolvency law, anti-money laundering, good accounting, and transparency.	50 countries worldwide--in Europe and central Asia: Armenia, Bosnia-Herzegovina, Bulgaria, Czech Republic, Lithuania, Macedonia, Russia, Slovak Republic, Slovenia, Turkey; in Sub-Saharan Africa: Burkina Faso, Kenya, Senegal, Sierra Leone, Tanzania, Uganda, Zimbabwe; in the Middle East and Central Asia: Egypt, Kuwait, Qatar, Yemen; in Asia: Cambodia, China, East Timor, Philippines, Tonga, Vanuatu, Vietnam; in Western Hemisphere: Caribbean, Colombia, Costa Rica, El Salvador, Guatemala, and Panama.
IFC(WB)	TA aims to improve financial standards, the investment climate, business practices, the infrastructure, securities markets, commercial banks and NBFIs, (including their supervision and regulation), local capital and debt markets, the housing finance (including secondary mortgage markets), insurance (life and non-life), and pensions markets. It encourages: competition, pivatization, micro and SME finance, good corporate governance, transparency, and internet investment networks. For example: Pension reform in C&S Europe, Local debt markets in S. Asia, Micro enterprise finance in Philippines, Secondary mortgage markets in India.	50 countries were aided: in order of # of projects for 2001: China, Yugoslavia, Kyrgyz Republic, Nigeria, Cambodia, Senegal, India, Indonesia, Vietnam, Croatia, Kazakhstan, Russia, Uzbekistan, Tanzania, Moldova, Romania, Tajikistan, Turkey, Brazil,. Also Egypt, Lebanon, Morocco, Syria, Chad, Kenya, Madagascar, Mauritania, Mozambique, South Africa, Bangladesh, East Timor, Mongolia, Albania, Armenia, Bosnia, Georgia, Costa Rica, and Honduras.

MIGA (WB)	Offers TA to accompany political risk insurance and training for investment promotion for agribusiness, manufacturing, mining, oil and gas and pipelines, infrastructure, telecommunication, tourism, financial services, investment intermediaries, loan and lease receivables, MIS, and best business practices. It supports financial sector standards to attract direct foreign investment, and information-technology development. Offers TA to commercial banks, capital markets, mortgage markets, SMEs, and non-commercial insurance products. Offers guarantees and TA to encourage foreign banks to enter troubled markets.	78 countries in 2000 including: in Sub-Saharan Africa: Cote d'Ivoire, Ghana, Guinea, Kenya, Mozambique, South Africa, Tanzania, Uganda, Zambia. In Asia: Bangladesh, China, Indonesia, Malaysia, Nepal, Pakistan, Philippines, Sri Lanka, and Vietnam. In Europe: Armenia, Azerbaijan, Bosnia and Herzegovina, Croatia, Czech Republic, Georgia, Kazakhstan, Kyrgyz Republic, Macedonia, Russia, Turkey, and Turkmenistan. In Western Hemisphere: Argentina, Brazil, Chile, Costa Rica, Dominican Republic, Guatemala, and Peru.
WTO	Designing and implementing rules of trade amongst nations--90% world trade is now governed by such rules. Help producers, importers and exporters of goods and services conduct business. WTO agreements guarantee important trading rights and bind governments to keep their trade policies within the rules. TA is given to integrate beneficiaries into the international trading system, expand their trade, tariffs, licensing, customs valuation, inspection, trade in agriculture and services via seminars, workshops, 90 reference centers, missions to prepare legislation and regulations. Now extends to trade in financial and other services.	To 30 of the least developed of the 132 members--28% in Africa, 26% in W. Hemisphere, 21% in Asia, 17% in E Europe and C. Asia, and 9% in Middle East. For example, Angola, Bangladesh, Benin, Central African MU, Gambia, Haiti, Madagascar, Malawi, Mali, Mauritania, Mozambique, Myanmar, Niger, Rwanda, Senegal, Sierra Leone, Tanzania, Uganda, and Zambia. (31 additional countries have requested membership.)
Private and Non-Governmental Organizations (NGOs)		
Gof30	Pioneered research, cooperation, and standards/best practices on global clearance and settlement, derivatives, and insolvency. Since the Asian crisis has been working on legal risks in portfolios in order to give guidance to firms.	Began with membership from major financial institutions in developed countries, but is now broadening to emerging markets.

