

Fahy, John C.

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The South Bank: An Economic Assessment

by John C. Fahy, London*

As a result of dissatisfaction with existing multilateral institutions, the idea of establishing a developing countries' multilateral banking facility – the South Bank – was launched at the Fifth Summit Conference of the Non-Aligned Movement held in Colombo in 1976. Ever since then, the debate over whether such a facility is really needed and economically feasible has never come to a conclusion. This article reviews the proposed main structure of the South Bank and critically examines its efficacy as a financial intermediary.

One of the main obstacles to evaluating the expected benefits of the South Bank is the lack of agreement on its principal functions and size: this uncertainty becomes readily apparent by comparing the Group of 77's discussion document prepared in 1983¹ with the same group's report on a technical meeting held in New York in April 1984.² The earlier report suggested that a capital base approaching \$ 40 billion should be sought while the more recent document has scaled down the capital base to \$ 20 billion. This considerable discrepancy arises out of uncertainty over the extent to which the South Bank should involve itself in balance of payments support; the emphasis relating to the other proposed activities – financing South-South trade, buffer stock schemes for commodities, and joint ventures between developing countries – varies accordingly. In the face of this uncertainty, the first report has tended to serve as our primary source of information on the South Bank's proposed structure and activities because it is the more comprehensive report; subsequent shifts in emphasis reflected in the later document will be mentioned where applicable.

The establishment of the South Bank can be considered as a feasible project only if it makes a positive contribution to the social welfare of the developing countries involved. This in turn must be determined in the same manner as any new project through some application of social cost-benefit analysis. A rigorous application of this approach to the South Bank is clearly not practical at this time due to the insufficiency of required data but it seems

incontrovertible that the proposed bank is not now a viable project due to:

- the constraints on the capital that can be raised which will limit its earning and asset-creating power;
- the fact that the Bank is unlikely to be able to provide a source of low cost finance compared to the World Bank or IMF, so the number of viable projects that would have a positive present value would be limited and therefore diminish the attractiveness of the Bank as a source of finance;
- the expected benefits from the Bank's funding of the various proposed activities which will be miniscule due to its limited lending power;
- the fact that the Bank will encounter a number of operating problems, especially relating to the use of non-convertible currencies.

Capital, Lending and Earnings

The purpose of a development bank is to effect a transfer of resources to countries which borrow from it on more advantageous terms and in greater volume than the same countries would be able to obtain on an individual basis from the financial markets. A development bank is able to perform this function by maintaining a strong capital structure, and thus a higher credit rating, than the individual member countries. A strong capital base is important in three respects: to absorb losses, to attract new deposits and credits, and

¹ Office of the Chairman of the Group of 77: Report on the South Bank, Ljubljana, 1983.

² Office of the Chairman of the Group of 77: Report on the Technical Meeting of the South Bank, New York, April 1984.

* Chief Economist, Economic Division, Saudi Arabian Embassy.

to bridge differences between the demand for funds from the bank and the supply of funds by lenders to the bank.³ The adequacy of a bank's capital ensures its solvency which in turn influences its access to, and terms in, the credit markets. Since a large proportion of a bank's lendable funds is derived from borrowing, the maintenance of adequate capital ratios is crucial to its efficacy as a financial intermediary.

Unfortunately, "adequacy of capital" is a nebulous concept because it is impossible to decide objectively on precise levels. The higher the capital ratios (that is, the ratio of capital to assets, liabilities, or loans), *ceteris paribus*, the greater the protection against unexpected losses and insolvency. However, bank earnings, which are an important source of internal capital formation (retained earnings) and a stimulus to external capital mobilisation, will be constrained by excessively high capital ratios because reserves held for precautionary/regulatory purposes cannot be deployed for investment. The optimal capital ratio, then, must strike a balance between risk exposure and earnings capacity.

Development banks are subject to the same pressures to maintain strong capital structures as ordinary commercial banks because they too must raise capital from the financial markets. Typically, a development bank raises capital by imposing a voluntary "tax" on member countries which contribute to it. This tax is usually in the form of a quota. Of this subscribed capital, only a small proportion is actually "paid up" by the member states. By far the largest proportion is "callable" capital which remains available on demand if required but generally serves as a guarantee of the bank's debt obligations. Instead of drawing on callable capital, the bank generally uses it as reserves against which it can borrow in the financial markets.

