G20 Consultation

Report on the “Web-based” G-20 Consultations on the adaptability and responsiveness of the International Financial Institutions

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Introduction and overview

The global financial and economic crisis is hitting low-income countries (LICs) hard. LICs are facing several balance of payments shocks including reduced capital inflows, reduced exports, fewer remittances and pressures on aid. Development prospects of LICs are severely weakened. As a result, LICs are increasingly looking towards World Bank programmes to meet development goals and towards IMF programmes to play the counter-cyclical financing role.

As demand for International Monetary Fund (IMF) and World Bank programmes increases, ODI has been hosting a consultation to inform the Review of the Chair of the G-20 on the adaptability and responsiveness of the IMF and World Bank in supporting strong and sustainable growth in LICs and in protecting LICs better against future crises and shocks. If support is tailored to the specific needs of the recipients, then the International Finance Institutions (IFIs) can be an important facet in the overall support architecture, helping LICs to restore growth and promote crisis resilient growth in the future.

Alongside commitments to increase resources for developing countries through the IFIs and to accelerate governance reform of the IMF and World Bank, Leaders at the G-20 London Summit on 2 April agreed that:

'*building on the current reviews of the IMF and World Bank we asked the Chairman, working with the G20 Finance Ministers, to consult widely in an inclusive process and report back to the next meeting with proposals for further reforms to improve the responsiveness and adaptability of the International Financial Institutions.*'

The UK is working with a range of stakeholders to develop proposals for reform and the ODI and Debt Relief International (DRI) began a process of consultation in July 2009 which finished by the beginning of September. The consultation process with LIC stakeholders included:

- A meeting in Sierra Leone on 14 August for finance ministers and senior officials from Africa;
- A meeting in London on 17 August for finance ministers and senior officials in low income countries in their capacity as shareholders of the IFIs;
- A web-based consultation at the ODI website.

ODI ran a web-based consultation on the adaptability and responsiveness of the IMF and the World Bank in LICs. The findings in the interim report, featuring preliminary results of this consultation, were presented an LICs finance ministers meeting in London in August 2009. The G-20 finance ministers then considered the overall emerging conclusions at their meeting on 4-5 September 2009. Finally, G-20 Leaders at the Pittsburgh Summit on 24-25 September 2009 will consider these issues.

This report provides a summary of the web-based consultation about the adaptability and responsiveness of International Financial Institutions. This kind of exercise often invites more critique than positive responses. It is important that the consultations are not seen in isolation therefore and need to be seen in conjunction with other elements of the Review of the IFI adaptability and responsiveness.

There were two consultations, one on the IMF and the other on the World Bank:

- The IMF's purpose is to promote economic stability to underpin growth and to provide immediate and short-term financial assistance to countries to address their balance of payments problems. Dealing with shocks and crises is central to the IMF's core competence and mission. The IMF has increased its lending considerably and relaxed its conditionalities, yet there are also questions about the adequacy of the overall shock facilities and the way in which IMF programmes address the specific needs of the LICs and promote strong and sustainable growth in LICs (see section 1.1).
- The World Bank's role is to provide financing to member countries to enable them to pursue their development goals. It has an important role complementing the IMF by helping protect medium-term development plans and sustaining progress towards the MDGs. The World Bank has also stepped up its lending and established a range of new or enhanced shock facilities, including for the private sector. But questions remain: Are these facilities being used? Are they adequate and effective? And how can the shock facilities at the Bank be improved so that they are ready to respond to future crises and promote stronger and sustainable growth in LICs? (see section 1.2).

The web-based consultation began on 28 July 2009 and ran until 2 September 2009. While we were aware that it was the holiday period as well as that the length of the consultation period is short, there was no alternative given the key meetings that are coming up. We have notified stakeholders using the ODI's newsletter which has a very wide reach including NGOs, academic and government stakeholders, a blog and message on ODI's home page and we have sent invitations to contribute to our academic and civil society networks in developed and developing countries.

The G-20 consultation blog has so far attracted around 2700 visitors. There have been written contributions from a varied group range of stakeholders including academia, think tanks, civil society and government. There were some 30 written inputs on the WB or IMF.

Key findings include:

- The contributions are often constructively critical;
- They recognise that the IFIs are actively trying to respond to the crisis (e.g. several contributions suggested that the IMF has responded quickly to the global economic and financial crisis)
- But they also clearly suggest that there are questions about what has actually been achieved (e.g. scale of the IFI operations are limited compared to the LIC needs);
- Whilst there is certainly a recognition that conditionalities attached to IFI programmes have reportedly declined, there are a lot of questions on what has actually happened on conditionalities and the observation that there are still a lot of pre-access conditionalities;
- And with several suggestions for general and specific improvements and changes to the operations of the IFIs (e.g. that the World Bank worked more with regional development banks).

Specifically, on the IMF, the consultations suggested

- While there is recognition that the IMF has stepped up its efforts quickly, there are doubts about by how much the level of involvement by the IMF has increased in LICs; volumes committed, while increasing substantially, so far seem too small compared to LIC needs;
- There is a lack of country differentiation in IMF programmes and others activities (e.g. small states, fragile and post-conflict states; does the IMF refrain from a one-size fits all; there is a need for the IMF to look at actual vulnerabilities not just headline numbers);
- Several contributions suggested that it is not clear whether and by how much conditionality has actually decreased; and
- The IMF needs to engage more in consultations with civil society about interventions.

Specifically, on the World Bank, the consultations suggested:

- Assistance by the WB needs to be scaled up because many of the problems facining LICs today are structural not temporary;
- The WB should work better with the African Development Bank (AfDB); and
- The WB should examine closely the proposals for new instruments such as the African Restructuring Facility;
- Some suggest the need for more country specific research; and
- There is a lack of awareness of World Bank's instruments, i.e. it is not clear who can access what instruments under what conditions. Some suggest there should the instruments should be more clearly clarified;
- Private sector finance should not be skewed towards trade finance, but take into account the needs of domestic small and medium sized enterprises.

Box 1 provides a snapshot of the sentiment amongst stakeholders.

Box 1. Selected positive and critical comments on the effectiveness of IFIs' response to global crises

Positive comments on the effectiveness of IFIs' response to global crises

- "The IMF responded quickly to the current global economic and financial crisis by providing emergency loans to approximately twenty countries to date, starting in October 2008. ." (Peter Bakvis, Director, ITUC/Global Unions)
- "The recent reforms to the conditionality may enable the IMF to be more responsive to the demands from LICs." (Amy Gray, Global Campaign for Education)
- "The TUC is pleased with some of the recent reforms introduced to lighten the burden of conditionality" and "The crisis has had a disproportionately high impact on vulnerable and disadvantaged sections in society, especially women, older workers and people with disabilities. The World Bank needs to encourage governments to put in place special programmes to identify their needs and address them." (Owen Tudor, Trades Union Congress)
- "We welcome the limited flexibility that the IMF is showing on fiscal deficits – it would be very damaging to allow the crisis to lead to cuts in the already limited social spending of LICs." (Louise Holly, RESULTS UK)

Critical comments on the effectiveness of IFIs' response to global crises

- "In Kenya, […], there is no evidence that these IFIs modes of operation have changed substantially as a result of the global financial crisis. The IMF has offered a loan of $209 million to build Central Bank reserves, but this is very little compared to the stimulus needs of the economy. I am also not aware of any support that the World Bank has offered the country…" (Prof. Francis Mwega, University of Nairobi, Kenya)
- "First, it should be recognized that the problem is more structural than macroeconomic imbalances. Therefore, the World Bank, as opposed to the IMF, should take the lead. This calls for significant increase in the financial resources available to the Bank." (Prof. Olu Ajakaiye, African Economic Research Consortium, Kenya)
- "In general there has been no specific reaction (by the IFIs) in the Pacific." (Nikunj Soni, the Pacific Institute of Public Policy)
- "The IMF response to the current crisis and recent food/fuel shocks has not been effective. The IMF, with its heavy bureaucracy, has not addressed in an effective and timely way the challenges facing LICs…" (Dr. BT Costantinos, African Centre for Humanitarian Action, Ethiopia)
- "[…] the IMF's major focus has been with regard to addressing balance of payments difficulties in times of crisis, LICs such as Bangladesh which have not faced any BOP crisis […] have not benefited from this." (Prof. Mustafizur Rahman, Centre for Policy Dialogue, Bangladesh) "The huge responsibility given to the IFIs in the aftermath of the crisis will not lead to new development pathways for developing countries…" (Prof. Humphry P.B. Moshi, University of Dar es Salaam, Tanzania)
- "The IMF has been highly ineffective in dealing with any of these crises." (Jo Marie Griesgraber, New Rules for Global Finance Coalition)
- A substantive increase in non-concessionary loans and grants from the World Bank to the LICs will require additional donor contributions. The G20 has not yet made a firm commitment to this increased financial aid. The London G20 summit statement instead called for "voluntary bilateral contributions to the World Bank's Vulnerability Framework". (Peter Bakvis, Director, ITUC/Global Unions)
- "SDR allocations would […] be the most counter-cyclical method of funding to meet the financing shortfalls of LICs in the short-run." (Louise Holly, RESULTS UK)

Note: These responses need to be read in conjunction with the complete individual responses pasted at the back of this paper.

1 ROLE OF IFIs IN SUPPORTING LOW INCOME COUNTRIES

1.1 THE INTERNATIONAL MONETARY FUND

The IMF has recently introduced a set of reforms to increase its resources available for low-income countries, reform and tailor conditionality, and improve its analysis, forecasts and policy advice. The key issues arising are whether these go far enough to respond effectively to national shocks and global crises, and whether they are a sufficient basis for a long-term reinforcement of the IMF's contribution to sustainable growth in low income countries.

1.1.1 Growth-Oriented and Streamlined Structural Conditionality

Despite the reforms that the IMF has recently launched to review and streamline its facilities and instruments available to support low-income countries (LICs), there seems to be a general perception that a lot of work still needs to be done. LICs' governments are still deterred from seeking IMF's support due to conditionality, and when they ask for support, bureaucracy acts as a bottleneck delaying the arrival of the much needed funds to LICs:

- "The Fund insists that some 80% of their programs are more flexible; but the data are not forthcoming. Also, "more flexible" means what? […] To the extent the IMF provides more money, up-front, with fewer conditions the better—it's the conditions part that never seems to change." (Jo Marie Griesgraber, New Rules for Global Finance Coalition)
- "[…], on a micro basis there is clearly a need to need to streamline the funding/approval processes and to speed up the disbursement mechanisms so that they are able to reach the intended recipients in time." (Nikunj Soni, the Pacific Institute of Public Policy)
- "Apprehension (at least in Bangladesh) about IMF's conditionalities has also deterred Bangladesh to explore any IMF window that could come with any support (such as policy support instrument – although this is a low conditionality window)." (Prof. Mustafizur Rahman, Centre for Policy Dialogue, Bangladesh)
- "[…] the recent reforms to conditionality have not been factored into individual LIC programmes. There is little and ineffective advice and review of programmes." (Dr. BT Costantinos, Chair, African Centre for Humanitarian Action, Ethiopia)
- "[…] we are concerned that facilities designed to deal with shocks originating from exterior events, not from countries' own policy decisions, are likely to come with 'upper-credit tranche conditionality'. […] It is not appropriate that a country be forced to meet conditions indirectly related to the external shock in order to access funding under this stream, because the external shock, by definition, could not be prevented by country policy." (Louise Holly, RESULTS UK)
- "It is clear from take-up patterns for the Exogenous Shocks Facility (ESF) that countries have been reluctant to draw on the upper tranche of funding due to the conditionality attached. There is no evidence to suggest that this problem will be addressed by the proposed reform of the upper access portion of the ESF into a 'Stand-by Credit Facility'." (Louise Holly, RESULTS UK)
- "In essence, the reformed conditions are not radically different from those which came into force following the previous review in 2000. Although there is renewed interest in, and emphasis on, national ownership, parsimony, criticality and co-ordination and clarity, it is their interpretation and application in the design, implementation and monitoring of new programmes that need to be examined in depth. The new Guidelines to IMF staff were published only in July 2008. It is therefore premature to study their impact on individual LIC programmes. While it is true that some flexibility has been introduced, it is not clear whether

many low-income counties, except, perhaps for a limited number of countries including Zambia and Senegal, have benefitted from it yet. It needs to be pointed out that conditionality involves not only the design of a programme, but also its implementation and monitoring." (Owen Tudor, Trades Union Congress)

