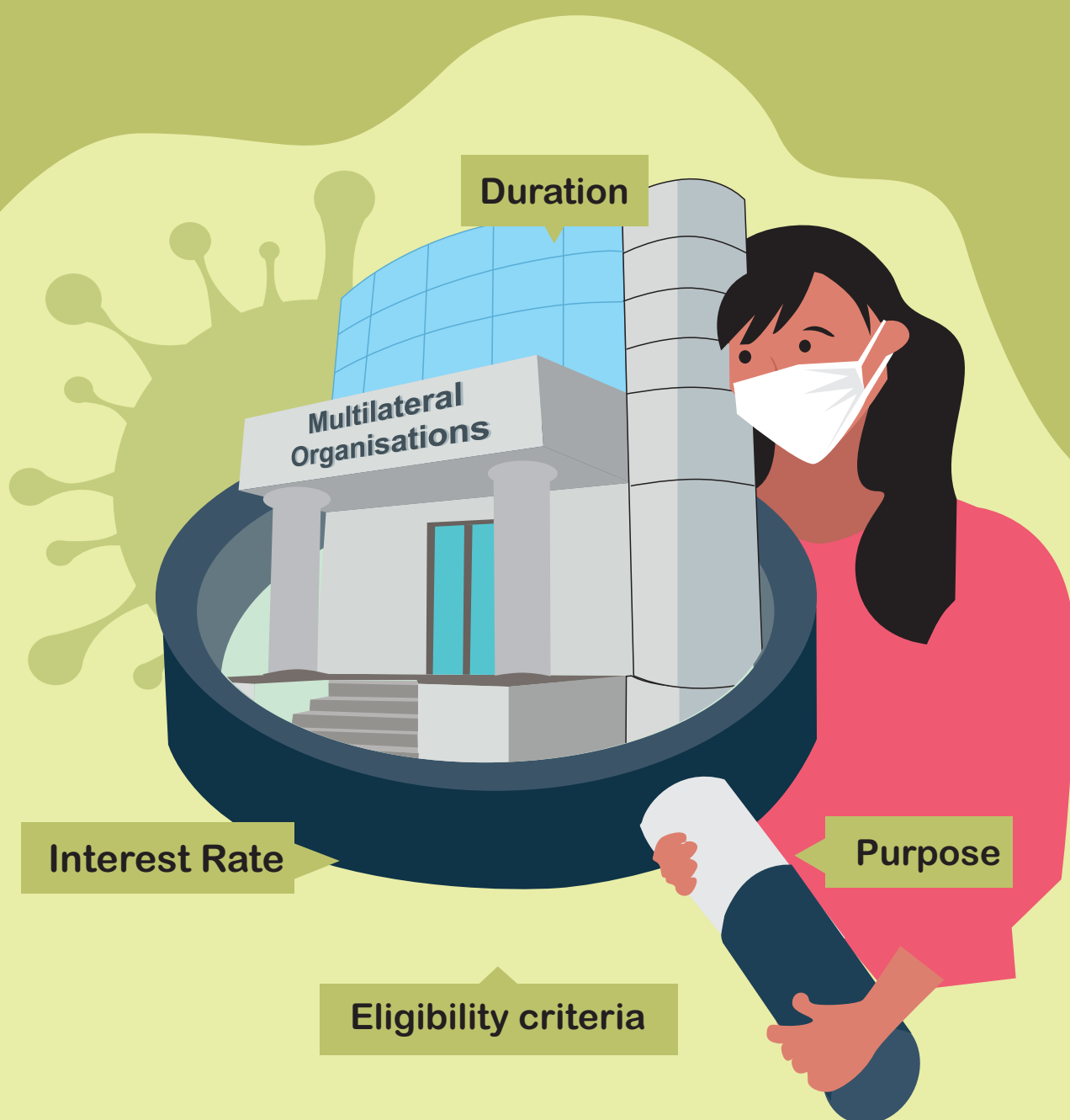


POLICY NOTE

How Transparent is the Financial Aid Provided by Multilateral Organisations in the Wake of the Covid Pandemic?