Capital Structure

The architects of the South Bank are committed to underpinning this institution with a strong capital structure in order to build investors' confidence, establish a good credit rating and thereby secure favourable lines of credit. In some respects the proposed capital structure of the South Bank is similar to that of the World Bank (see Table 1). Although the World Bank's authorised capital resources at the end of fiscal 1983 were nearly twice the higher proposed level of the South Bank (\$ 76.5 billion compared with \$ 39-40 billion), the proposed 12.7 % paid-up capital component for all activities of the South Bank compares

favourably with the 9.5 % of the World Bank. The capital-to-loan ratio would be held at 1:1, the same as the World Bank and the regional development banks. However, the start-up conditions and capital structure of the South Bank would diverge from the World Bank in several important ways which would seriously hamper the bank's credit rating and constrain its borrowing and earnings capacity.

First, the international financial climate has deteriorated since 1982 when bankers' opinions as to the viability of a South Bank were first canvassed. Weak commodity prices have dampened the export earnings growth of most developing countries, including the oil exporting countries. Interest rates remain at very high levels in both real and nominal terms. The difficulties encountered by many developing countries in meeting their debt service obligations have led to a reappraisal of their creditworthiness by commercial lenders: this is reflected in rising risk premia in the form of greater loan spreads and an abrupt cutback in the volume of private credits (which is understated in aggregate figures due to the magnitude of "involuntary lending"). The World Bank continues to raise substantial credits in the capital markets because of its excellent record of loan repayments by borrowers and the implicit financial guarantee of the large industrial countries that callable capital will be available as and when required. In contrast, without the participation of the industrial countries, the South Bank will face the twin obstacles of no loan repayments record in its start-up period and very few capital subscribers with a strong reserve position and a AAA credit rating (in the Standard and Poor's classification scheme) probably necessary to guarantee and attract large volumes of funds to an untested banking institution.

Table 1
Selected Operating Ratios of Development Banks

	IBRD	AsDB	IDB	AfDB	SB
Authorised capital (\$bn.)	76.5	13.5	35.0	6.4	40.0-20.0
Paid-up Capital/ Subscribed Capital	.091	.144	.097	.105	.127
Effective Loans ¹ / Subscribed Capital	.648	.270	.245	.145	?
Borrowing/ Subscribed Capital	.759	.298	.251	.096	?
Effective Loans/ Non-solvent Capital ²	2.141	.719	.456	.179	?
Solvency of Capital (%)	69.74	62.46	46.31	19.26	50-25

Abbreviations: IBRD: World Bank; AsDB: Asian Development Bank; IDB: Inter-American Development Bank, AfDB: African Development Bank; SB: South Bank.

Notes: ¹ All assets classified as development loans in the banks' balance sheets, less undischursed but committed loans; ² Solvent Capital is the share of capital subscribed in convertible currencies.

³ B. K. Short: Capital Requirements for Commercial Banks: A Survey of Issues, in: IMF Staff Papers, Vol. 25, Sept. 1978, pp. 528-63.

Secondly, despite the favourable comparison of the South Bank's capital ratio with the World Bank and regional banks, the volume and terms of credit to the South Bank would be severely constrained by the high proportion of non-convertible currencies in its authorised capital. In a survey of opinion of private bankers from several of the large international banks based in London, all agreed that the solvency of the South Bank would be assessed in terms of the volume of convertible currencies at its disposal. In this respect, the South Bank reports have been non-committal by proposing alternative quota systems with varying convertible currency shares. The solvency of the South Bank will then depend on the number of countries able to commit convertible currencies to its capital and the size of these countries' quotas.

Solvent Capital Subscribers

The 1983 report identifies two groups of possible solvent capital subscribers. The first group includes five countries having convertible currencies, a strong reserve position and a high per capita income – Saudi Arabia, Kuwait, the United Arab Emirates, Singapore and Qatar. A second group of ten countries are identified as having foreign exchange restrictions but a relatively comfortable balance of payments and reserve position. However, the external balance and reserve position of some of these countries have deteriorated since 1982 – notably Algeria, Libya, South Korea and Colombia – so that their ability to commit solvent capital must be in question. Of the remainder of this group only China, India, Malaysia, and Indonesia have reserves exceeding 2 billion SDRs and each of these countries has a large population, ambitious development plans and thus a need to adopt a fairly conservative approach to reserve management since the reserve coverage of imports for none of them can be considered particularly high. Therefore, it is reasonable to assume that the convertible currency subscriptions will come primarily from the first group of countries and the solvency of the South Bank will then be strongly related to the method of calculating their quotas.

