INTERNATIONAL FINANCING: MULTILATERAL AND BILATERAL INSTITUTIONS

Faculty of Economics, Thammasat University

Sources of Official Development Assistance

Multilateral Sources

United Nations

European Union

World Bank Group

- IBRD and IDA (World Bank)

International Monetary Fund

Regional Development Banks

- Asian Development Bank
- African development Bank
- Inter-American Development Bank

Bilateral Sources

USAID (USA)
JICA (Japan)
DFID (United Kingdom)
AFD (France)
GIZ (Germany
KOICA (Republic of Korea)
AUSAID (Australia)
CIDA (Canada)
SIDA (Sweden)

Types of lending modalities

Concessional lending

- Made on more favorable terms than the borrower could obtain in the market place.

This means:

- interest rate below market rates (1%-3%)
- deferred payment (grace period)
- income-contingent repayment

Nonconcessional lending

- Made on more favourable terms than the borrower could obtain in the market place.

This means:

- interest rate below market rates (3%-5%)

Commercial lending

- Interest on capital; based on market rates
- Fixed scheduled repayments

Multilateral institutions

Multilateral aid is assistance from international institutions which have pooled financial sources provided by their member countries

The World Bank Group

Largest multilateral aid donor, located in Washington, DC established in Bretton Woods in 1946

Together with the International Monetary Fund and began as a reconstruction bank to aid Europe after WWII

World Bank Group

Comprises five international organizations that provide leveraged loans to developing countries

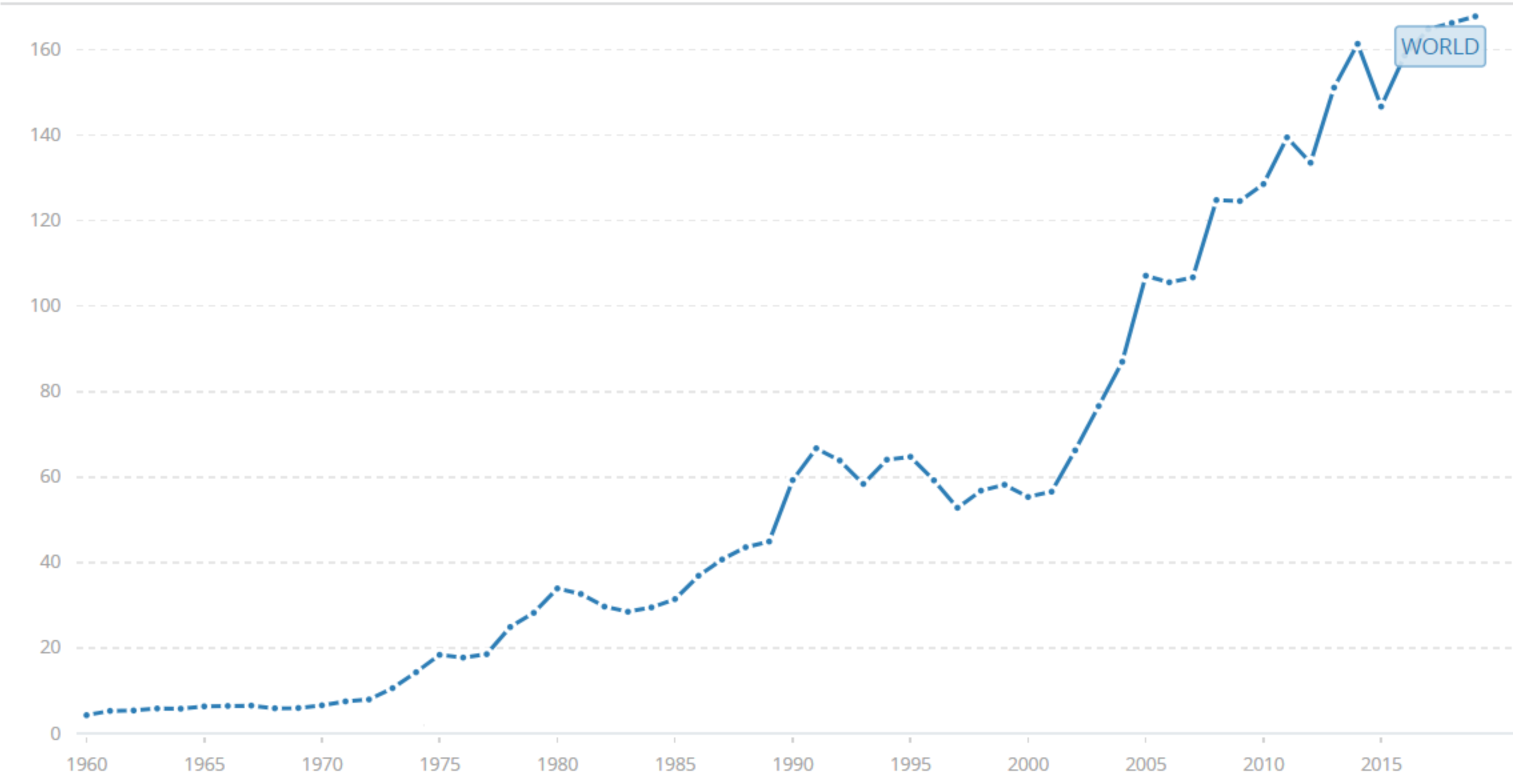
International Bank for Reconstruction and Development International Development Association	Also known as the World Bank, lends to sovereign entities
International Finance Corporation	Lends to the private sector
Multilateral Investment Guarantee Agency	Collaborates to reduce investment risks
International Center for Settlement of Investment Disputes	Provides insurance to private sector against risks