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1. Aid by International Financial Institutions Needs Deeper Scrutiny

The Covid-19 pandemic has caused unprecedented havoc around the world. It began as a health crisis but soon evolved into a full-blown humanitarian crisis, such that even people not infected by the virus have been affected by the fallout of the ensuing social and economic crises. The severity of the crisis has made it imperative for governments to substantially step-up interventions. However, the economic crisis has also affected resource mobilisation in the form of the tax and non-tax revenue of governments, constraining their fiscal capacity to address the health and economic crises. While governments across the world have seen their resources shrink, this resource crunch is particularly severe in developing countries.

Many developing countries, therefore, have turned to multilateral organisations, such as the World Bank (WB), International Monetary Fund (IMF) and Asian Development Bank (ADB) for financial assistance. They have also received financial assistance from these international financial institutions (IFIs).

Sovereign governments turning to IFIs for assistance in a time of crisis is not a new phenomenon. Many countries, in past, have sought assistance from IFIs and have received it. This assistance, however, has also come in for criticism because of the conditions attached with the aid. These riders can, in some cases, adversely affect health and education outcomes and even lead to changes in public wages and salaries.¹

Given its importance as well as its impact, the aid provided by IFIs needs to be critically examined. Any such examination, though, can only be carried out if the necessary data/information is available and accessible for scrutiny.

With this background, this policy note tries to evaluate the availability and accessibility of information regarding the financial assistance provided by three IFIs: The World Bank, International Monetary Fund, and Asian Development Bank. The basic goal of this note is to examine how transparent the Covid-19 related aid provided by the WB, IMF and ADB is.

With this key objective, the note looks at publicly available information on Covid-19 aid from the WB, IMF and ADB to seven low-income countries in Asia.

2. How Should Information on IFI Aid be evaluated?

This note evaluates the information on two parameters, with one parameter having multiple sub-parameters. The two parameters are Completeness of Information and Ease of Accessibility.

1) [Completeness of Information](#)

The financial assistance can have different components, and to be able to understand the information, all such components need to be known. This indicator analyses if all the relevant components of the assistance are available or not. The study considers the following sub-indicators:

- Nature of assistance (loan or grant)
- Interest rate
- Purpose
- Duration
- Eligibility criteria
- Sectoral breakdown of the loan amount

For these indicators, we looked at the websites of the corresponding IFI. Then we collated the information for each of the six sub-parameters. For each indicator, a rating of ‘given’, ‘not given’ or ‘not available at the time of finalising this note’ was assigned.

2) [Ease of Accessibility](#)

This is a subjective indicator based on the experiences of the researchers of this note. This indicator reflects the ease or difficulty in accessing information about the aforementioned indicators. The idea behind choosing this parameter is that while the availability of information is essential, if it is presented in an obscure manner or the sources are scattered and not easily accessible, then availability alone does not achieve the objective of enhanced transparency.

Each item of assistance from all three IFIs has been evaluated on the basis of ease and given one of three rankings: high, moderate and low. High is awarded when the information is readily and easily accessible, ‘Low’ is given for poor accessibility and ‘Moderate’ for information between the ‘High’ and ‘Low’ ranks.

The information was evaluated for aid provided for Covid-19 related work in seven countries: Afghanistan, Bangladesh, India, Mongolia, Myanmar, Nepal and Pakistan.

The information has been covered which was provided on the websites of these three organisations as of July 17th, 2020.

3. How Transparent is the Financial Aid?

All three websites contained all the relevant information for most, if not all of the assistances. When we searched the list of all documents related to a particular project, we could even see how the loan amount and objectives changed as negotiations progressed.

The purposes of the loans were given either in the project descriptions alongside the document list, or in the Project Information Documents (PIDs) pertaining to the project.

The information on the interest rate and duration of the loan was obtained from the financing agreement signed between the creditor IFI and the debtor national government. The WB, ADB and IMF made details on all loans and debt relief programmes public. In instances where the financial agreements for a loan have not yet been disclosed, it could mean the governments are still negotiating the details with the IFIs.