- The recent reforms to the conditionality may enable the IMF to be more responsive to the demands from LICs. However, not all the reforms are geared to assist LICs developing countries or tailored to the needs of LICs. The Flexible Credit Line is designed to support countries with a strong record on economic fundamentals, which automatically keeps most vulnerable developing nations out of its reach. Mexico, Colombia and Poland have received loans worth USD 78bn in total under FCL, which, if used extensively for middle-income countries could well have the effect of crowding out LICs. Although structural performance criteria are said to have been discontinued as from 1st May 2009, there are indications that they are still in force under different guises." (Owen Tudor, Trades Union Congress)"At Oct 2008 Annual Meetings, IMF had barely rolled out its ESF which was criticized by CSOs as retaining the same conditionality and macroeconomic targets as always, i.e. insufficient flexibility for a "crisis" facility." (Amy Gray, Global Campaign for Education)
- "I do not see an indication that the recent reforms to conditions have played out in individual programs [...] "reforms" – they are not really about the content of the conditions, but rather about the sequencing and enforcement mechanisms. Many conditions now appear to be ex ante, meaning basically prior conditions which governments must fulfil before getting in the proverbial door [...] benchmarks suggests to me only that the IMF will save itself the bad p.r. and hassle of so many suspensions of loans, while still being able to apply nearly the same kind of pressure on governments. "(Soren Ambrose, ActionAid International)
- "Regarding its interaction with LICs, frankly it appears that the main energy has gone into the MICs. There is little indication that the new PRGFs or augmentations to PRGFs demonstrate any significantly new elements. The ESF is a step in the right direction, however, in terms of both speed and reduced conditionality. But given the seriousness of the crisis and the overall persistence of the same kind of conditions we are accustomed to from the IMF, this is a relatively small achievement. It also does not appear that IMF staff and management have been particularly vigorous in trying to find new, internal sources of funding for LICs; the dances done around the allocation of gold sales profits have been particularly distressing to observe." (Soren Ambrose, ActionAid International)
- "The IMF engaged in a heavy PR campaign en route to the April 2009 G20 Summit, and many parties seem to have bought the statements about the end of conditionality. Macroeconomic conditionality that denies countries seeking relief from the crisis and LICs counter-cyclical policies continues to this day, despite DSK statements to the contrary. Latvia is the poster child for this. Transparency problems make it difficult for external observers to definitively weigh in on this, as the IMF does not make public the "side agreement" letters that contain the terms executive branches agree to, which contain the details on conditions. Public statements by IMF officials would be more credible if the IMF backed them up with public documentation." (Amy Gray, Global Campaign for Education)

1.1.2 Growth-Oriented Macroeconomic Policy Advice and Fiscal Space

Despite the fact that the IMF has indicated that in around 80% of its programme, low-income countries have been advised to relax budget targets by an average 2% of GDP, and use more fiscal space, there is a concern that this is not enough to provide scope for higher expenditure especially in crucial social sectors, since it seems to just offset revenue losses:

- "RESULTS UK remains concerned that little evidence has been presented for the claim that recent programmes allow higher overall spending levels and higher levels of pro-poor spending." (Louise Holly, RESULTS UK)
- "2% is a fairly modest increase in any case; […] a counter-cyclical fiscal stimulus in low-income countries should be 3% to 5% of GDP." (Louise Holly, RESULTS UK)
- "[…] it is not possible to conclude that the IMF is allowing counter-cyclical spending in Low Income Countries (LICs) – just that they are showing limited flexibility to avoid spending cuts in the face of falling tax revenues." (Louise Holly, RESULTS UK)
- "We remain concerned that IMF restrictions on fiscal deficits and inflation targets unnecessarily constrain low-income country spending on the vital social sector workers who could deliver on the MDG targets." (Louise Holly, RESULTS UK)
- "[...] the update on Sub-Saharan Africa at [Oct 2008 Annual Meetings] contained the same tired policy advice: low inflation, low deficit, high interest rates, etc. In Oct 2008, the IMF appeared out of touch with real time events." (Amy Gray, Global Campaign for Education)

There is also the perception that the IMF should maximise its focus on growth and poverty reduction

- "IMF programmes, particularly the macroeconomic indicators set within programmes, remain insufficiently linked into wider poverty reduction efforts and do not allow space for upfront investments in crucial social sectors. The G20 should call on the IMF to include poverty and social impact assessments of the broad macroeconomic framework of all programmes, including those that do not include a financial relationship." (Louise Holly, RESULTS UK)

1.1.3 Fund Resources and Concessionality

Some argue that that IFIs need more resources and power to face successfully the current global crisis, while others believe that IFIs, and in particular the IMF, have enough funds available, and that the main issue is not about the money but the ways they allocate it:

- "[...] the IMF did not have adequate resources to cope with a crisis of this magnitude. As at 31 March 2009, the IMF had some USD 325bn at its disposal. The international trade union movement had, in the past, stressed the need for augmenting the IMF resource base on a number of occasions." (Owen Tudor, Trades Union Congress)
- "The IMF has too much money, not too little—unless and until it reforms its governance, its accountability to the people its policies impact, and the skill mix of its staff, it should have no more money." (Jo Marie Griesgraber, New Rules for Global Finance Coalition)

Indeed, so far, several low-income countries report to have received very little support from the IMF to face the global financial and economic crisis:

- "In Kenya […] The IMF has offered a loan of $209 million to build Central Bank reserves, but this is very little compared to the stimulus needs of the economy." (Prof. Francis Mwega, University of Nairobi, Kenya)
- "In general there has been no specific reaction […] in the Pacific. Little increased or flexible lending and certainly very little region specific analysis. […] This is a shame as the Pacific has unique vulnerabilities which the crisis has the capacity to exacerbate. The response from the IMF has been to merely downgrade forecasts – again this has been embarrassingly generic…" (Nikunj Soni, the Pacific Institute of Public Policy)
- "[…] the IMF's major focus has been with regard to addressing balance of payments difficulties in times of crisis, LICs such as Bangladesh which have not faced any BOP crisis […] have not benefited from this. […] LICs such as Bangladesh need more of project – type support rather than BOP or policy advice type of support of IMF." (Prof. Mustafizur Rahman, Centre for Policy Dialogue, Bangladesh)
- "The IMF responded quickly to the current global economic and financial crisis by providing emergency loans to approximately twenty countries to date, starting in October 2008. However most of these loans, some of which exceed US$10 billion, consist of non-concessionary lending to middle income countries, with a particularly strong concentration in Central and Eastern Europe and the former Soviet republics." (Peter Bakvis, Director, ITUC/Global Unions)
- "The average loan augmentation from the IMF to the LICs was $19 million, spread out for up to three years. This is dwarfed by the size of the *additional* balance-of-payment financing needs for the LICs, which the IMF evaluated in March 2009 for a group of 48 LICs to be a total of $138 billion, or an average of $2.9 billion per country." (Peter Bakvis, Director, ITUC/Global Unions)
- "The ITUC has supported an increase in the IMF's financial resources if they are used for counter-cyclical policies focussed on employment creation and assistance to the vulnerable." (Peter Bakvis, Director, ITUC/Global Unions)
- "in the case of a $50-million loan to Ethiopia granted in February 2009 under the Exogenous Shocks Facility, we note that the IMF programme requires the government to tighten monetary and fiscal policy; the government's deficit is to be brought down from 2.7 per cent of GDP to zero." and "A clear explanation of the new conditionality rules and the demonstration of their application in practice will be the only way to ascertain whether the new policy constitutes a genuine reduction in the intrusive and counter-productive IMF structural adjustment conditionality that trade unions, other civil society organizations and many governments have long criticized" (Peter Bakvis, Director, ITUC/Global Unions)

SDRs have been recognized by some as one of the most effective method to help low-income countries to respond to shocks:

- "SDR allocations would […] be the most counter-cyclical method of funding to meet the financing shortfalls of LICs in the short-run." (Louise Holly, RESULTS UK)
- "The agreement to the addition of USD 250bn to international liquidity in the form of SDRs in July 2009 by the IMF Executive Board is appreciated and will, if approved by the Board of Governors, ease the balance of payments difficulties of developing nations and spur trade. The G8 nations who will receive the lion's share (some 48% or USD 120bn) of the new allocation should consider "donating" them to developing nations if they do not wish to use them. The TUC hopes that the UK will take the lead in accelerating the progress towards the adoption of the Fourth Amendment and any necessary subsequent amendments to the Articles of Agreement." (Owen Tudor, Trades Union Congress)
- "Many CSOs engaged in IMF-watching have been calling [...] for a transfer of SDRs from rich to poor countries" which has not taken place (Amy Gray, Global Campaign for Education)

1.1.4 Concessionality, Interest Rates and Subsidy Funding

Some have suggested that the IMF need to eliminate or subsidise SDR interest rate for low-income countries:

- "[…] the IMF would need to agree a system for eliminating or subsidising interest rates for low-income countries. We believe that the G20 should strongly support this option, providing political leadership to give real help to countries that are desperately in need." (Louise Holly, RESULTS UK)
- "The TUC [...] welcomes the Interest relief granted on the IMF's concessional facilities to help low-income countries to cope with the consequence of the crisis and hopes that it will be extended beyond the end of 2011." (Owen Tudor, Trades Union Congress)
- The prospect of less concessional loans for purposes designated by the ESF [...] is a very negative signal for LICs." (Soren Ambrose, ActionAid International)

1.1.5 Fund Facilities and Instruments

Despite the improvements in its facilities, some believe that the effectiveness of the IMF's intervention is limited with respect to post-conflict and fragile states since it was designed to deal mainly with well established governments:

- "The proposed reform of Fund concessional facilities has the potential to better meet the diverse needs of LICs. However, the IMF, working only with governments to large degree, has not been designed in way to address fragile and post-conflict states."(Dr. BT Costantinos, Chair, African Centre for Humanitarian Action, Ethiopia)
- "IMF poverty reduction strategies assume the disposition that debtor governments are accountable and transparent to their electorate, however many LICs exhibit illiberal development tendencies, and hence the facilitation of poverty reduction is inhibited." (Wendy Humphrey-Taylor, IDPM Post-graduate student)

Some also criticise the G20's focus on the IMF:

- "ActionAid considers it unfortunate that the G20 chose to focus on the IMF as its main vehicle in responding to the crises' impact on developing countries. The IMF's inappropriate policy conditions during previous crises and in subsequent years were most recently ratified by MICs' "voting with their feet" in walking away from the institution as soon as they could, some even borrowing from other sources in order to pay off loans early. We therefore have a difficult time gauging the IMF's "effectiveness," since the major problem we see is with the choice of institution." (Soren Ambrose, ActionAid International)

There is some support for new Fund facilities:

- "The renewed emphasis on the concept of national ownership is welcome. It will, theoretically enable the IMF to tailor its assistance programmes to the specific needs and circumstances of a particular country. The Poverty Reduction and Growth Facility Trust has three windows targeted on the needs of LICs with more flexibility." (Owen Tudor, Trades Union Congress)

However, some see issues remaining:

- "The Extended Credit Facility (ECF), which is due to replace the Poverty Reduction and Growth Facility (PRGF) [...] will have some of the objectives of the PRGF and be available to countries without Poverty Reduction Strategies. Therefore, it may be more difficult to retain their focus exclusively on poverty reduction. Nevertheless, due to the commitment to poverty reduction through the achievement of Millennium Development Goals in most development strategies, there may be some scope for retaining the focus." While the "Stand By Credit Facility (SCF) [...] will also replace some of the lending available to members under the Exogenous Shocks Facility's High Access Component. This is considered to be similar to the Stand-By Arrangements available for middle-income countries, but with less stringent conditions attached to them", and the "Rapid Credit Facility (RCF), which would address the emergency financial needs of members." (Owen Tudor, Trades Union Congress)
- "It is important to point out that, on the one hand, not all these facilities are fully operational yet, and, on the other, it is not clear how some of them are to be financed." (Owen Tudor, Trades Union Congress)
- "The re-design of the LIC programs remains untested, indeed officially not even approved yet. I think with the number of questions remaining about how they will operate, it would be premature to speculate on how well suited they are. "(Soren Ambrose, ActionAid International)
- "Many CSOs engaged in IMF-watching have been calling for an FCL instrument for LICs for the crisis response" which has not taken place (Amy Gray, Global Campaign for Education)

1.1.6 Wider Reforms of the IMF

The LICs that have contributed to this consultation highlight that the IMF has been ineffective in dealing with the recent food, fuel and financial crises:

- "The IMF has been highly ineffective in dealing with any of these crises." (Jo Marie Griesgraber, New Rules for Global Finance Coalition)
- "one can observe that the IMF has responded somewhat more nimbly to this than to previous crises, but the first question we need to ask is: what could the IMF have done to *prevent* this crisis in the first place, and why did it not do so?" (Soren Ambrose, ActionAid International)"In Kenya, […] The IMF has offered a loan of $209 million to build Central Bank reserves, but this is very little compared to the stimulus needs of the economy." (Prof. Francis Mwega, University of Nairobi, Kenya)
- "The IMF response to the current crisis and recent food/fuel shocks has not been effective. The IMF, with its heavy bureaucracy, has not addressed in an effective and timely way the challenges facing LICs…" (Dr. BT Costantinos, African Centre for Humanitarian Action, Ethiopia)
- "In general there has been no specific reaction (by the IFIs) in the Pacific.[…] the response from the IMF has been to merely downgrade forecasts – again this has been embarrassingly generic…" (Nikunj Soni, the Pacific Institute of Public Policy)
- "[…] the IMF's major focus has been with regard to addressing balance of payments difficulties in times of crisis, LICs such as Bangladesh which have not faced any BOP crisis […] have not benefited from this." (Prof. Mustafizur Rahman, Centre for Policy Dialogue, Bangladesh)

In order to enhance its effectiveness, it has been highlighted the need to continue to reform in order to increase the voice of low-income countries in the IMF:

- "The on-going reform of the governance of IMF […] should continue, especially those aimed at strengthening the voice of developing country members, making the appointment of the leadership of these institutions more inclusive and merit based and enhancing accountability to all constituencies on an even handed way." (Prof. Olu Ajakaiye, African Economic Research Consortium, Kenya)

It has also been suggested that the IMF should engage more closely with civil society and other national stakeholders, as well as with academia and think tanks which can provide the Fund a broader picture of the country situation and better advice on development issues:

- "It would be good if this response could instigate more country specific evidence based policy research[…]. Using local resources and combining them with the best from overseas would also help. […] Maybe some of the extra resources the crisis seems to have generated for the IFIs could be used for funding region and country specific research?" (Nikunj Soni, Executive Director, the Pacific Institute of Public Policy)
- […], the increased use of local partners particularly in terms of ongoing long term reporting/monitoring process would be useful" (Nikunj Soni, Executive Director, the Pacific Institute of Public Policy)
- "Broader consultation with academia, think tanks and civil society leaders is required…" (Dr. BT Costantinos, African Centre for Humanitarian Action, Ethiopia)
- "[…]; if the Fund is to be an institution engaged in development funding (10-year loans means they are indeed engaged in development), then they must change their perspectives, including hiring staff who understand development financing. Short term BOPs are NOT the priority of meeting the demands of development." (Jo Marie Griesgraber, Executive Director, New Rules for Global Finance Coalition)
- "The IMF staff are supposed to engage civil society in broadening support for its programmes in line with government's Poverty Reduction Strategies. Although trade unions are not explicitly mentioned, the need for consultation with civil society has been underlined in the new Guidelines to IMF staff." (Owen Tudor, Trades Union Congress)

Specific measures have also been proposed to improve the IMF's interventions in Africa like, for example, the introduction of new allocations of SDR to African countries and the abolition of structural conditions:

1. "IMF should play complementary role to the development support activities of the World Bank by supporting suitable policy space in monetary and financial spheres in its interactions with African countries. Specifically, they should disengage from the erstwhile one-size-fits all advice and allow the monetary authorities to nuance their objectives by judicious combination of inflation and growth/development. In that regard, the IMF should not impose structural conditions nor insist on macroeconomic policy adjustments especially because the on-going deterioration in external balance positions of African countries such as those caused by the recent commodity bursts in resource rich African countries are exogenously induced." (Prof. Olu Ajakaiye, African Economic Research Consortium, Kenya)

- "There should be new allocations of SDR to African countries to enable them meet the offshore components of their development programmes in the wake of the drying up of credits in the advanced countries" (Prof. Olu Ajakaiye, African Economic Research Consortium, Kenya)
- "Flexible Credit Line (FCL) needs to be able to also cover Africa by a stronger focus on strong policies and careful look at vulnerabilities rather than just headline numbers. If FCL cannot be modified, perhaps an FCL 2 pitched between FCL and High-Access Precautionary Arrangements (HAPA). AN alternative would be for an FCL type instrument at the World Bank." (Ministry of Finance, Mauritius)

Others also noted that the IMF was not necessarily able to act in its surveillance role when faced with crises in developed countries:

- "The IMF is mandated with the surveillance of the international financial system. However, in reality, it is not a position to make effective interventions in crises originating in G8 countries, especially, when they involve them all at the same time. In the past, the IMF only managed to formalise the informally agreed arrangements more or less already in place following financial crises involving major industrialised nations. One may recall the events in the aftermath of the collapse of the Bretton Woods arrangements for the stability of exchange rates. In this regard, the TUC joins the international trade union movement in its demand for fundamental reforms to governing structures of the IMF and other international financial institutions." (Owen Tudor, Trades Union Congress)

1.2 THE WORLD BANK GROUP

1.2.1 Overall coherence

The World Bank Group has responded quickly but should scale up its assistance:

- "The World Bank appeared to respond rapidly in providing emergency assistance to several LICs in 2008 as the food and fuel price crisis attained its peak …. As with IMF assistance to the LICs, the modest level of support is the most important criticism to be made of the assistance." And "A substantive increase in non-concessionary loans and grants from the World Bank to the LICs will require additional donor contributions. The G20 has not yet made a firm commitment to this increased financial aid. The London G20 summit statement instead called for "voluntary bilateral contributions to the World Bank's Vulnerability Framework". (Peter Bakvis, Director, ITUC/Global Unions)
- "The World Bank does not have an unblemished record in its collaboration with other development agencies, even with the IMF. [...] a number of recent reviews have emphasized the need for harmonisation and co-ordination. It is important that the WB implements its programmes in close collaboration with other development agencies and makes use of their knowledge, expertise and skills where appropriate." (Owen Tudor, Trades Union Congress)
- "The Multilateral Investment Guarantee Agency (MIGA), too, should play a constructive role in collaboration with developing country governments in securing more foreign direct investments and also in preventing and/or minimising divestment due to the current unfavourable investment climate." (Owen Tudor, Trades Union Congress)

1.2.2 Appropriateness and impact of WB instruments

The World Bank Group has expanded and launched a number of facilities and programmes to support LICs in response to the recent global shocks.

- "The Rapid Social Response Program (RSR) is to focus on social interventions facilitating access to basic social services and safety net programs. Targeting of pregnant women, lactating mothers and children for special attention and treatment is welcome. It is hoped that these programmes will be rolled out to more countries in future and the necessary resources will be secured through donors. The TUC appreciates that the British Government has pledged £200m to the programme. (Owen Tudor, Trades Union Congress)

However, there are still LICs like Kenya that report that they have not received any specific support so far to respond to the global financial crisis:

- "In Kenya […] I am also not aware of any support that the World Bank has offered the country which is directly linked to the GFC." (prof. Francis Mwega, University of Nairobi, Kenya)

There are also fears that contributions from developed countries may not be sufficient, may be inappropriate in some cases, any may need to be better communicated:

- "The WB strategy hinges primarily on the success of its [...] Vulnerability Finance Facility, under which it intends to provide assistance. The Bank has asked developed countries to make contributions – about 0.7% of the value of their stimulus packages to the [VFF]. So far, the response has not been very encouraging. (Owen Tudor, Trades Union Congress)
- "As an education advocate, I am dismayed by the WB having ceded the task of financing education largely to the Fast Track Initiative. WB dollar amounts for education via the IDA

have decreased; the grant monies disbursed by the FTI are displacing IDA. The FTI has many operational problems, among them a strong focus on UPE as opposed to the full spectrum of EFA goals, a lack of engagement with fragile/post-conflict states, a dismal disbursement record via the Catalytic Fund (which has recently improved), a near total capture of EPDF funds by in-house WB task managers and upstream application of WB procurement policies which have slowed disbursement for up to 18 months and serve to "tie" aid." (Amy Gray, Global Campaign for Education)

- "[...] I do not think that there is widespread understanding of the various programs available from the World Bank. I think the creation of the VFF in particular was a confusing exercise, and given the lack of response from donors, one that continues to obscure how the WBG is responding to the crises." (Soren Ambrose, ActionAid International)

Moreover, some perceive the current World Bank's advice and interventions as old remedies to new diseases. This is due to the lack of country specific research or analysis, which ends up unavoidably on the prescription of generic solutions, difficult to adapt to local contexts:

- "[…] the biggest disappointment has been with the other IFI's such as the World Bank […]. The lack of country specific or even region specific research and analysis has been critically exposed by the crisis as these institutions reveal the lack of in-depth knowledge of the region and are only really able to present "more of the same" generic reform agendas slightly re-worded to place them in the context of the current crisis." (Nikunj Soni, the Pacific Institute of Public Policy)
- "While appreciating the need for accelerating processes, we take the view that it might also be necessary to consider disbursements on a case-by-case basis. Not all developing countries have the same absorptive capacity or the adequate administrative machinery to implement development programmes effectively at short notice. Some of the assistance needs to be used for building capacity through training and education in consultation with governments, trade unions and other civil society organisations." (Owen Tudor, Trades Union Congress)
- "The crisis has had a disproportionately high impact on vulnerable and disadvantaged sections in society, especially women, older workers and people with disabilities. The World Bank needs to encourage governments to put in place special programmes to identify their needs and address them. Some of the Programmes could be easily integrated into the existing schemes designed to promote equality, such as the Bank's Gender Mainstreaming Strategy." (Owen Tudor, Trades Union Congress)

One possible solution would be to coordinate or reinvigorate the World Bank's cooperation and coordination with local resources:

- "It would be good if this response could instigate more country specific based policy research […]. Using local resources […] would also help." (Nikunj Soni, the Pacific Institute of Public Policy)

In the case of Africa, for example, it might be good to reinforce the World Bank's cooperation with the African Development Bank:

- "The World Bank, in partnership with the African Development Bank should provide financial and technical support (70% grant and 30% long term low cost loans) to African countries where capacity to articulate a robust development strategy aimed at diversifying their economies and markets has been degraded during the last 30 years" (Prof. Olu Ajakaiye, African Economic Research Consortium, Kenya)
- "The World Bank, in partnership with the African Development Bank, should also resume funding of development projects in tertiary, secondary and primary health and education sectors thereby initiating and/or reigniting economic growth and development in African

countries under a programme of investing in people" (Prof. Olu Ajakaiye, African Economic Research Consortium, Kenya)

- "The World Bank, in partnership with the African Development Bank, should support regional development projects, especially in transport infrastructure, power and telecommunications in the context of regional economic communities under a programme of investing in investment" (Prof. Olu Ajakaiye, African Economic Research Consortium, Kenya)

To improve the World Bank's support for LICs, a number of further actions have been suggested ranging from focusing on budgetary support to introducing a flexible credit line type of instrument:

- "The World Bank support is desirable more in the form of budgetary support (which provides more policy flexibility – Bangladesh's 2009-10 budget will receive $200 million budgetary support from WB)." (Prof. Mustafizur Rahman, Centre for Policy Dialogue, Bangladesh)
- "WB (World Bank) may need to review the country limits during the crisis and move more forcefully on proposals such as the African Restructuring Facility (ARF) to intervene at micro-level: saving jobs by assisting firms through the restructuring process." (Ministry of Finance, Mauritius)
- "If FCL (flexible credit line) cannot be modified […] An alternative would be for an FCL type of instrument at the World Bank." (Ministry of Finance, Mauritius)
- "[…] strengths in crisis time could give way to weaknesses in times of recovery (as other competitors resposition) and WB support should thus be more forward looking and future oriented for countries like Bangladesh" (Prof. Mustafizur Rahman, Centre for Policy Dialogue, Bangladesh)
- "Budget support should be considered an acceptable option, especially, for the Least Developed Countries. It could be stipulated that budget support be used for facilitating access to basic public services to the poor." (Owen Tudor, Trades Union Congress)

1.2.3 Country allocations and country specificity

One of the recognized weaknesses of the World Bank's response to the global crises by LICs is the lack of country specific or region specific research and analysis that may be addressed to individual countries to help them to develop specific solutions to the challenges they face:

- "[…] the biggest disappointment has been with the other IFI's such as the World Bank […]. The lack of country specific or even region specific research and analysis has been critically exposed by the crisis as these institutions reveal the lack of in-depth knowledge of the region and are only really able to present "more of the same" generic reform agendas slightly re-worded to place them in the context of the current crisis." (Nikunj Soni, the Pacific Institute of Public Policy)

1.2.4 Assistance for the private sector

Finance for the private sector should not be skewed towards trade finance alone and extend to domestic finance