The World Bank

- World Bank has favorable credit rating
- Borrows from world capital markets and relends to developing countries at slightly higher rates
- Funds are sourced from paid-in capital from member countries which are relent to poor countries

World Bank Assistance, 1960-2020

Amount of assistance provided by World Bank, 1960-2020 amounted to $1.80 trillion



International Monetary Fund

Established in Bretton Woods in 1946; plays a central role in the management of balance of payments difficulties and international financial crises

International Monetary Fund

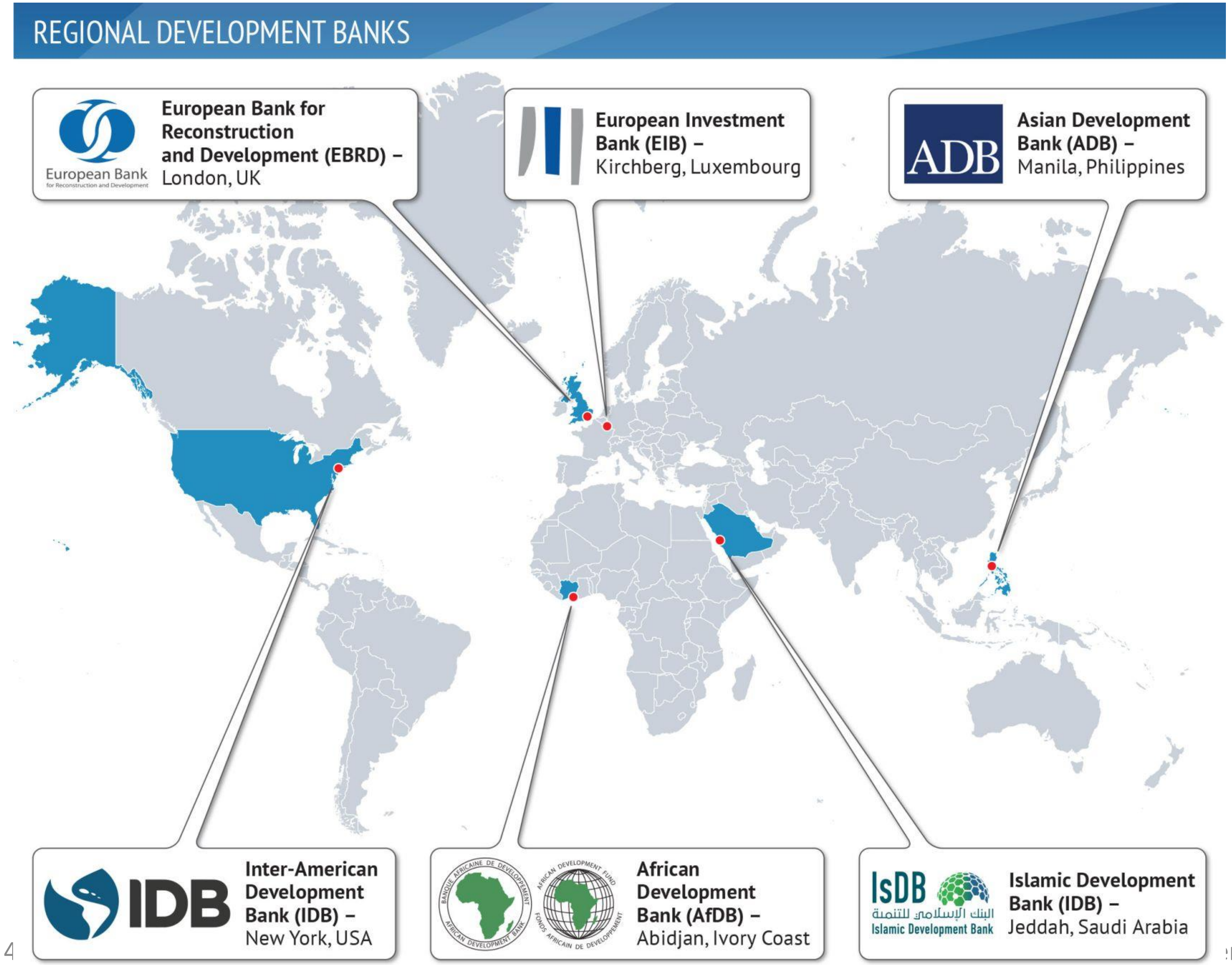
Works to improve the economies of its member countries.