Completeness of Information

Each IFI was evaluated separately on the parameters of completeness, and the results of the evaluation are presented below.

International Monetary Fund

The IMF uses several instruments to provide aid to countries. Chief among them are the Rapid Financing Instrument (RFI), Rapid Credit Facility (RCF), Catastrophe Containment and Relief Trust (CCRT)², Short-term Liquidity Line (SLL) and Poverty Reduction and Growth Trust (PRGT)³. The Covid-19 aid provided to seven countries is listed in table 1.

Table 1: Assistance by the International Monetary Fund

Country	Assistance (USD Million)	Loan / Grant	Interest Rate	Purpose	Duration	Eligibility Criteria	Sectoral Breakdown
Afghanistan	220 (RCF)	Loan	Given	Given	Given	Given	N/A
	3.3 (CCRT)	Grant	-	Given	-	Given	N/A
Bangladesh	244 (RCF)	Loan	Given	Given	Given	Given	N/A
	488 (RFI)	Loan	Given	Given	Given	Given	N/A
India	-	-	-	-	-	-	-
Mongolia	99 (RFI)	Loan	Given	Given	Given	Given	N/A

Myanmar	237.7 (RFI)	Loan	Given	Given	Given	Given	N/A
	118.8 (RCF)	Loan	Given	Given	Given	Given	N/A
Nepal	215 (RCF)	Loan	Given	Given	Given	Given	N/A
	3.9 (CCRT)	Grant	-	Given	Given	Given	N/A
Pakistan	1389 (RFI)	Loan	Given	Given	Given	Given	N/A

Note: 1. N/A = not applicable
2. India did not approach the IMF for Covid-19 aid

Six of the seven countries in the study received aid from the IMF. India did not approach the IMF for aid in the wake of the Covid-19 outbreak.

The financial assistance provided by the IMF has all the information that was considered in this study. The aid received from the IMF does not directly fund social protection or infrastructural programmes. So, all IMF Covid-19 aid has either gone towards debt-relief or restructuring so that the debtor governments have some fiscal space in order to boost healthcare spending and spending to revitalise the economy. Therefore, no additional sectoral breakdown is applicable.

World Bank

The World Bank provided Covid-19 aid mainly through its two development banks: the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA).⁴ IBRD acts as a partner to middle-income countries⁵ whereas the IDA partners with the poorest nations in the world.⁶ Some countries, such as Nigeria and Pakistan, avail funding from both and are called blend countries.

Table 2 provides the details of all Covid-related assistance by the World Bank to the seven countries in this study.

Table 2: Assistance by the World Bank

Country	Assistance (USD Million)	Loan / Grant	Interest Rate	Purpose	Duration	Eligibility Criteria	Sectoral Breakdown
Afghanistan	100	Grant	-	Given	Given	Given	Given
	100	Grant	-	Given	Given	Given	Given
	160	Grant	-	Given	Given	Given	Given
Bangladesh	100	Loan	Given	Given	Given	Given	Given
	500	Loan	NA	Given	NA	Given	Given
	500	Loan	NA	Given	NA	Given	Given
	250	Loan	Given	Given	Given	Given	Given

India	1,000	Loan	Given	Given	Given	Given	Given
	1,000	Loan	Given	Given	Given	Given	Given
	750	Loan	Given	Given	Given	Given	Given
Mongolia	27	Loan	Given	Given	Given	Given	Given
	20	Loan	NA	Given	NA	Given	Given
Myanmar	50	Loan	Given	Given	Given	Given	Given
	100	Loan	NA	Given	NA	Given	Given
	350	Loan	NA	Given	NA	Given	Given
	200	Loan	NA	Given	NA	Given	Given
Nepal	29	Loan	Given	Given	Given	Given	Given
	100	Loan	Given	Given	Given	Given	Given
	450*	Loan	NA	Given	NA	Given	Given
Pakistan	200	Loan	Given	Given	Given	Given	Given
	500	Loan	Given	Given	Given	Given	Given
	200	Part Loan, Part Grant	NA	Given	NA	Given	Given
	51	Part Loan, Part Grant	NA	Given	NA	Given	Given
	500**	GIVEN	NA	Given	NA	Given	Given

Note: 'NA' = Financial Agreement not available as of July 17th, 2020

*This project's documents on the World Bank's website indicate that it was being designed before the COVID pandemic. The ADB webpage links this project to COVID. See below the section under 'Asian Development Bank' for more detail.