- "We note that the World Bank's private-sector arm, the IFC, has developed a Global Trade Liquidity Programme to finance international trade contracts in developing countries with the aim of thereby helping to reverse the decline in trade flows. It would be just as important for the IFC to ensure that affordable credit is made available for firms in the LICs that produce for the domestic market. These firms should be assisted by the IFC to adopt strategies that maximize employment creation and avoid job reductions so as to contribute as much as possible to countries' economic recovery efforts." (Peter Bakvis, Director, ITUC/Global Unions)

- "Although USD 250bn was pledged as additional trade finance [at the G20 London Summit], there is no indication yet as to how this measure is to be funded or when it will come into effect. Exports – textiles, raw materials, minerals etc - from developing countries need to be sustained through appropriate and adequate measures. A drop in the demand for developing countries' exports will inevitably translate into a slackening of demand for developed countries' exports with a time lag, which will, in turn, add to the consequences of the current recession." (Owen Tudor, Trades Union Congress)
- "We believe that there is need and scope for the World Bank Group, especially, International Finance Co-operation, to provide support through the private sector to cushion the impact of the recession on developing countries. This could be achieved through financial support and advice to banks, other financial intermediaries and businesses to cope with the consequences of the economic and financial crisis. The TUC welcomes the IFC initiative to set up a Global Trade Liquidity Programme to finance international trade contracts in developing countries with a view to arresting the downward trend in trade flows. The IFC Global Trade Finance Programme has recently provided substantial assistance to Pakistani banks in crisis. The IFC needs to expand its support to other sectors in difficulty. It can also play a leading role in providing appropriate advice, especially to avoid job losses and attendant hardships to workers in companies in difficulty. However, there is little evidence as yet to suggest that the IFC has increased its interventions in response to the crisis on a scale commensurate with the magnitude of the current crisis." (Owen Tudor, Trades Union Congress)

1.2.5 Conditionality

The World Bank is to be commended for looser conditionality:

- "The emergency loans granted by the World Bank under its GFPR and Vulnerability Framework Facility have less conditionality than typical loans. " and "the Bank is to be commended on the looser conditionality in most of these emergency loans and should be encouraged to make it a permanent feature of World Bank lending." And "As with the IMF, the World Bank has been slow in following through on several commitments to reduce policy conditionality in its non-emergency loans." (Peter Bakvis, Director, ITUC/Global Unions)

However, for some issues remain and a need for improved communication:

- "The conditionality attached to the use of WB facilities has often been a source of considerable confusion and led to hardships to poorer sections in society. Even after the recent reforms, there is still confusion on the significance and application of pre-conditions, conditions, prior actions, benchmarks etc. It is necessary for the Bank to improve its communication strategy and clarity in its relations with its clients in LICs – both governments and other agencies relying on its financial support. In this regard, we appreciate the new emphasis on transparency and predictability." (Owen Tudor, Trades Union Congress)

Others believe that there should be some element of conditionality in WB lending:

- "The TUC reiterates the need for the respect of core labour standards in all interventions by the World Bank Group in line with its commitments." (Owen Tudor, Trades Union Congress)

2. IMPROVING THE ADAPTABILITY AND RESPONSIVENESS OF THE INTERNATIONAL FINANCIAL INSTITUTIONS (IFIs)

To improve the adaptability and responsiveness of the IFIs (in particular the World Bank and the IMF) to the global crises a number of key actions have been suggested by the LICs representatives that have contributed to this consultation: (i) to engage more closely with national stakeholders and development experts; (ii) to rationalise the delineation between the different IFIs; (iii) to focus more on structural issues rather than macroeconomic imbalances and provide the necessary financial resources to respond to them; (iv) to enhance LIC' access to information on new G20 initiatives; (v) to introduce a debt standstill for all developing countries:

- "[…]; if the Fund is to be an institution engaged in development funding (10-year loans means they are indeed engaged in development), then they must change their perspectives, including hiring staff who understand development financing. Short term BOPs are NOT the priority of meeting the demands of development." (Jo Marie Griesgraber, Executive Director, New Rules for Global Finance Coalition)
- "It would be good if this response could instigate more country specific evidence based policy research[…]. Using local resources and combining them with the best from overseas would also help. […] Maybe some of the extra resources the crisis seems to have generated for the IFIs could be used for funding region and country specific research?" (Nikunj Soni, Executive Director, the Pacific Institute of Public Policy)
- […], the increased use of local partners particularly in terms of ongoing long term reporting/monitoring process would be useful" (Nikunj Soni, Executive Director, the Pacific Institute of Public Policy)
- "[…] there is clearly a need to rationalise. […] the crisis has highlighted that the "more of the same" generic policy agenda needs to be changed." (Nikunj Soni, Executive Director, the Pacific Institute of Public Policy)
- "More initiative will be required to disseminate knowledge about the new opportunities of receiving support from G-20 initiatives and LICs should be helped in identifying avenues where such support should be directed (lobbying for funds still remains important)." (Prof. Mustafizur Rahman, Centre for Policy Dialogue, Bangladesh)
- "Broader consultation with academia, think tanks and civil society leaders is required…" (Dr. BT Costantinos, African Centre for Humanitarian Action, Ethiopia)
- "[..] the World Bank and IMF will need to be adaptable and responsive to the needs of these countries (developing countries). First, it should be recognized that the problem is more structural than macroeconomic imbalances. Therefore, the World Bank, as opposed to the IMF, should take the lead. This calls for significant increase in the financial resources available to the Bank." (Prof. Olu Ajakaiye, African Economic Research Consortium, Kenya)
- "There should be a moratorium on debt payments for all developing countries until their recovery process might have commence; the so-called debt standstill" (Prof. Olu Ajakaiye, African Economic Research Consortium, Kenya)

Annex – template for responses

G20 Consultation

The G20 London Summit Statement, para 20 states: *"Building on the current reviews of the IMF and World Bank we asked the Chairman, working with the G20 Finance Ministers, to consult widely in an inclusive process and report back to the next meeting with proposals for further reforms to improve the responsiveness and adaptability of the IFIs"*.

The Overseas Development Institute (ODI) and Debt Relief International (DRI) are carrying out a consultation of civil society, research, academic, government and private sector organisations in Low Income Countries (LICs), on behalf of the UK Government Department for International Development (DFID). The results of the consultation will be used by the UK Government as part of a review of International Financial Institutions to the G20 Finance Ministers meeting on 4-5 September.

More information on the consultation is available in the Appendix on this document, the DFID Consultation Brief.

To submit a response to the consultation, please fill in your details below, and your views on the next pages, and send the document to g20.consultation@odi.org.uk.

Name:	
Position:	
Institution:	
Type of institution (CSO, private sector, research, government, other)	
Country:	
Are you happy for your views to be published on the G20 Consultation website?	Yes/No

Part 1: The International Monetary Fund

Please enter your comments in the box below. You may wish to respond on these particular issues:

(1) How effective has the IMF response to the current crisis and recent food/fuel shocks been? Has the IMF reacted in an effective and timely manner to address the challenges facing LICs in programme design, review and available finance financing?

(2) Have recent reforms to conditionality been factored through into a change in the individual LIC programmes? Has Fund advice and review of programmes been flexible on policy stance (e.g. fiscal balance and Inflation targets) to allow counter-cyclical policy, where appropriate? Is the Fund working well with LICs without current IMF programmes?

(3) Does the proposed reform of Fund concessional facilities better meet the diverse needs of LICs (from fragile/ post-conflict states to mature stabilisers) under different circumstances? How can we ensure reforms of these facilities maintain a core focus on poverty reduction? Are there ideas for making the facilities even more effective beyond the current crisis response? Is the proposed reform of the Exogenous Shocks Facility (ESF) to a Stand By Credit Facility on less concessional terms appropriate and what features of the reformed ESF should be preserved?

Your response on the IMF:

Part 2: The World Bank

Please enter your comments in the box below. You may wish to respond on these particular issues:

(1) Has the World Bank response to the current crisis and recent food/fuel shocks been effective? Have the World Bank's existing instruments and suite of crisis response facilities provided appropriate, flexible and timely support to LICs and have they been effective in protecting the most vulnerable?

(2) Is there widespread understanding amongst recipients of the full range of World Bank instruments and facilities? Do World Bank instruments need to be strengthened to enable faster and more flexible support for LICs during future global crises and shocks, particularly to protect the poorest and most vulnerable? How do you think that the Bank has performed in taking account of the particular needs of women and girls?

(3) Do World Bank commitment times need to be speeded up and funds disbursed quicker, e.g. by making more use of fast-disbursing instruments such as financial support directly to government budgets to protect development spending? Has World Bank assistance during this crisis been provided with minimum (programme essential) conditionality, learning lessons from responses to previous crises where programmes were loaded with excess conditionality? Does the Bank have enough staff in country with the right skills and decision-making authority? Has the Bank worked effectively with other partners in responding to the crisis?

(4) How effective has the World Bank Group been in assisting the private sector during the current crisis? How much funding has actually been drawn down by the private sector from such instruments in the downturn thus far? Are recipients aware of new (and expanded) crisis facilities to support the private sector in LICs? Are they aware of the wide range of existing instruments available to support the private sector, e.g. guarantees and other risk-mitigating instruments? How can coordination of World Bank Group assistance to the private sector in a crisis be strengthened? What role should the World Bank Group play in assisting the private sector during crises vis-à-vis other Multilateral Development Banks (MDBs) and Development Finance Institutions (DFIs)? Can the WB market its full range of instruments differently and better to end users, to increase uptake? How could the World Bank Group's support for the private sector in a crisis be strengthened?

Your response on the World Bank:

Appendix

Chair's Review on the Responsiveness and Adaptability of the IFIs

DFID Consultation Brief

At the G20 London Summit on 2 April, Leaders agreed that "building on the current reviews of the IMF and World Bank we asked the Chairman, working with the G20 Finance Ministers, to consult widely in an inclusive process and report back to the next meeting with proposals for further reforms to improve the responsiveness and adaptability of the International Financial Institutions (IFIs)."

The UK - working together with the US, as Chair of the Pittsburgh Summit - will therefore be gathering views from government and non-government stakeholders from both G20 member states and a range of on-G20 countries in order to develop proposals for reform.

G20 finance ministers will consider emerging conclusions at their meeting on 4-5 September.

The final report will be presented to the G20 Leaders at the Pittsburgh Summit on 24-25 September 2009.

The Chair's Review on the responsiveness and adaptability of the IFIs will cover how the IMF and World Bank could be made more effective, particularly in promoting sustainable global growth, and preventing and responding to future crises (see 'IFI Review – Issues Note'. As part of this, the Chair's Review will consider **the role and objectives of the IMF and World Bank in supporting the poorest (low-income) countries through global crises,** including the effectiveness of IMF/WB instruments to deal with global shocks and the IFI architecture for assisting the private sector in a crisis.

The current global financial crisis has hit low-income countries (LICs) primarily through the indirect effects of the global downturn (e.g. contraction in trade volumes, falls in remittances and reduced FDI) rather than direct financial spillovers associated with the global financial crisis. These impacts have been compounded by the effects of the recent food and fuel shocks. LICs also remain vulnerable to increased credit tightening resulting from the global financial crisis. Overall, LIC growth prospects have been hit extremely hard, with DFID estimates suggesting that the crisis will result in some 90 million more people living in extreme poverty in each year after 2010 than had been anticipated previously.

Both the IMF and World Bank have recognised they have a critical role to play in responding quickly and flexibly to this crisis, including in low-income countries. At the London summit, G20 leaders committed to: increase the IMF's resources to $750bn; undertake a $250bn allocation of Strategic Drawing Rights ($19bn of which will go to Low Income Countries); and increase lending of Multilateral Development Banks by at least $100bn.

The IMF's purpose is to promote economic stability to underpin growth and to provide immediate and short-term financial assistance to countries to ease their balance of payments problems. Dealing with shocks and crises is central to the IMF's core competence and mission. The World Bank's role is to provide financing to member countries to enable them to pursue their development goals. It has an important role complementing the IMF by helping protect medium-term development plans and sustaining progress towards the MDGs.