Purpose: to promote international monetary co-operation, international trade, high employment, exchange-rate stability, sustainable economic growth, and making resources available to member countries in financial difficulty

Regional Development Banks

- Regional development banks are multilateral financial institutions that provide financial and technical assistance for development in low- and middle-income countries within their regions
- Members are: African Development Bank (AfDB); Asian Development Bank (ADB); European Bank for Reconstruction and Development (EBRD); and Inter-American Development Bank (IDB)

Regional Development Banks



Asian Development Bank

Located in Manila and established in 1966 with 23 field offices, or resident missions: operates similar to World Bank, but focuses on the Asia-Pacific region

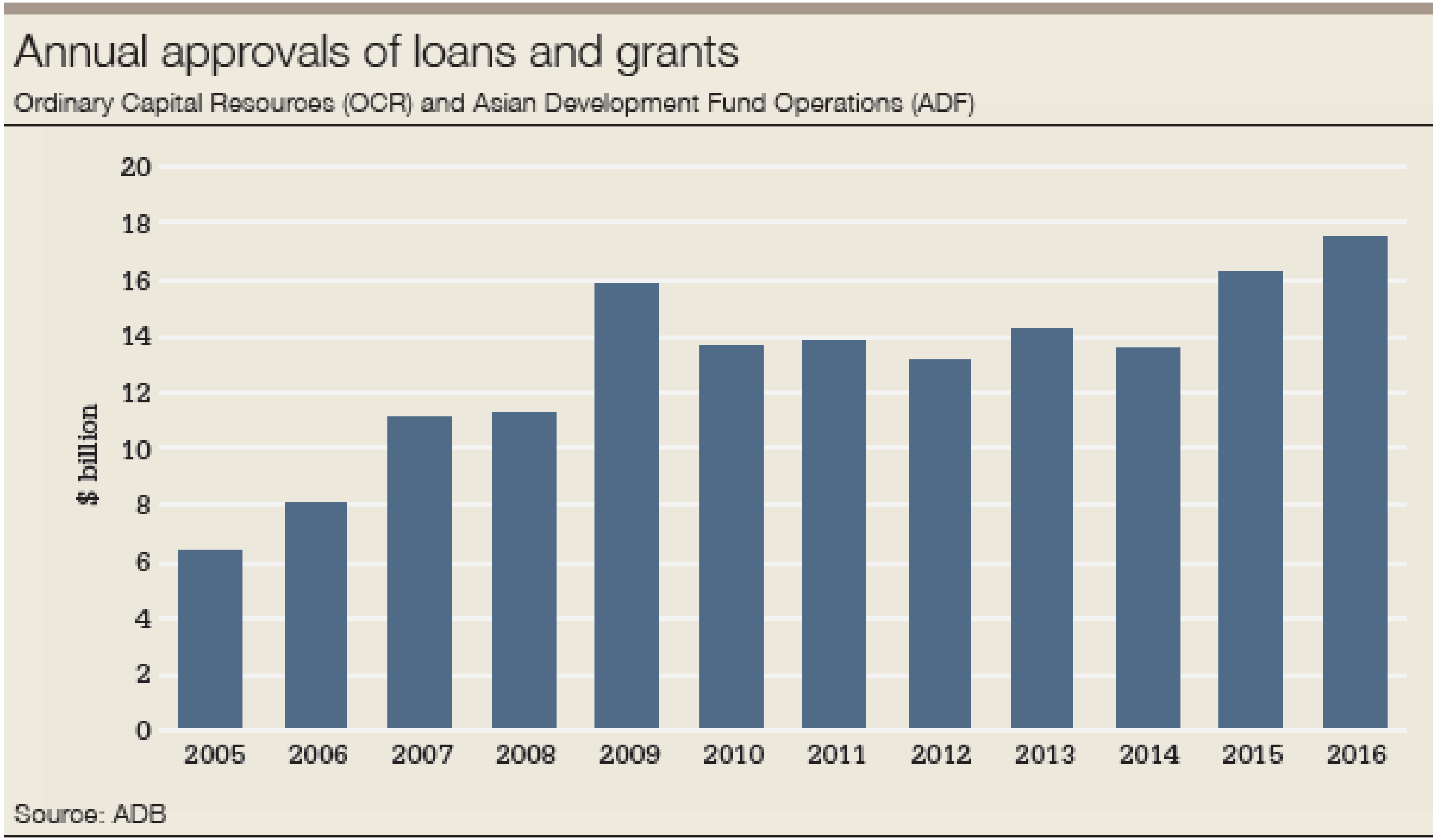
Comprises 62 member countries

Asian Development Bank

- Sources funds from world capital markets and paid-in capital from member countries and relends it to poor countries
- Terms of loan repayment: 32 years with a grace period of 8 years and interest of 1% per year during the grace period and 1.5% per year thereafter

ADB assistance

ADB has provided assistance in the amount of $120 billion from 2006-2016



Areas of assistance

1966-1990s	1990s-2010	2010-onwards
Reconstruction and Physical Infrastructure development: roads, irrigation, electricity, agriculture	Infrastructure Social and environmental safeguards Gender Governance Finance	Infrastructure Social and environmental safeguards Gender Climate change Governance Private sector Regional cooperation

Asian Infrastructure Investment Bank

- Founded by 10 original members in 2015, located in Beijing, PR China