IIF	Financial crises in emerging markets--set 9 principles for private sector involvement in prevention/resolution. Dialogue with IMF (through its new Capital Markets Consultative Group), FSF, Group of 20 and Paris Club. Issued reports, Country Briefing Notes, forecasts, country risk assessments, web-site information, capital flows, Key Economic Indicators and new Monthly Economic Bulletin on economic and political conditions in major emerging markets. Pursued investor relations program for major borrowers as an alternative to "bailing in" the private sector. 2. Made proactive study of Basel Committee's proposals to reform the Basel capital standards to promote use of firms' own internal risk assessments. Studied (a) exposure to default and subsequent loss for corporate, middle-market and retail lending; (b) operational risk; and (c) country risk in order to influence the Basel Committee.	47 countries--particularly the major economies/borrowers, including the Philippines, Thailand, Argentina, Mexico, Brazil, Russia, and Turkey, which were featured in 2000-200. Also studies were the major oil producers in Middle East and North Africa including the UAE. South Africa and Egypt were also featured. Regional meetings discussed bank capital reforms in Brazil, Croatia, and Jordan. Meetings/Workshops were held in the Czech Republic, Japan, Hong Kong, Korea, Netherlands, and Thailand.
ICRC	Does not offer T.A.	Not applicable.
Oxfam	Offers training, for example to improve teaching practices.	For example, in Asia.
S&P	Information for investors in equity and bond markets: information, evaluation, and analysis of traded companies, industries, and important economies to help investors manage risk and make informed investment decisions. Provides credit ratings for $trillions on governments', corporations' and others' ability to repay their debts in full and on time. Evaluates: commercial paper, securitized financings, bond insured transactions, and letters of credit as well as government, bank, insurance and other financial institutions', corporate and government debt.	21 offices around the world in industrial countries and other major markets: Argentina, Australia, Brazil, Canada, China, France, Germany, Hong Kong, Italy, Japan, Luxembourg, Korea, Mexico, Philippines, Russia, Singapore, South Africa, Spain, Sweden, U.K. and U.S. Affiliates in: Chile, India, Indonesia, Israel, and Taiwan.

Sources: Donor annual reports and other publications and web sites.

Appendix 5 - Acronyms and Abbreviations

AFD	France's Agence Francaise de Developpement
AfDB	African Development Bank
ADB	Asian Development Bank
Article IV	IMF's typically annual assessment of a countries condition and policies
BCBS	Basel Committee for Banking Supervision
BIS	Bank for International Settlements
CDC	UK's Commonwealth Development Corporation
CIS	Commonwealth of Independent States
CPSS	Committee on Payment and Settlement Systems
DAC	OECD's Development Assistance Committee
DFID	UK's Department for International Development
DQRS	IMF's Data Quality Resource Service
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
EU	European Union
FA	Financial Assistance consisting of loans, grants, guarantees and investments
FATF	Financial Action Task Force against money laundering
FSA	The Bank's Financial Stability Assessment summary of an FSAP
FSAP	The Bank's and the Fund's Financial Sector Assessment Program
FSI	Financial Stability Institute
FSF	Financial Stability Forum
FSSA	The IMF's summary Financial Sector Stability Assessment
FSSI	Financial Sector Strengthening Initiative
GAB	IMF's General Agreement to Borrow
GDDS	IMF's General Data Dissemination Standards
GTZ	Germany's Deutsche Gessellschaft fur Technische Zusammenarbeit
HIPIC	Highly indebted poor countries
IAIS	International Association of Insurance Supervisors
IASB	International Accounting Standards Board
IBRD	International Bank for Reconstruction and Development
ICRC	International Committee of the Red Cross and Red Crescent
ICSID	World Bank's Center for the Settlement of Investment Disputes
IDA	World Bank's concessional International Development Association
IDB	Inter-American Development Bank
IFAC	International Federation of Accountants
IFC	World Bank Group's International Finance Corporation

IFA	International financial architecture
IFI	International financial institution
IIF	Institute for International Finance
IMF	International Monetary Fund
INSOL	International Federation of National Associations for accountants and lawyers specializing in turnaround and insolvency
IOSCO	International Organization of Securities Commissions
JBIC	Japan Bank for International Cooperation
JICA	Japan International Cooperation Agency
KfD	Germany's Kreditanstalt fur Wiederaufbrau
LOI	IMF's Letter of Intent
MDB	Multilateral Development Bank
MEFP	IMF's Memorandum of Economic Policy
MIGA	World Bank's Multilateral Guarantee Agency
NAB	IMF's New Agreements to Borrow
NBFI	Non-bank financial intermediary
NGO	Non-governmental organization
OECD	Organization for Economic Cooperation and Development
OFCs	Offshore financial centers
OTA	US Treasury Department's Office of Technical Assistance
PRGF	IMF's concessional Poverty Reduction and Growth Facility
RDB	Regional Development Bank
ROSC	World Bank and Fund's Review of Standards and Codes
SDDS	IMF's Special Data Dissemination Standards
S&P	Standard and Poor's
SME	Small- and medium-sized enterprise
TA	Technical Assistance
UNCITRAL	United Nations Commission on International Trade Law
USAID	United States' Agency for International Development
WEO	World Economic Outlook
WTO	World Trade Organization