If this group of countries with strong economies were to subscribe up to 50 % of the bank's capital in convertible currencies (quota-1 in Table 2), the solvency of the South Bank would be similar to the Inter-American Development Bank (Table 1). It is not certain, however, that this group of countries would be willing or able to commit capital subscriptions of this magnitude in reserve currencies. Apart from budgetary problems facing most of these countries, capital subscriptions in

the local currency may be circumscribed by national monetary authorities intent on maintaining direct control over domestic monetary aggregates. The possibility of such central bank restraints coupled with the adverse impact of the weak oil market and Gulf war on the credit (risk) rating of some Gulf states suggests that, in assessing the South Bank's credit limits, some Gulf currencies would not be treated as perfect substitutes for the traditional reserve currencies. Moreover, if quotas were calculated by a linear formula (quota-3) – the current practice of development banks – the share of subscribed capital contributed by these countries would be about 25 % of the total. The solvency of the South Bank would then be slightly higher than the African Development Bank but only half that of the Inter-American Development Bank and only one-third that of the World Bank. The lending implications of these solvency levels will be shown below.

Thirdly, the earnings potential of the South Bank is likely to be severely limited by the need to maintain even higher capital ratios than existing development banks due to the higher perceived risks: the persistence of international debt/banking difficulties, the low solvent

Table 2
Some Examples of the Possible Quotas of Creditworthy Countries in the South Bank
(%)

Country	Quota-1	Quota-2	Quota-3
Saudi Arabia	30.54	12.25	12.00
Kuwait	3.14	4.20	3.32
UAE	8.96	10.00	4.66
Qatar	4.45	4.84	2.49
Singapore	1.12	1.95	2.17
Sub-total	48.21	33.24	24.64
India	3.77	3.57	3.59
Algeria	0.60	1.71	1.85
Libya	2.07	3.11	3.17
China	11.80	6.40	6.42
Pakistan	0.12	0.69	0.72
Malaysia	1.22	2.15	2.26
Thailand	0.25	1.08	1.13
Indonesia	1.59	2.80	2.83
S. Korea	1.10	2.29	2.39
Colombia	0.33	1.12	1.21
Sub-total	22.85	24.92	25.57
Total	71.06	58.16	50.21

Definitions. Q1: Quotas calculated as a weighted sum of the GNP (40 %), exports (30 %), international reserves (10 %) and GNP per capita (20 %); all variables are squared and based on a 1981 level except for export which is a 1980-81 average; Q2: Quotas based on the weighted (as above) sum of the square of GNP-per-head together with a linear combination of other variables; Q3: Quotas calculated by a linear formula with same weights attached to variables.

Source: Derived from Report on the South Bank – G-77 (1983)

Table 3
The Annual Lending Ability of the South Bank

Share of Solvent Capital (%)	Borrowing Limit (% of solvent capital)	Average Annual Lendable Resources on Subscribed Capital of	
		\$ 20 billion	\$ 40 billion
25	40	\$ 0.4 billion	\$ 0.8 billion
	50	\$ 0.6 billion	\$ 1.2 billion
50	40	\$ 0.8 billion	\$ 1.6 billion
	60	\$ 1.2 billion	\$ 2.4 billion

Note: The annual lending ability is averaged over five years – the likely period of South Bank borrowings.

capital ratio, and the bank's absence of a repayment record – which, in the opinion of some bankers, may result for the purpose of credit assessment in a zero valuation of the South Bank's assets until a solid repayment record can be established. The higher capital ratio may open some credit lines to the bank but profits would suffer and investors/creditors would be more reluctant to commit their capital.

The relationship between the share of solvent capital in total subscriptions and asset creation under different assumptions drawn from the Group of 77 studies is set out in Table 3. Private bankers canvassed by the Group of 77 in 1982 estimated that the Bank would be able to borrow resources equivalent to between 40 and 60 per cent of total convertible currency capital subscriptions. It is assumed that funds would be borrowed over a five-year period, the maximum subscribed resources would be about \$ 40 billion and the minimum \$ 20 billion – this range accommodates the varying capital base assumptions in the two Group of 77 reports.