- A multilateral bank that aims to improve economic and social outcomes in Asia
- Currently has 105 members

AIIB

United Nations

Founded in 1945 to maintain international peace and security, promote international cooperation and harmonize actions of nations through its specialized agencies

Located in New York City and Geneva

United Nations

Its charter and unique allows the United Nations to take action on the issues confronting humanity in the 21st century

These include protection of human rights; delivery of humanitarian aid; promotion of sustainable development and upholding of international law

United Nations specialized agencies

- Food and Agriculture Organization (FAO)
- International Civil Aviation Organization (ICAO)
- International Fund for Agricultural Development (IFAD)
- International Labour Organization (ILO)
- International Maritime Organization (IMO)
- International Monetary Fund (IMF)
- International Telecommunication Union (ITU)
- United Nations Educational, Scientific and Cultural Organization (UNESCO)
- United Nations Industrial Development Organization (UNIDO)
- Universal Postal Union (UPU)
- World Bank Group (WBG

European Union

- The European Union is a political and economic union of 27 member states that are located primarily in Europe

- Established in 1993 (Maastricht Treaty)

European Union

Purpose:

- Promote peace
- Establish unified monetary system
- Promote inclusion and combat discrimination
- Break down barriers to trade and borders
- Encourage technological development
- Encourage environmental protection

Bilateral aid

Bilateral aid: assistance directly from one country to another; government-to-government

THANK YOU!