**The project was envisioned in 2019. This project's documents on the World Bank's website⁷ indicate that it was being designed before the COVID pandemic. The ADB webpage links this project to COVID. See below the section under 'Asian Development Bank' for more detail.

The relevant information is available for most forms of assistance. However, there are instances where the financial agreement was not available at the time of study and hence information regarding the interest rate and duration was not available. This was the case in 10 of the 24 aid programmes. It is possible that financial agreements are made available with some time lag, instead of being unavailable permanently.

The WB provided data (in the form of pie charts) showing the amount attributed to each sector of the economy. This data can be found by going to the project list on its website; choosing any project leads one to the sector-wise breakdown of the financing.

Asian Development Bank (ADB)

The ADB uses a classification system to determine the eligibility of developing member countries (DMCs) to borrow, based on two main criteria: per capita income and creditworthiness.⁸ It divides countries into several categories, ranging from those availing 100 percent of the grants from the Asian Development Fund to those countries using Ordinary Capital Resources (OCR) for regular, market-

based loans. It also provides country grants in the form of Technical Assistance (TA). Under such programmes, the ADB collaborates with consultancy firms and enlists their services; each country is awarded 'X' person-months of services. The Technical Assistance (TA) program from the ADB has also been classified as Covid-19 aid on the ADB website and has therefore been included in the tabulation as grant amounts allocated to various countries.

The aid provided by the ADB for Covid-related work is listed in table 3.

Table 3: Assistance by the Asian Development Bank

Country	Assistance (USD Million)	Loan / Grant	Interest Rate	Purpose	Duration	Eligibility Criteria	Sectoral Breakdown
Afghanistan	3 (TA)	Grant	-	Given	Given	Given	Not Given
	40	Grant	-	Given	Given	Given	Not Given
Bangladesh	0.17 (TA)	Grant	-	Given	Given	Given	Not Given
	500	Loan	Given	Given	Given	Given	Not Given
	100	Loan	Given	Given	Given	Given	Not Given
India	4 (TA)	Grant	-	Given	Given	Given	Not Given
	1,500	Loan	Given	Given	Given	Given	Not Given
Mongolia	1	Grant	-	Given	Given	Given	Not Given
	30	Loan	Given	Given	Given	Given	Not Given
	100	Loan	Given	Given	Given	Given	Not Given
	26.4	Loan	Given	Given	Given	Given	Not Given
	30	Loan	Given	Given	Given	Given	Not Given
Myanmar	0.5 (TA)	Grant	-	Given	Given	Given	Not Given
	4.5	Loan	Given	Given	Given	Given	Not Given
Nepal	3.2 (TA)	Grant	-	Given	Given	Given	Not Given
	250	Loan	Given	Given	Given	Given	Not Given
	3	Grant	-	Given	Given	Given	Not Given
Pakistan	500	Loan	Given	Given	Given	Given	Not Given
	50*	Grant	-	Given	Given	Given	Not Given
	2	Grant	-	Given	-	Given	Not Given

* Re-purposed from NDRMF

Apart from the sectoral breakdown of the loans/grants, all other information is available for all assistance. In one instance, an earlier item of aid that was re-purposed from an earlier programme was also mentioned. While the ADB did not provide a breakdown of information, its project list has various filters that can be applied to narrow the search for a particular project. One set of filters is sector-specific. However, the sector-wise breakdown of each loan is not as easily available.

Apart from information about its own financial assistance, the ADB also provides information⁹ about the financial assistance that countries have received from other IFIs.