The **IMF** has responded to the global downturn and recent fuel/food shocks with (inter alia):

- **Additional financial assistance for LICs** – doubling of access limits to IMF Exogenous Shocks Facility (ESF) has helped new LIC commitments rise to $2.5bn, which is more than five times the rate of lending over 2005-07. IMF lending to the poorest countries since the beginning of the crisis (September 2008) now exceeds its total lending over the three years before the crisis by 45%.
- **Reformed and tailored conditionality** – use of structural measures as binding conditions has been abolished (in both MICs and LICs); conditionality has been tailored to measures which are essential to ensure that the effects of shocks on budgets, balance of payments and inflation don't undermine stability.
- **Analysis and forecasts** – of the fiscal and external effects of the financial crisis and food/fuel shocks, and policy responses;
- **Policy advice** – e.g. on the global downturn, it has eased its policy stance where possible, relaxing fiscal targets in 80% of African Programmes, by an average 2% of GDP since the crisis, and advised on appropriate counter cyclical policies and measures to protect the poor from price hikes;

The **World Bank** has responded to the global downturn and recent food/fuel shocks with (inter alia):

- **New (or expanded) initiatives to streamline support to the poor and vulnerable** (in both LICs and MICs) – these include the Global Food Crisis Response Programme (GFRP) which is expected to provide $2bn in assistance, the Rapid Social Response Programme (RSRP) and the Infrastructure Recovery and Assets Platform (INFRA) all under the overarching Vulnerability Financing Framework (VFF).
- **New (or expanded) initiatives to support the private sector** (in both LICs and MICs) – these include the Global Trade Liquidity Pool (GTLP), a new Infrastructure Crisis Facility (ICF) and new Microfinance Enhancement Facility (MEF).
- **Bringing forward and speeding up concessional lending** to LICs by fast-tracking and frontloading existing IDA15 resources; The IDA Fast Track Facility launched in December 2008 should allow at least $2bn to be disbursed more quickly to LICs with frontloading of up to 50%.
- **Additional non-concessional finance for the private sector in LICs** – approximately $4bn as part of the World Bank's broader efforts to provide an additional $100bn in non-concessional assistance over the next 2-3 years.

Annex – individual responses

Professor Olu Ajakaiye, Director of Research, African Economic Research Consortium, Kenya

The global financial and economic crisis is already wreaking havoc in developed and developing world, alike. However, while the developed world has the wherewithal to respond in various ways to the crisis, the developing world is incapable of doing the same. First, their (developing countries') external balances even of countries that benefitted from the speculation induced commodity boom, are deteriorating fast constraining their ability to finance their own rescue packages. The drying up of credit in an environment where virtually all investment projects require external financial component resulted in suspension and even termination of investment projects thus compromising early recovery and growth prospects in the medium term. When the inflationary consequences of the burgeoning fiscal stimulus by the advanced countries show up in future, the developing countries will face high cost of imports with the attendant imported inflation thus further complicating their macroeconomic framework. The outcome of this situation is that by the time economic recovery begins in the developed world, recovery in the developing world will be delayed, if at all. Consequently, poverty will remain endemic with the gap between the rich and poor nations remaining a challenge.

In order to ameliorate the situation and assist the developing countries to weather the storm as well as commence recovery soon after the recovery would have started in the developed world, the World Bank and IMF will need to be adaptable and responsive to the needs of these countries. First, it should be recognized that the problem is more structural than macroeconomic imbalances. Therefore, the World Bank, as opposed to the IMF, should take the lead. This calls for significant increase in the financial resources available to the Bank. Specifically, I support the following proposals for action by the World Bank and the IMF. Quite a number of these proposals have been made by several individuals and organizations, especially the African Development Bank, the UN and its agencies, the South Centre and Civil Society Organizations. Emphasis, however, is on the African countries:

1. The World Bank, in partnership with the African Development Bank, should provide financial and technical support (70% grant and 30% long term low cost loans) to African countries where capacity to articulate a robust development strategy aimed at diversifying their economies and markets has been degraded during the last 30 years.
2. The World Bank, in partnership with the African Development Bank, should also resume funding of development projects in tertiary, secondary and primary health and education sectors thereby initiating and/or reigniting economic growth and development in African countries under a programme of ***investing in people***.
3. The World Bank, in partnership with the African Development Bank, should support regional development projects, especially in transport infrastructure, power , technology and telecommunications in the context of regional economic communities under a programme of ***investing in investment*** ;
4. There should be a moratorium on debt payments for all developing countries until their recovery process might have commence; the so-called ***debt standstill***;
5. There should be new allocations of SDR to African countries to enable them meet the offshore components of their development programmes in the wake of the drying up of credits in the advanced countries
6. IMF should play complementary role to the development support activities of the World Bank by supporting suitable policy space in monetary and financial spheres in its interactions with African countries. Specifically, they should disengage from the erstwhile one-size-fits all advice and conditionality and allow the monetary authorities to nuance their objectives by judicious combination of inflation and growth/development. In that regard, the IMF should not impose structural conditions nor insist on macroeconomic policy adjustments especially because the on-going deterioration in external balance positions of African countries such as those caused by the recent commodity bursts in resource rich African countries are exogenously induced.

7. In general, donor assistance to African countries should shift towards grants and away from loans so as to avoid the dangers of another debt crisis in the medium term.
8. The on-going reform of the governance of IMF and the World Bank should continue, especially those aimed at strengthening the voice of developing country members, making the appointment of the leadership of these institutions more inclusive and merit based and enhancing accountability to all constituencies on an even handed way.

Jo Marie Griesgraber, Executive Director, New Rules for Global Finance Coalition

The IMF has been highly ineffective in dealing with any of these crises. They did not anticipate any of them. The fundamental question is about the conditions: the rest of the world is encouraged to engage in deficit financing to stimulate demand; the LICs still have to address short term balances of their budgets and trade payments.

The Fund insists that some 80% of the their programs are more flexible; but the data are not forthcoming. Also, "more flexible" means what? They are very adept in their PR, in sounding like they are at the cutting edge, leading the world, helping the poorest; but where are the data?

In addition to stimulating their economies by providing added basic services, LICs need short term funding for trade; and still more they need medium and long term funding for investment in infrastructure and productive capacity, to meet domestic needs as well as to increase exports. To the extent the IMF provides more money, up-front, with fewer conditions the better—it's the conditions part that never seems to change. True structural conditions no longer act as a trigger to stop the flow of money, but the countries still have to go through the privatizations (as Jamaica is preparing to do, and the salary caps for civil servants, and devaluations which wreaks havoc with their foreign debt. I have had a former Finance Minister of Jamaica currently in DC invite me to lunch to plead with me to work to change the IMF conditions!!! Why is this the job of civil society? Is this not the responsibility of the major shareholders, to listen? To insist in changes?

Closely related to the IMF's intransigence (despite good PR to the contrary), on conditionality is the persistent demand of donors that LICs have an IMF program to qualify for ODA. These ties are irresponsible and irrational but they persist. When do the donors see what this institution is doing? These conditions persist because the core function of the IMF continues to be helping LICs (any borrower) meet short term BOP problems; if the Fund is to be an institution engaged in development funding (10-year loans means they are indeed engaged in development), then they must change their perspectives, including hiring staff who understand development financing. Short term BOPs are NOT the priority of meeting the demands of development.

Just imagine the bifurcation of this institution when it gets more deeply into the business of working with the GSB to regulate global finance! Why should civil society in G20 countries support a larger role for the IMF in the effective regulation of their economies when CSOs see the harm the Fund does in LICs. I've spoken with so many government officials and academics and CSOs in Latin America, Africa, Central Asia, and South and Southeast Asia—they are so similar in their complaints about the IMF. Why should anyone think the IMF can do a great job on the global level when they fail repeatedly on the small level?!

But it is precisely the G20 countries with the power, the clout the reform the IMF. Diddling with the terms of facilities providing funds for LICs is not the central issue—it's the terms of lending! The conditions—and those are not discussed in the cheery press releases accompanying the new arrangements for the LICs. And, most of the $17 billion are to come from bilateral donors! The IMF has too much money, not too little—unless and until it reforms its governance, its accountability to the people its policies impact, and the skill mix of its staff, it should have no more money. The G20 must muster and focus its political resolve to reform this institution: we the citizens of the

G20 governments are responsible for the IMF; but in fact, no one is held accountable, no one suffers from bad policies except the poor people, especially in LICs.

May this exercise not be pro forma, not another exercise in futility.

I do not follow the World Bank as closely as the Fund, but I do know its governance problems are equally bad, that scholars never can access its archives, that corruption is endemic. Despite these, maybe it can do some good. Civil society--in consultations about IMF governance reform—have suggested that the Bank and Fund have the same board to compel coordination, to keep the IMF out of development, and get the WB to do what is needed in LICs.

Francis Mwega, Professor, University of Nairobi, Kenya

My view is that there is a large critical literature on the IMF and the World Bank (e.g. Killick, Stigliz, Mkandawire and Soludo), and one requires to review that literature in order to offer a nuanced view on how their role in LICs can be enhanced. In Kenya, for example, there is no evidence that these IFIs modes of operation have changed substantially as a result of the global financial crisis. The IMF has offered a loan of $209 million to build Central Bank reserves, but this is very little compared to the stimulus needs of the economy. I am also not aware of any support that the World Bank has offered the country which is directly linked to the GFC.

Humphrey P.B.Moshi, Associate Research Professor, University of Dar es Salaam, Tanzania

In the wake of the crisis it is becoming vividly clear that developing countries, especially the sub-Saharan African countries, have to revisit the neoliberal development paradigm championed by the International Financial Institutions (IFIs). The relative resilience of the high performing Asian economies (HPAEs) to the crisis is a clear testimony to the superiority of their development pathways to that of Washington Consensus. The huge responsibility given to the IFIs in the aftermath of the crisis will not lead to new development pathways for developing countries, but to the recycling of old ideas with new emphasis on some aspects, here and there. However, at the end of the day, developing countries' sustainable development will suffer further delay.

Nikunj Soni, Executive Director, the Pacific Institute of Public Policy (PiPP)

The ripples of the global economic downturn have been slower to reach the shores of the Pacific island countries and the resulting economic uncertainties less than in other developing countries. This is partly because of the relative lack of integration of these countries with the world economy and also because of the generally better performance of the larger regional neighbours such as Australia and ASEAN.

Nevertheless no part of the world is immune and it has been interesting to see how the IFI's have reacted.

In general there has been no specific reaction (by the IFIs) in the Pacific. Little increased or flexible lending and certainly very little region specific analysis. Generic analysis abounds a plenty but much of this could have been cut and paste from analysis undertaken in Africa. This is a shame as the Pacific has unique vulnerabilities which the crisis has the capacity to exacerbate.

The response from the IMF has been to merely downgrade forecasts – again this has been embarrassingly generic and has failed to recognise that some countries like Vanuatu are actually still growing rapidly whilst others like Samoa are facing short term albeit severe economic challenges. However, given that few Pacific islands have IMF programs perhaps the biggest disappointment has been with the other IFI's such as the World Bank and the Asian Development Bank. The lack of country specific or even region specific research and analysis has been critically exposed by the crisis as these institutions reveal the lack of in-depth knowledge of the region and are only really able to present "more of the same" generic reform agendas slightly re-worded to place them in the context of the current crisis.

However, in the Pacific we have become accustomed to this. Being so vulnerable it is common for countries to face a series of crisis and the response to be the same generic liberal economic advice slightly re-packaged for the "latest" version of the challenge.

It would be good if this response could instigate more country specific evidence based policy research so that individual countries can be assisted to come up with individual solutions to the challenges they face. Using local resources and combining them with the best from overseas would also help. However, sadly economies of scale mean that such a nuanced response may make this unlikely. Maybe some of the extra resources the crisis seems to have generated for the IFI's could be used for funding region and country specific research?

In terms of specific issues, on a micro basis there is clearly a need to need to streamline the funding/approval processes and to speed up the disbursement mechanisms so that they are able to reach the intended recipients in time. Furthermore, the increased use of local partners particularly in terms of ongoing long term reporting/monitoring process would be useful.

In macro terms, if one were to apply the same medicine to the IFI's that they apply to other countries and their struggling development banks then it could be argued that there is clearly a need to rationalise. The delineation between the various IFIs (ADB's, and WB) is increasingly blurred and may be worth revisiting. Having a plethora of bodies offering similar products (usually loans) tied to generic analysis and conditions may not be the best use of funds.

Laid back and picturesque the region may be but the crisis has highlighted that the "more of the same" generic policy agenda needs to be changed.

Professor Mustafizur Rahman, Centre for Policy Dialogue, Bangladesh

The G-20 decision has put in a lot of responsibility on the IMF. Since, the IMF's major focus has been with regard to addressing balance of payments difficulties in times of crisis, LICs such as Bangladesh which have not faced any BOP crisis (indeed we have gained from lower commodity prices, robust remittance flow and modest export growth and our BOP situation has indeed improved somewhat) have not benefited from this. Apprehension (at least in Bangladesh) about IMF's conditionalities have also deterred Bangladesh to explore any IMF window that could come with any support (such as policy support instrument – although this is a low conditionality window). LICs such as Bangladesh need more of project – type support rather than BOP or policy advice type of support of IMF.