Our calculations show that even under the most optimistic assumptions the South Bank would not be able to lend more than \$ 2.4 billion per year. For reasons just discussed referring to the current international financial climate, the probable limited share of solvent capital in subscriptions, as well as recent discussions about reducing the capital base to \$ 20 billion, a much more realistic upper limit is \$ 1 billion per year. This implies the ability to borrow \$ 5 billion in the capital markets over a five-year period. Although assessments by bankers in the survey varied, most argued that an initial credit rating of "A" for a South Bank bond would be the best that could be expected and that some \$ 400 - 700 million might be raised in the bond markets. As to syndicated loans, the prevalent opinion was that \$ 5 billion over five years was probably the maximum and \$ 1.5 - 3 billion was more realistic.

The South Bank's ability to effect real resource transfers to developing countries would appear to be

rather low. In comparison to an upper limit of \$ 1 billion in annual loans by the South Bank, the World Bank and International Development Association together were able to disburse \$ 9.4 billion in 1983.

Expected Costs of South Bank Loans

Having assessed the supply constraints which might affect the South Bank's ability to accumulate a viable investment portfolio large enough to be of use to the developing countries, the likely demand for the resources of the South Bank from developing country borrowers will now be assessed. This will be done by answering two questions:

- Would the terms of the Bank's lending attract developing country borrowers from existing multilateral banks?
- How favourably would they compare with terms given to existing private creditors?

The lending costs of the South Bank will be a function of its own borrowing costs plus an additional services charge – probably ranging between 0.5 % and 1 %. The critical variable in this calculation is the South Bank's credit rating assessed in the international financial markets. On the basis of bankers' opinions and the previous discussion, the South Bank is unlikely to receive a credit rating superior to an A in the Standard and Poor's classification system. This rating would translate into a margin of 1.5-2 % over the prevailing LIBOR rate. Using 1983 as an indicative year when the average LIBOR rate was 9.6 %, this implies that South Bank funds would have cost borrowers 11.6-12.1 % on average including a service charge of 0.5 %. The 1.5-2 % margin above LIBOR would place the South Bank's borrowing costs at a level slightly below or on par with the non-oil developing countries' average but well above the spreads achieved by the OECD, OPEC borrowers, and the developing country borrowers with a superior credit rating. Thus, the cost of borrowing from the South Bank would have been higher, or at best marginally lower, than most developing countries which are able to attract commercial credits would have achieved by approaching the markets themselves.

The opportunity cost of borrowing from the South Bank would have been excessively high when compared with the IMF or World Bank. The IMF provides very fine terms in comparison: the interest rate for the financial year 1983 was 6.6 % plus a 0.5 % service charge for countries whose balances were not in excess of 200 % of their quota. The World Bank's lending charges in the financial year 1983 were on

Table 4
Average Eurocredit Spreads
Basis Points above Libor, 1983

	Q1	Q2	Q3
OECD	66	57	63
OPEC	87	95	139
Non-oil Developing Countries	202	177	180
General Average	153	96	177

Source: OECD: Financial Market Trends, Vol. 27, March 1984.

average 8.72 % – the average cost of its borrowing – plus 0.5 % to cover service charges. The marginal cost of borrowing from the South Bank in 1983 rather than from the IMF or World Bank would have been at least 450 and 240 basis points respectively.

One of the devices the World Bank has successfully used to lower the cost of its borrowing has been currency swaps allowing it to tap low interest rate markets in currencies such as the Swiss franc and the D-mark. Frequently the World Bank has been able, by this means, to borrow at lower costs than if it had approached the markets directly. The World Bank estimates that its average costs of borrowed funds in 1983 would have been 128 basis points higher without currency swaps.⁴ However, because parties to a currency swap transaction have to be of the highest credit standing and have access to low cost funds in the currency which they intend to swap, it is very unlikely that the South Bank would be able to take advantage of this kind of transaction.

Expected Benefits of South Bank Funding

The expected benefits from South Bank credit volumes will be discussed here in relation to alternative sources of multilateral finance in its four principal funding activities: trade between developing countries, balance of payments support, buffer stock facilities and the promotion of joint ventures.

