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World bank: New credit facilities

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COMMENTS

World Bank

New Credit Facilities

The central problem discussed by the third meeting of the Joint Development Committee of IMF and World Bank in Paris were proposals to make available to the countries of the Third World additional credit finance. Its deliberations ended with fundamental agreement to set up a new credit facility to the tune of \$ 1 bn of the World Bank — the so-called "third window". The conditions of this credit facility are midway between those of IDA (International Development Agency) and of the World Bank (a 4.5 p.c. rate of interest, redemption after 25–30 years, and 5–7 years without amortization payments).

This new credit facility of the World Bank must be seen as a needed supplement to the existing international machinery for mobilizing credit, mitigating the steepness of the differential between the conditions of drawing upon credits granted by the World Bank and by its subsidiary IDA. Through the "third window", it will mainly be possible to help such countries of the Third World which are neither the poorest nor the richest in national income. All the members of the Development Committee seem to have agreed on this.

However, it was not possible to agree upon finance for subsidising the rate of interest, which would need a new fund of US \$ 225 mn. Especially the most important potential creditors of the World Bank, including the US, the Federal Republic of Germany, Japan, France, and Sweden, displayed great reserve and refused to commit themselves. They suggested other methods of increasing credit liquidity e.g. through the IMF selling gold. Evidently, their own short-term budgetary and balance-of-payments difficulties claim priority. The gap between golden resolutions and acting in the real world, between the repeated proclamations of helpfulness of industrialized countries and their deeds, could again not be bridged during the Paris meeting. kü.

EC Research

Less Money from Bonn?

As the coffers of Bonn are bare, the Federal Cabinet makes big efforts to cut expenditure. Recent considerations have been given to a careful review of the payments made to the EC. Especially subsidies to Community research appear to offer opportunities for cutting down expenses; in particular, financial support to research centres in the Netherlands and Italy is looked askance at. There have been reports that Bonn intends to

stop its contributions to their research programmes relating to the neutralization of radioactive wastes and to the development of new alternative energies.

Admittedly, the savings in question are relatively small. However — and also the Federal Foreign Minister, Hans-Dietrich Genscher, suspects this — steps of this kind might lead to strong doubts in the Federal Republic's European policy. It has been for this reason that Genscher insisted on discussing all these questions and their potential side-effects again, and more thoroughly, in September.

It should, however, be advisable to see also the positive side of such discussions about the EC's research contribution. If the penury of Bonn's finances leads the Federal Government to insisting on a thorough review of individual research projects, perhaps including the production of proofs for their achievements and efficiency, this might be a fortunate new beginning for drawing up a balance sheet of all Community research, by aims and by use of the means made available, because — as in the national field — it is almost certain that there are research projects that are highly endowed with financial appropriations, for which relatively few results are delivered. However, whether it makes sense to select for pruning just the research programmes aiming at the development of new alternative energies and the neutralization of radioactive wastes is open to strong doubt. It will be absolutely necessary to individualize strongly about costs and effects and to examine priorities carefully. iwe.

Africa

A New Economic Community

Individual heads of African states have repeatedly proclaimed their dreams of an economic community encompassing the French- and English-speaking countries of Western and Central Africa. At the end of May, heads of governments of 15 countries situated in this region have signed a declaration of intent to form an Economic Community of West African States (ECOWAS). However, the instrument of setting up ECOWAS can be ratified only after at least seven countries have signed it. If and when this comes to pass, it is intended to do nothing which could harm existing economic communities, since the French-speaking African nations have already created tightly-knit trade blocs.

The documented intention of setting up ECOWAS has led the nations of West Africa an important step forward towards building a unified economic