For countries such as Bangladesh, in view of the above, support from World Bank is thus more crucial. Many LICs (such as Bangladesh) is going for large budget deficit (in case of Bangladesh for FY2009-10 it is projected to be about 5% of GDP). WB support will become crucial, particularly because of the drawbacks of other alternative sources (borrowing from bank could crowd-out sources of funding for the private sector, central bank borrowings could be inflationary). The WB support is desirable more in the form of budgetary support (which provides more policy flexibility – Bangladesh's 2009-10 budget will receive $200 million budgetary support from WB). More initiative will be required to disseminate knowledge about the new opportunities of receiving support from G-

20 initiatives and LICs should be helped in identifying avenues where such support should be directed (lobbying for funds still remains important). Additionally, strengths in crisis time could give way to weaknesses in times of recovery (as other competitors reposition) and WB support should thus be more forward-looking and future oriented for countries like Bangladesh which have not been adversely affected by the crisis so far, but which are already experiencing the lagged affects of the crisis through slower export growth and lower number of migrant workers going abroad, higher number of returnee migrants, and rising commodity prices.

Dr. BT Costantinos, Chair, African Centre for Humanitarian Action, Ethiopia

The IMF, World Bank, multilateral, bilateral and non-governmental external agencies have, in recent years, introduced a large number of initiatives aimed directly or indirectly at helping Africa "develop" its way out of economic chaos and political instability. In doing so, they rely on a wide variety of programmes, institutional mechanisms and policies. Indeed, growing external involvement in African projects of democratisation and economic recovery has resulted in increasingly challenging problems of conceptualising and understanding the role and function of international agencies. The effectiveness of political conditionality is a function of the dependence of a recipient government on foreign aid. Government compliance with donor conditions varies with the type of policy reform. Compliance is "high for measures that can be implemented by a small number of central government officials and low for reforms requiring extensive institutional change". The imposition by donors of political conditions on aid disbursements is alone insufficient to effect democratic political transitions, i.e. in the absence of organised domestic constituencies for political change within the state and within civil society. Intervention by international organisations disrupts developmental and democratic transitions to the extent that it is perceived as partisan.

The growth of foreign interventions seems in marked contrast to the limited thought and effort exerted by democratisers of African polity to put the interventions in coherent theoretical or strategic perspective. The following questions could be posed in this regard:

1. What is the overall rationality or significance of the great traffic of international programs and projects of democratisation and development in Africa, the proliferating activities that seem to show little regard for economy of co-ordination?
2. How far and in what ways do various international agencies, programs, mechanisms, forms of knowledge and technical assistance feed on one another in helping set the boundaries of democratic reform in Africa.

The important issues that these questions suggest are not sufficiently addressed, or even raised, in much of the current discussion of the G20 or the G8. Insofar as the activities of external agencies in Africa are not understood and engaged in, their democratic and developmental impact may diminish with their proliferation. This can mean little more than a weakly coordinated multiplication of programs and projects which have immediately recognizable or measurable effects in limited areas, but which seem to suspend rather than serve the ultimate goals of democratisation of African political systems. The strategic co-ordination of diverse international activities supportive of development in Africa can become a challenge both for the international agencies involved and for the Governments. This is in part because of limitations in the individual characteristics of the activities - for example, their narrowly technocratic orientation. It is also because of shortcomings in the relational and contextual articulation of external programs and projects, their limited generalisability and variability.
African governments and societies undoubtedly depend on international assistance in their projects of reform. Such assistance is vital for the projects in many areas and at many levels. Yet, it must be recognized that external support creates problems as well as opportunities for Africa. In confronting the imperatives of change, nothing is more challenging for our polities than the strategic coordination of diverse global and local elements, relations and activities within themselves, nor has anything greater potential for enabling them to achieve successful transitions to democracy and development.

On the questions/ Issues for Discussion, our response is outlined below.

Effectiveness of the IMF
The IMF response to the current crisis and recent food/fuel shocks has not been effective. The IMF, with its heavy bureaucracy, has not addressed in an effective and timely way the challenges facing LICs, particularly in relation to programme design, review and available finance financing.
Conditionality
Similarly, the recent reforms to conditionality have not been factored into individual LIC programmes. There is little and ineffective advice and review of programmes.

Concessional facilities
The proposed reform of Fund concessional facilities has the potential to better meet the diverse needs of LICs. However, the IMF, working only with governments to large degree, has not been designed in way to address fragile and post-conflict states.

Strengthening the IMF's response
Broader consultation with academia, think tanks and civil society leaders is required to ensure that reforms of these facilities maintain a core focus on economic transformation and poverty reduction that would have an outreach beyond the current crisis response. In this sense, the proposed reform of the Exogenous Shocks Facility (ESF) to a Stand By Credit Facility on less concessional terms could be appropriate only in effective states and where there is a highly engaged private sector and civil society.

Ministry of Finance, Mauritius

- Flexible Credit Line (FCL) needs to be able to also cover Africa by a stronger focus on strong policies and careful look at vulnerabilities rather than just headline numbers;

- If FCL cannot be modified, perhaps an FCL 2 pitched between FCL and High-Access Precautionary Arrangements (HAPA). An alternative would be for an FCL type instrument at the World Bank;

- EC type V-Flex GRANT operations are needed for MICs to blend grants with market rate borrowing from official sources to keep debt sustainable;

- Accelerating EPAs/open oriented regionalism is one way of fighting the crisis under a proper Aid for Trade programme which could be a means of channeling FCL 2/FCL instrument combined with EC type V-Flex Grants as part of an Aid for Trade package.

- WB may need to review country limits during the crisis and move more forcefully on proposals such as the African Restructuring Facility (ARF) to intervene at micro-level: saving jobs by assisting firms through the restructuring process;

- Main purpose of the African Restructuring Facility (ARF) would be to assist African enterprises hit by a temporary loss of export markets to restructure and retool to save jobs and prepare for the recovery;

- Given that overall purpose, and based on its experience, Mauritius would suggest setting up the following specific schemes aiming at:
    1. Restructuring debt to cope with temporary fall in export demand,
    2. Assisting restructuring debt for SMEs
    3. Enabling SMEs to acquire and modernize their equipment through a new financing arrangement (leasing) at affordable rates and thus enhance their competitiveness;

4. Providing an additionality of insurance coverage to those exporting companies in ARF members so as to enable them to secure adequate export financing during the crisis period;
5. Sending employees on training to enable them to upgrade their skills for better performance at the enterprise level and also to acquire new skills which may be useful to them in their professional or personal life; the employees concerned will get approved training (in line with existing provisions for the country) in lieu of work for an average of one day, or at most two working days per week;
6. Assisting exporters of services including hotels, tourist residences, guesthouses and restaurants to enhance the level of services and competitiveness;
7. Rescheduling of loans of SMEs and micro-enterprises in distress due to the crisis;

- Size of ARF: the ARF would initially be capitalized with US$ 100 million and could be increased if there is a good take up. Financing would come from the resources of the African Development Bank (ADB) currently devoted to private sector financing. The EC and other development partners would offer grants to support some of the operations and reduce the contributions from liquidity constrained low income countries. About US$ 20 million of grants are being sought;

- Set up and location: interested Governments meeting required operational criteria would be asked to offer to facilitate the setting up of the ARF. Interested Governments would contribute to the local set up costs including providing office facilities and provide a reasonable share of the grants mobilized from the international community (e.g. 10 % i.e. US$2 million). They could also be asked to provide local staff and an initial core staff around which to build the ARF. The relevant regional organization sponsoring the initiative of COMESA, EAC, IOC and SADC (or the combination of them that are interested or the IRCC to the extent that all express support) would work with the development partners interested in financing as well as with the interested Governments to agree on location within a month of a decision to move ahead being taken;

- Operation: inter alia, there are three options for operating the ARF:
  1. ADB staff set up and run the ARF by locating appropriate staff in the designated country of operations;
  2. ADB hires professionals on the open market for operations in the designated country, with possible backstopping as necessary by ADB in HQ or a regional office.
  3. The Government of the selected host and its Private Sector joint Team operates the ARF on behalf of the ADB with supervision and/or backstopping as required from ADB;

- Scope of operations: the ARF could begin in those countries that are ready to start, such as Mauritius where there already is a pipeline of about a dozen projects amounting to about US$ 5 million. However, the ARF could offer value added throughout the region and would market its services to gradually expand its membership beyond the founding members;

- Decisions and time frame: in view of the urgency, severity and breadth of the crisis, rapid decisions are required by the ADB Board and Management, ideally by the end of November 2009. Operations can begin immediately and if necessary the selected host would supply the physical and human resources required to enable immediate start of operations once a decision is taken. To move matters forward, Mauritius would be prepared to host a meeting for the Secretariats of IOC, EAC, SADC and COMESA and the interested member states to attend and to indicate their interest in ARF extending operations to their country. On a demand driven basis ARF would gradually expand to cover the region. If there is interest in proceeding, a joint team can be set up to begin work on the modalities for both transitional and permanent arrangements. Incorporation within the selected host country should only take days.

Louise Holly, Acting Director, RESULTS UK

Recent figures released by the IMF state that fiscal deficits have increased this year, by an average of 2%, in 80% of African countries in which the IMF has programmes. These figures are generally being presented as evidence that the Fund is allowing 'counter-cyclical' policies. In addition, a recent PIN from the Fund (July 29th) stated that increased flexibility of conditionality for low-income countries in the last few months has led to programmes 'targeting higher levels of pro-poor spending, and accommodating higher overall spending levels and fiscal deficits.'

RESULTS UK remains concerned that little evidence has been presented for the claim that recent programmes allow higher overall spending levels and higher levels of pro-poor spending. The relaxation of fiscal deficit targets by 2% comes at a time when tax receipts are falling, in some countries very sharply, and therefore may well represent simply increased borrowing to cover existing levels of spending.

2% is a fairly modest increase in any case; Justin Yifu Lin, the World Bank Chief Economist, recommends that a counter-cyclical fiscal stimulus in low-income countries should be 3% to 5% of GDP. In the context of falling government incomes the small size of the increase is even more worrying, and we would encourage the G20 to obtain further information about the relationship between this figure and actual spending levels, which would be able to show whether significant increases have occurred or not. Without this information it is not possible to conclude that the IMF is allowing counter-cyclical spending in Low Income Countries (LICs) – just that they are showing limited flexibility to avoid spending cuts in the face of falling tax revenues.

It is very difficult to obtain good quality data on this issue. For this reason, we believe that DFID should commission an independent review into the matter, ensuring that there is an opportunity for civil society to comment and give feedback on the framework of the review.

We welcome the limited flexibility that the IMF is showing on fiscal deficits – it would be very damaging to allow the crisis to lead to cuts in the already limited social spending of LICs – however, it is necessary, even while we remain within the crisis, to look beyond the immediate picture to consider long-term requirements for scaling up spending to reach the Millennium Development Goals (MDGs). Programmes instigated during the crisis need to take into account the investment needed now in education and health workers to reach the goals and set a firm basis for future development. For this to happen upfront investments that will lead to big returns over the medium to long-term need to be financed by much larger increases in spending than we have so far seen. We remain concerned that IMF restrictions on fiscal deficits and inflation targets unnecessarily constrain low-income country spending on the vital social sector workers who could deliver on the MDG targets. This issue must be tackled now, not left until a later date because of the crisis.

The case of Tanzania, judged by the IMF to be a 'mature stabiliser', is illustrative. Maternal health is a particular problem in Tanzania – President Kikwete this month announced that it is unlikely Tanzania can meet MDG5. The health worker shortage is a significant contributor to barriers to achieving MDG5, and in 2005, there were 35,202 professional health staff employed in Tanzania (in both public and private health facilities), against an estimated need for 124,924. This means that Tanzania was only able to employ 24% of the necessary health workers.[1] Clearly, further spending on the recurrent costs of health worker salaries is necessary. There is a fundamental mismatch between the macroeconomic policy environment and the number of health workers needed to provide health services that tackle poverty in Tanzania.

[1] Flora Kessy and Prosper Charle, 'Evidence of the Impact of IMF Fiscal and Monetary Policies on the Response to HIV/AIDS and TB in Tanzania', Ifakara Health Institute (IHI), Dar es Salaam, Tanzania, 2009

Tanzania's engagement with the IMF is currently through a Policy Support Instrument (PSI). A recent report by Oxfam looking at the process of formulating PSIs across Africa[2] concluded that 'There was generally very little analysis of the poverty and social impact of the PSI, in particular of its overall macroeconomic framework – except to the degree that it would produce growth and therefore was assumed to reduce poverty. Some analysis was conducted of individual controversial policies such as privatisations, or specific issues such as the amount of spending on specific social sectors or programmes (for example wage ceilings). This of course was similar to the situation under the PRGF, where only one "macroeconomic PSIA" analysis has ever been done, in Rwanda funded by DFID.'