The promotion of trade flows between developing countries is regarded as the most important activity in the latest South Bank report. In 1983 the IMF reports that trade flows between the non-oil exporting countries amounted to \$ 79 billion (24.5 % of their total exports) and a further \$ 22.5 billion can be added to the total if exports to the oil exporting countries are included. If all of the South Bank's convertible currency lending (say, \$ one billion) were to be concentrated in this single activity, it would be able to finance about 1.3 % of the total 1983 trade flows between the non-oil exporting countries. These estimates fall far short of the Group of

77 study's estimates that the total requirements in this area might be approximately \$ 6.7 billion between 1985 and 1987, or some \$ 2.2 billion per year.

The expected benefits from financing South-South trade could be raised if the South Bank were successful in establishing, or supporting existing, multilateral clearing facilities. A key argument in support of these facilities is that working balances in convertible currencies held by each trading partner could be reduced, since trade which is balanced at the end of a given settlement period would not require convertible currencies; these currencies would be required only for the end of period settlement of net balances. However, empirical studies indicate that the expected benefits from these multilateral clearing facilities are not large due to the unbalanced nature of trade between developing countries. For example, a recent IMF study⁵ of trade patterns in Eastern and Southern Africa estimates that some two-thirds of regional trade could not be compensated under a clearing facility due to the uncomplementarity of output and trade structures, so that convertible currency settlements would still be required for most transactions.

The upshot is that the expansion of trade between developing countries is related not only to increased volumes of trade finance but to the development of complementary output structures and more open trade policies which require a common political will to be accomplished.

The provision of balance of payments support to developing countries was regarded in the earlier feasibility study as the principal activity of the South Bank, accounting for nearly half of the proposed portfolio. Subsequently, because of problems involved with devising an adequate framework of conditionality, it was at first omitted altogether but later reappeared in the report published in April 1984.

The Group of 77 feasibility study estimated that the liquidity needs of all developing countries in the period 1984-86 would be approximately \$ 50-60 billion a year. It is clear that even if the Bank were to concentrate its whole portfolio in this area it would at most succeed in financing some 2 % of these needs. In contrast, IMF commitments for balance of payments support rose by \$ 9.4 billion to nearly \$ 27 billion in 1983 – virtually all of which were made to non-oil developing countries.

⁴ Cf. C. Wallich: The World Bank's Currency Swaps, in: Finance and Development, Vol. 21, June 1984, pp. 15-19.

⁵ S. J. Anjaria, S. Eken, J. F. Laker: Payments Arrangements and the Expansion of Trade in Eastern and Southern Africa, IMF Occasional Paper II, July 1982.

The Group of 77 feasibility study specified that a facility to finance buffer stocks for selected commodities excluded from the Integrated Programme for Commodities should be included in the South Bank's portfolio. Financing requirements for the buffer stock window of the South Bank were estimated at about \$3.9 billion – roughly \$1.3 billion each year over a three-year period. Once again, by comparing this with the total lendable resources of the South Bank, it is unlikely that it would have sufficient resources to fund this facility even if it concentrated on it to the exclusion of all other activities. As of 30th April, 1984, the IMF's buffer stock facility commitments were \$585 million, which is equivalent to about 60% of the South Bank's probable annual resources.

The South Bank would probably be most useful to the developing countries as a vehicle for promoting and financing joint ventures in these countries. The Bank's activities should complement those of the International Finance Corporation – the principal multilateral agency in this field. During the fiscal year ending 30th June, 1983, the IFC approved 58 investments totalling \$844.5 million. Of this total, \$789 million was for loans made at commercial rates, with the typical maturity set at seven years with a three-year grace period. If the South Bank were to compete directly with the IFC, it would not be able to match the volume or terms of these loans.

Operating Constraints

It is clear that the Bank's portfolio would have a substantial amount of its assets denominated in local (and non-convertible) currencies. The justification for this is that (i) this would make it easier for developing countries to contribute capital resources to the Bank, and (ii) the development of financial markets in these countries would be accelerated if the Bank could borrow in them.

Lending in local currencies has certainly been engaged in by other development banks (e.g. the Inter-American Development Bank), but what is significant about the South Bank is the scale of its operations in this area. This raises three questions:

- First, from the evidence available on trade patterns, inflation, interest-rate and exchange-rate differentials in developing countries, together with policy distortions, is cross-border lending in local currencies feasible on a large scale?
- What risks would the Bank entail by operating in inconvertible local currencies?
- Is there a need for a new institution to develop capital markets in developing countries?