IMF programmes, particularly the macroeconomic indicators set within programmes, remain insufficiently linked into wider poverty reduction efforts and do not allow space for upfront investments in crucial social sectors. The G20 should call on the IMF to include poverty and social impact assessments of the broad macroeconomic framework of all programmes, including those that do not include a financial relationship.

In terms of current debates within donor countries and the IMF, SDR transfers (if done in an affordable and sustainable manner) could finance increases in spending to provide genuinely counter-cyclical policies – current facilities are not demonstrating sufficient flexibility to do this.

It is as yet difficult to assess how well the proposed reforms of IMF lending to LICs meet the needs of these countries, because at the end date of this consultation the full policy paper has not yet been released and it is as yet unclear what conditionality will be attached to the reformed facilities.

However, from early indications we are concerned that facilities designed to deal with shocks originating from exterior events, not from countries' own policy decisions, are likely to come with 'upper-credit tranche conditionality'. The 'Stand-by Credit Facility' for example, is designed to address balance of payments problems caused by external shocks, among other causes. It is not appropriate that a country be forced to meet conditions indirectly related to the external shock in order to access funding under this stream, because the external shock, by definition, could not be prevented by country policy.

It is clear from take-up patterns for the Exogenous Shocks Facility (ESF) that countries have been reluctant to draw on the upper tranche of funding due to the conditionality attached. There is no evidence to suggest that this problem will be addressed by the proposed reform of the upper access portion of the ESF into a 'Stand-by Credit Facility'. The G20 should push for a reformed ESF to attach conditionality limited to only that directly addressing the shock at all levels of access.
We are disappointed that the recent review did not consider the option of creating a system that will either allocate SDRs on the basis of need or enable and encourage rich countries to transfer their SDR allocations to the low-income countries that need them most. This option offers the most promising solution to the difficulties LICs are facing due to the crisis – it would present less of a debt burden to LICs and would be available without inappropriate conditions, which could require LICs to cut or hold static spending on social sectors in the face of a global recession.

SDR allocations would therefore be the most counter-cyclical method of funding to meet the financing shortfalls of LICs in the short-run. To make this option affordable for LICs the IMF would need to agree a system for eliminating or subsidising interest rates for low-income countries. We believe that the G20 should strongly support this option, providing political leadership to give real help to countries that are desperately in need.

[2] Matthew Martin, Alison Johnson and Gideon Rabinowitz, 'What is the point of the PSI? The Views of African Policymakers', Development Finance International, 2009

Peter Bakvis, Director, ITUC/Global Unions - Washington Office

Response on the IMF**:**

1. a) The IMF responded quickly to the current global economic and financial crisis by providing emergency loans to approximately twenty countries to date, starting in October 2008. However most of these loans, some of which exceed US$10 billion, consist of non-concessionary lending to middle income countries, with a particularly strong concentration in Central and Eastern Europe and the former Soviet republics. Emergency assistance to low-income countries (LICs) peaked in 2008, coinciding with the highest levels reached by international food and oil prices in mid-2008. According to data published by the IMF in September 2008, the Fund had agreed to loan augmentations for balance-of-payments support to twelve LICs most severely affected by the food and fuel price crisis. The average loan augmentation from the IMF to the LICs was $19 million, spread out for up to three years. This is dwarfed by the size of the *additional* balance-of-payment financing needs for the LICs, which the IMF evaluated in March 2009 for a group of 48 LICs to be a total of $138 billion, or an average of $2.9 billion per country.

   b) The IMF announced in July 2009 that it would "boost the Fund's concessional lending capacity by up to $17 billion through 2014, including up to $8 billion in the first two years [2009-2010]". While needed, it is still far below the IMF's assessment of developing countries' special financing needs because of the crisis. Furthermore, even the amount announced by the IMF relies on additional contributions from donor countries that have not yet been committed. The ITUC has supported an increase in the IMF's financial resources if they are used for counter-cyclical policies focussed on employment creation and assistance to the vulnerable. Our affiliates in donor countries have lobbied for additional government funds for those purposes. The ITUC has also supported the $250-billion general allocation of special drawing rights (SDRs) for the same purpose. However, noting that only some $18 billion – about 7 per cent of the SDR allocation – will go to the 78 LICs, the ITUC urges the establishment by the IMF of a mechanism whereby the countries that do not need their SDR allocation can transfer or reallocate them to LICs that do need and intend to use them.

2. a) The IMF claims to have been engaged in processes to "streamline" and otherwise reduce its loan conditionality for at least a decade. Progress in actually achieving a substantial decrease in conditions at the IMF has actually been very slow, as many analyses, including from the Fund's own programme evaluations, have shown (see for example: Independent Evaluation Office of the IMF, *An IEO Evaluation of Structural Conditionality in IMF-Supported Programs*, 2008). The ITUC, which has two-thirds of its 170-million membership in developing and emerging-economy countries, has frequently pointed out the inconsistencies in policy advice dispensed by the IMF, whereby rich countries and some middle-income countries are encouraged to implement counter-cyclical stimulus policies, but most developing countries are encouraged to practice pro-cyclical "fiscal discipline" policies.

   b) In borrowing countries, the Fund's advice to engage in pro-cyclical policies is reinforced through loan conditionality. For example, in the case of a $50-million loan to Ethiopia granted in February 2009 under the Exogenous Shocks Facility, we note that the IMF programme requires the government to tighten monetary and fiscal policy; the government's deficit is to be brought down from 2.7 per cent of GDP to zero. Furthermore, domestic fuel prices must be maintained above the world price so as to reimburse the country's oil stabilization fund for earlier price subsidies. These measures are likely to accentuate the impact in Ethiopia of the global recession, and of continued high food prices and recently increased oil prices. The ITUC believes that *all* countries must be encouraged to contribute to a global economic recovery effort through appropriate stimulus policies and that the additional resources granted to the IMF must be used, as the G20 leaders made clear in their London statement, "to support growth in emerging market and developing countries by helping to finance counter-cyclical spending".

3. a) The IMF announced in March 2009 that it would discontinue the use of structural performance criteria in all of its loans but in July, when announcing new measures for LICs, the Fund explained that this did not entail an end to structural conditionality. Instead, structural conditions "will become more flexible and focused on core goals tailored to each country", according to the July statement. It may also be noted that the IMF has not announced the discontinuation of quantitative performance criteria, which have been used to establish many of the austerity conditions in current emergency loans. At this writing, no details about the new "more flexible conditionality" were available.

   b) A clear explanation of the new conditionality rules and the demonstration of their application in practice will be the only way to ascertain whether the new policy constitutes a genuine reduction in the intrusive and counter-productive IMF structural adjustment conditionality that trade unions, other civil society organizations and many governments have long criticized. This will be especially important for the new short-term lending facilities for LICs – the Standby Credit Facility and the Rapid Credit Facility – that the IMF has announced. The ITUC has proposed an end to all economic policy conditions and instead, the limitation of obligations to fiduciary controls and to those concerning respect for internationally agreed standards, include core labour standards.

<u>Response on the World Bank</u>:

1. a) The World Bank appeared to respond rapidly in providing emergency assistance to several LICs in 2008 as the food and fuel price crisis attained its peak in mid-year. The Bank created its Global Food Crisis Response Programme (GFRP) in May 2008. Some of the funds allocated towards the GFRP have since been reallocated to the more recently-created Vulnerability Financing Facility, which has a broader mission to channel funds to those most affected in the LICs by the twin food and global economic crises. As with IMF assistance to the LICs, the modest level of support is the most important criticism to be made of the assistance. In the first fifteen allocations made by the GFRP until September 2008, the average grant or zero-interest loan was US$9 million. These were mostly used for seeds, fertilizers and nutrition programmes. The World Bank later allocated larger loan amounts to some countries for longer-term agricultural development and social protection improvements, but only five countries received amounts over $100 million under the GFRP, and some of these were in the form of interest-bearing IBRD loans.

   b) The World Bank announced in July that during its 2009 fiscal year (ending 30 June) it had made financial commitments representing "a 54 per cent increase over the previous year [in] responding to the needs of countries hit by the global financial crisis, with strong focus on initiatives to protect the most vulnerable in the poorest countries". In fact, by far the largest jump in lending took place in the non-concessionary division of the Bank, the IBRD, where financial commitments rose from $13.5 billion in 2008 to $32.9 billion in 2009. The increase in the concessionary IDA, which lends to the LICs, was much more modest: from $11.2 billion to $14.0 billion. It may be noted that part of the increase is explained by "front-loading" of payments, i.e. countries that receive additional assistance from the IDA now will receive less later on. A substantive increase in non-concessionary loans and grants from the World Bank to the LICs will require additional donor contributions. The G20 has not yet made a firm commitment to this increased financial aid. The London G20 summit statement instead called for "voluntary bilateral contributions to the World Bank's Vulnerability Framework".

2. a) As noted, the main impediment to responding to the needs for additional support to counteract the impact of the food and economic crises has been lack of financial resources. In order to focus assistance on the poorest, the World Bank in some countries has supported the dismantling of general price subsidies for basic foodstuffs in favour of more "targeted" transfers to low-income households. This kind of targeting can pose various kinds of difficulties. They sometimes lead to significant hardships for people who are considered to be just above the cut-off point of eligibility

to benefits focussed only on the poorest. Many poor urban workers and their families are in this category.

b) Contrary to subsidized basic foodstuffs that are generally available, targeted programmes often result in many needy individuals being deprived of all assistance because they are completely left out of transfer programmes. Usually it is the most vulnerable and disadvantaged, particularly women and girls, who "fall through the cracks" in this manner, because of deficient administrative capacities which are all too frequent in the LICs. In a recent analysis, the UNDP's International Policy Centre for Inclusive Growth noted that conditional cash transfer programmes that had successfully contributed to poverty reduction in middle-income countries such as Brazil and Mexico were reaching a much smaller percentage of the extremely poor when applied in LICs.

3. a) The emergency loans granted by the World Bank under its GFPR and Vulnerability Framework Facility have less conditionality than typical loans. The reduction of conditions is one main factor that has allowed the Bank to provide its financial assistance more quickly. That is not to say that there are no conditions. A GFPR loan granted to Burundi in August 2008, for example, required the government to carry through with the privatization and liberalization of the coffee sector despite the food price crisis situation that makes the condition particularly questionable. Nevertheless, the Bank is to be commended on the looser conditionality in most of these emergency loans and should be encouraged to make it a permanent feature of World Bank lending.

   b) As with the IMF, the World Bank has been slow in following through on several commitments to reduce policy conditionality in its non-emergency loans. It recently carried out consultations on its development policy loans (formerly called structural adjustment loans) in seven countries, during which civil society representatives, and governments in some cases, faulted the Bank for excessive conditionality. The World Bank should ensure that its financial assistance responds to the most important needs and complements interventions by other agencies by engaging in consultations with all "stakeholders", namely civil society organizations, including trade unions, before the planned assistance is finalized.

4. a) Private-sector companies around the world have suffered from the global financial crisis and from the practices of the private financial institutions that were root causes of the crisis. The private sector in the LICs has been particularly vulnerable because of the limited availability of private credit in these countries, with the financial institutions involved imposing particular conditions on producers of goods and services in the LICs.

   b) The availability of affordable credit is of primary importance for the economic recovery of the LICs as much as for countries at other levels of development. We note that the World Bank's private-sector arm, the IFC, has developed a Global Trade Liquidity Programme to finance international trade contracts in developing countries with the aim of thereby helping to reverse the decline in trade flows. It would be just as important for the IFC to ensure that affordable credit is made available for firms in the LICs that produce for the domestic market. These firms should be assisted by the IFC to adopt strategies that maximize employment creation and avoid job reductions so as to contribute as much as possible to countries' economic recovery efforts.

Owen Tudor, Head of EU and International Relations, Trades Union Congress

Response on the IMF**:**

1. While appreciating the belated efforts by the IMF to deal with the consequences of the financial crisis, the TUC wishes to emphasize that the IMF did not have adequate resources to cope with a crisis of this magnitude. As at 31 March 2009, the IMF had some USD 325bn at its disposal. The international trade union movement had, in the past, stressed the need for augmenting the IMF resource base on a number of occasions.

   While welcoming the outcomes of the G20 Summit, the TUC calls upon the G20 governments to seek expeditious implementation of credible measures to "promote global trade and investment and reject protectionism", as set out in the Global Plan for Recovery and Reform adopted in April 2009. Although USD 250bn was pledged as additional trade finance, there is no indication yet as to how this measure is to be funded or when it will come into effect. Exports – textiles, raw materials, minerals etc - from developing countries need to be sustained through appropriate and adequate measures. A drop in the demand for developing countries' exports will inevitably translate into a slackening of demand for developed countries' exports with a time lag, which will, in turn, add to the consequences of the current recession.

   The agreement to the addition of USD 250bn to international liquidity in the form of SDRs in July 2009 by the IMF Executive Board is appreciated and will, if approved by the Board of Governors, ease the balance of payments difficulties of developing nations and spur trade. The G8 nations who will receive the lion's share (some 48% or USD 120bn) of the new allocation should consider "donating" them to developing nations if they do not wish to use them. The TUC hopes that the UK will take the lead in accelerating the progress towards the adoption of the Fourth Amendment and any necessary subsequent amendments to the Articles of Agreement.
   The TUC also welcomes the Interest relief granted on the IMF's concessional facilities to help low-income countries to cope with the consequence of the crisis and hopes that it will be extended beyond the end of 2011.

   The IMF is mandated with the surveillance of the international financial system. However, in reality, it is not a position to make effective interventions in crises originating in G8 countries, especially, when they involve them all at the same time. In the past, the IMF only managed to formalise the informally agreed arrangements more or less already in place following financial crises involving major industrialised nations. One may recall the events in the aftermath of the collapse of the Bretton Woods arrangements for the stability of exchange rates. In this regard, the TUC joins the international trade union movement in its demand for fundamental reforms to governing structures of the IMF and other international financial institutions.

2. In essence, the reformed conditions are not radically different from those which came into force following the previous review in 2000. Although there is renewed interest in, and emphasis on, national ownership, parsimony, criticality and co-ordination and clarity, it is their interpretation and application in the design, implementation and monitoring of new programmes that need to be examined in depth. The new Guidelines to IMF staff were published only in July 2008. It is therefore premature to study their impact on individual LIC programmes. While it is true that some flexibility has been introduced, it is not clear whether many low-income counties, except, perhaps for a limited number of countries including Zambia and Senegal, have benefitted from it yet. It needs to be pointed out that conditionality involves not only the design of a programme, but also its implementation and monitoring.

3. The renewed emphasis on the concept of national ownership is welcome. It will, theoretically enable the IMF to tailor its assistance programmes to the specific needs and circumstances of a particular country. The Poverty Reduction and Growth Facility Trust has three windows targeted on the needs of LICs with more flexibility. They are:

- The Extended Credit Facility (ECF), which is due to replace the Poverty Reduction and Growth Facility (PRGF). Our understanding is that the ECF will have some of the objectives of the PRGF and be available to countries without Poverty Reduction Strategies. Therefore, it may be more difficult to retain their focus exclusively on poverty reduction. Nevertheless, due to the commitment to poverty reduction through the achievement of Millennium Development Goals in most development strategies, there may be some scope for retaining the focus.
- The Stand By Credit Facility (SCF), which will also replace some of the lending available to members under the Exogenous Shocks Facility's High Access Component. This is considered to be similar to the Stand-By Arrangements available for middle-income countries, but with less stringent conditions attached to them.
- The Rapid Credit Facility (RCF), which would address the emergency financial needs of members.

The recent reforms to the conditionality may enable the IMF to be more responsive to the demands from LICs. However, not all the reforms are geared to assist LICs developing countries or tailored to the needs of LICs. The Flexible Credit Line is designed to support countries with a strong record on economic fundamentals, which automatically keeps most vulnerable developing nations out of its reach. Mexico, Colombia and Poland have received loans worth USD 78bn in total under FCL, which, if used extensively for middle-income countries could well have the effect of crowding out LICs. Although structural performance criteria are said to have been discontinued as from 1st May 2009, there are indications that they are still in force under different guises.

The IMF staff are supposed to engage civil society in broadening support for its programmes in line with government's Poverty Reduction Strategies. Although trade unions are not explicitly mentioned, the need for consultation with civil society has been underlined in the new Guidelines to IMF staff.

It is important to point out that, on the one hand, not all these facilities are fully operational yet, and, on the other, it is not clear how some of them are to be financed.

<u>Response on the World Bank</u>:

1. It is premature to examine the impact of the measures taken by the World Bank, as the arrangements for some of the measures have not yet been put in place. The WB strategy hinges primarily on the success of its new facility - Vulnerability Finance Facility, under which it intends to provide assistance. The Bank has asked developed countries to make contributions – about 0.7% of the value of their stimulus packages to the Vulnerability Finance Facility. So far, the response has not been very encouraging. It is useful to ascertain the position of the UK Government in this regard.

   The Rapid Social Response Program (RSR) is to focus on social interventions facilitating access to basic social services and safety net programs. Targeting of pregnant women, lactating mothers and children for special attention and treatment is welcome. It is hoped that these programmes will be rolled out to more countries in future and the necessary resources will be secured through donors. The TUC appreciates that the British Government has pledged £200m to the programme.

2. The World Bank and other international financial institutions, in the past, have not been very effective in communicating its policies, strategies and practices to its clients, especially to LICs. The conditionality attached to the use of WB facilities has often been a source of considerable confusion and led to hardships to poorer sections in society. Even after the recent reforms, there is still confusion on the significance and application of pre-conditions, conditions, prior actions, benchmarks etc. It is necessary for the Bank to improve its communication strategy and clarity in its relations with its clients in LICs – both governments and other agencies relying on its

financial support. In this regard, we appreciate the new emphasis on transparency and predictability.

The crisis has had a disproportionately high impact on vulnerable and disadvantaged sections in society, especially women, older workers and people with disabilities. The World Bank needs to encourage governments to put in place special programmes to identify their needs and address them. Some of the Programmes could be easily integrated into the existing schemes designed to promote equality, such as the Bank's Gender Mainstreaming Strategy.

3. The TUC is pleased with some of the recent reforms introduced to lighten the burden of conditionality. However, it is too early to assess their impact, as it will be some time before the reforms are bedded down and their effects felt in developing countries. While appreciating the need for accelerating processes, we take the view that it might also be necessary to consider disbursements on a case-by-case basis. Not all developing countries have the same absorptive capacity or the adequate administrative machinery to implement development programmes effectively at short notice. Some of the assistance needs to be used for building capacity through training and education in consultation with governments, trade unions and other civil society organisations.

   Budget support should be considered an acceptable option, especially, for the Least Developed Countries. It could be stipulated that budget support be used for facilitating access to basic public services to the poor.

   The World Bank does not have an unblemished record in its collaboration with other development agencies, even with the IMF. The TUC, in this regard, notes that a number of recent reviews have emphasized the need for harmonisation and co-ordination. It is important that the WB implements its programmes in close collaboration with other development agencies and makes use of their knowledge, expertise and skills where appropriate.

4. We believe that there is need and scope for the World Bank Group, especially, International Finance Co-operation, to provide support through the private sector to cushion the impact of the recession on developing countries. This could be achieved through financial support and advice to banks, other financial intermediaries and businesses to cope with the consequences of the economic and financial crisis. The TUC welcomes the IFC initiative to set up a Global Trade Liquidity Programme to finance international trade contracts in developing countries with a view to arresting the downward trend in trade flows. The IFC Global Trade Finance Programme has recently provided substantial assistance to Pakistani banks in crisis. The IFC needs to expand its support to other sectors in difficulty. It can also play a leading role in providing appropriate advice, especially to avoid job losses and attendant hardships to workers in companies in difficulty. However, there is little evidence as yet to suggest that the IFC has increased its interventions in response to the crisis on a scale commensurate with the magnitude of the current crisis.

   The Multilateral Investment Guarantee Agency (MIGA), too, should play a constructive role in collaboration with developing country governments in securing more foreign direct investments and also in preventing and/or minimising divestment due to the current unfavourable investment climate.

   The TUC reiterates the need for the respect of core labour standards in all interventions by the World Bank Group in line with its commitments.

Wendy Humphrey-Taylor, IDPM Post-graduate student

IMF poverty reduction strategies assume the disposition that debtor governments are accountable and transparent to their electorate, however many LICs exhibit illiberal development tendencies, and hence the facilitation of poverty reduction is inhibited. Added to which IMFs high-level fiscal lending negates the particularized bottom-up monetary requisite of the proletariat. The establishment of a Grameen-style global and local banking system may prove to be more beneficial to LIC economies bearing in mind that 80 percent of LIC populace is typically agrarian; and the fundamental nature of people is to protect and provide for their family. The success of IMF top-down poverty reduction facilities is dependent on strong low-level socioeconomic foundations; hence without holistic methods of economic delivery the IMFs top-down poverty reduction policies will continue to fail the poor.

Amy Gray, IFI Education Policy Officer, Global Campaign for Education

Response on the IMF:

At Oct 2008 Annual Meetings, IMF had barely rolled out its ESF which was criticized by CSOs as retaining the same conditionality and macroeconomic targets as always, i.e. insufficient flexibility for a "crisis" facility. Also the update on Sub-Saharan Africa at that meeting contained the same tired policy advice: low inflation, low deficit, high interest rates, etc. In Oct 2008, the IMF appeared out of touch with real time events.

The IMF engaged in a heavy PR campaign en route to the April 2009 G20 Summit, and many parties seem to have bought the statements about the end of conditionality. Macroeconomic conditionality that denies countries seeking relief from the crisis and LICs counter-cyclical policies continues to this day, despite DSK statements to the contrary. Latvia is the poster child for this.

Transparency problems make it difficult for external observers to definitively weigh in on this, as the IMF does not make public the "side agreement" letters that contain the terms executive branches agree to, which contain the details on conditions. Public statements by IMF officials would be more credible if the IMF backed them up with public documentation.

Many CSOs engaged in IMF-watching have been calling for an FCL instrument for LICs for the crisis response and for a transfer of SDRs from rich to poor countries. These steps have not been taken.

Response on the World Bank:

As an education advocate, I am dismayed by the WB having ceded the task of financing education largely to the Fast Track Initiative. WB dollar amounts for education via the IDA have decreased; the grant monies disbursed by the FTI are displacing IDA. The FTI has many operational problems, among them a strong focus on UPE as opposed to the full spectrum of EFA goals, a lack of engagement with fragile/post-conflict states, a dismal disbursement record via the Catalytic Fund (which has recently improved), a near total capture of EPDF funds by in-house WB task managers and upstream application of WB procurement policies which have slowed disbursement for up to 18 months and serve to "tie" aid.

Soren Ambrose, Development Finance Coordinator, ActionAid International

Response on the IMF:

1. ActionAid considers it unfortunate that the G20 chose to focus on the IMF as its main vehicle in responding to the crises' impact on developing countries. The IMF's inappropriate policy conditions during previous crises and in subsequent years were most recently ratified by MICs' "voting with their feet" in walking away from the institution as soon as they could, some even borrowing from other sources in order to pay off loans early. We therefore have a difficult time gauging the IMF's "effectiveness," since the major problem we see is with the choice of institution. On a more specific note, one can observe that the IMF has responded somewhat more nimbly to this than to previous crises, but the first question we need to ask is: what could the IMF have done to *prevent* this crisis in the first place, and why did it not do so? Regarding its interaction with LICs, frankly it appears that the main energy has gone into the MICs. There is little indication that the new PRGFs or augmentations to PRGFs demonstrate any significantly new elements. The ESF is a step in the right direction, however, in terms of both speed and reduced conditionality. But given the seriousness of the crisis and the overall persistence of the same kind of conditions we are accustomed to from the IMF, this is a relatively small achievement. It also does not appear that IMF staff and management have been particularly vigorous in trying to find new, internal sources of funding for LICs; the dances done around the allocation of gold sales profits have been particularly distressing to observe.

2. I do not see an indication that the recent reforms to conditions have played out in individual programs, though I have not examined all of them as closely as I would like. But the first issue I think is the question of these "reforms" – they are not really about the content of the conditions, but rather about the sequencing and enforcement mechanisms. Many conditions now appear to be ex ante, meaning basically prior conditions which governments must fulfil before getting in the proverbial door. The fact that structural criteria are now benchmarks suggests to me only that the IMF will save itself the bad p.r. and hassle of so many suspensions of loans, while still being able to apply nearly the same kind of pressure on governments.

3. The re-design of the LIC programs remains untested, indeed officially not even approved yet. I think with the number of questions remaining about how they will operate, it would be premature to speculate on how well suited they are. The prospect of less concessional loans for purposes designated by the ESF however is a very negative signal for LICs.

Response on the World Bank:

I am only really able to respond to question number 2, and that is to say that I do not think that there is widespread understanding of the various programs available from the World Bank. I think the creation of the VFF in particular was a confusing exercise, and given the lack of response from donors, one that continues to obscure how the WBG is responding to the crises.