The feasibility of, and expected benefits from, local non-convertible currency lending depend critically on the nature of trade patterns and economic institutions. In regard to trade, evidence mentioned above suggests that countries with highly imbalanced output and trade patterns are unlikely to benefit much. Trade distortions are widespread throughout the developing countries and tend to be biased against exporting: the concomitant overvaluation of the local currency further reduces external demand for it. The experience of the United Nations Development Program's lending in local currencies and of multilateral payments arrangements in Africa and Latin America confirms that demand for currencies of countries with chronic trade imbalances is negligible.

Underdeveloped financial markets and repressive monetary policies interact with trade distortions to undermine attempts to promote a greater role for local currencies in the world economy. It is common in developing countries for central bank authorities to use a combination of exchange controls, interest rate ceilings and reserve requirements of perhaps 50% or

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more as a means of boosting public revenues.⁶ If sufficient resources are not mobilised at a stable price level, inflation develops and interacts with reserve requirements and interest controls to generate more government revenue but by-product effects are an explosive price spiral and severe depreciation in the real value of the local currency. Inflation differentials between countries may in theory be compensated by appropriate interest rate differentials and currency devaluation in more open economies but these measures are precluded by the repressive central bank policies. Thus, there would be negligible external demand for such currencies. Moreover, this financial repression reduces the flow of loanable funds in the domestic economy and further impedes the development of a securities market. One study⁷ suggests that in typical economies in Latin America where such policies are commonplace, the ratio of M2 to GNP is about 0.20 compared to a ratio closer to 0.6 in the industrial economies where there are well developed markets in primary securities.

In principle, the problems with the use of local currencies for lending could be somewhat mitigated if the South Bank were to persuade those developing countries with sufficiently strong economies and payments positions to allow their own currencies to be used as reserve assets in multilateral clearing systems. Although many (though still a considerable minority of) developing countries do have currencies with a large degree of convertibility, those developing countries of most importance in international trade do not. Supply shortages of the prospective new reserve currencies and the reluctance of central banks to yield some control over monetary aggregates would limit the role of these new reserves.

The risk exposure of the South Bank to adverse foreign exchange movements would probably be unacceptable. Portfolio diversification across currencies is often a very prudent course of action with currencies where an open market always exists but the absence of open markets for most developing countries' currencies and broad divergences in inflation suggest that intra-currency movements may adversely affect the Bank's solvency.

In sum, the expected benefits from lending in local, non-convertible currencies are likely to be negligible or negative due to the absence of structural and policy

prerequisites relating to the trade and financial system. The South Bank's risk exposure in such lending would probably be unacceptably high or the loan volumes insignificant. Besides, there is no clear need for a new institution to promote the development of financial markets in developing countries: the International Finance Corporation – a satellite of the World Bank – has furthered this aim through its Capital Markets Department which has supported some 35 financial institutions in 19 countries since 1971 and whose expertise would be difficult to match.

Conclusions

The main conclusion of this paper is that the South Bank would be a relatively ineffective financial intermediary because it would not be able to effect large resource transfers at an acceptable cost to developing countries. Capital constraints would limit its borrowing, asset-creating and earning power so that the expected benefits from the Bank's funding of various activities would be small in comparison with existing multilateral institutions.

The South Bank's cost of borrowing would certainly exceed the cost of comparable institutions such as the IMF and World Bank and it may well exceed the commercial cost of borrowing by many developing countries. The Bank would be likely to encounter a number of insurmountable operating difficulties associated with lending in non-convertible currencies. As a result of excessive opportunity costs, the developing countries would be far better served by committing their resources to international institutions with established expertise and strong capital bases. Where those institutions are not meeting the expectations of developing countries, collective efforts should be geared toward their reform. The IMF's enlarged access to resources and new facilities to deal with the effects of exogenous shocks on developing economies as well as the World Bank's introduction of structural adjustment lending demonstrate their capacity to change.

One major risk in the establishment of the South Bank is that it may provide another convenient excuse for public cost-cutting-minded industrial countries to reduce their financial commitments to established international organisations. It has been demonstrated that in each of the four primary funding activities of the South Bank – trade finance, balance of payments support, buffer stock finance and the promotion of joint ventures – there are already international institutions which can provide much greater volumes of funds at lower costs than the South Bank would be able to do.

⁶ R. I. McKinnon, D. J. Mathieson: How to Manage a Repressed Economy, in: Princeton Essays in International Finance, No. 145, December 1981.

⁷ Ibid.