There are some discrepancies in the ADB's tabulation of Covid-19 aid from other IFIs, possibly due to the fluid nature of the projects. Many projects that were first envisioned in 2019 were finalised as the effects of Covid-19 became widespread in the March-July 2020 period. In the first set of declassified documents relating to such projects, the project objectives had nothing to do with Covid-19. As the economic ramifications of the pandemic became clearer, the phrase 'Covid-19' started appearing in the project information documents, procurement plans and loan agreements, while some slight moderations were made to the structures of the projects. However, the essential objective of the project remained the same. Hence, it is unclear whether such loans/grants were tied to the pandemic or if the debtor nations would have received such aid regardless.

For example, Nepal has received approximately USD 580 million in aid from the World Bank. A significant chunk of this aid is part of a project titled 'Nepal Strategic Road Connectivity and Trade Improvement Project'. This project is being financed through a loan of USD 450 million to the Nepalese government. It was conceived as an infrastructural plan costing USD 650 million, in July 2019¹⁰. As negotiations took place over the next year, the loan amount was reduced to USD 450 million. The project was finalised by June-July 2020 but its objective remained quite similar. It is therefore unclear if this aid was a part of the post-Covid-19 economic recovery effort or a long-term, pre-Covid-19 infrastructural plan. It was included on the ADB's website as part of the international aid received by Nepal from the WB for Covid-19 recovery.

Similarly, a key USD 500 million loan from the WB to Pakistan has also been listed as Covid-19 aid on its website. Yet, the earliest documents, from October 2019, contain the same objectives as later Project Information Documents (PIDs) released in June this year, including but not limited to: broadening the tax base, creating debt transparency, reducing tariffs and harmonising the sales tax¹¹. Classifying these kinds of loans as aid for Covid-affected economies is dubious since the negotiation process for these large loans began much earlier.

These examples highlight the need to improve transparency in cases where the aid changes in nature during negotiations or a project's lifetime.

Accessibility

The information on aid was also evaluated on the basis of ease or difficulty faced by the researcher while looking for this information. It is accepted that this indicator is subjective, and that different researchers might encounter different levels of accessibility; nonetheless, we believe this indicator provides useful insights into the improvement needed to make information more accessible.

The result of this evaluation is given in table 4.

Table 4: Accessibility of Information

Country	IMF		WB		ADB	
	Assistance (USD Million)	Accessibility	Assistance (USD Million)	Accessibility	Assistance (USD Million)	Accessibility
Afghanistan	220 (RCF)	High	100	High	3 (TA)	Moderate
	3.3 (CCRT)	High	100	High	40	Moderate
			160	High		
Bangladesh	244 (RCF)	High	100	High	0.17 (TA)	Moderate
	448 (RFI)	High	500	High	500	Moderate
			500	High	100	Moderate
			250	High		
India			1000	High	4 (TA)	Moderate
			1000	High	1500	Moderate
			750	High		
Mongolia	99 (RFI)	High	27	High	1	Moderate
			20	High	30	Moderate
					100	Moderate
					26.4	Moderate
					30	Moderate
Myanmar	237.7 (RFI)	High	50	High	0.5 (TA)	Moderate
	118.8 (RCF)	High	100	High	4.5	Low
			350	High		
			200	High		
Nepal	215 (RCF)	High	29	High	3.2 (TA)	Moderate
	3.9 (CCRT)	High	100	High	250	Moderate
			450	Moderate	3	Moderate
Pakistan	1,389 (RFI)	High	200	High	500	Moderate
			500	High	50	Moderate
			200	High	2	Low
			51	High		
			500	Moderate		

In the case of the IMF, all aid shows a high degree of accessibility. In the case of the World Bank, all but two aid programmes have a high degree of accessibility. Two projects, one in Nepal and one in Pakistan, received a ‘moderate’ rating because both these projects were envisioned in 2019, before the outbreak of Covid-19. But they have now been categorised as Covid-19 assistance, without any further details. This lack of information about why they were categorised as Covid-19 assistance is the reason they received the ‘moderate’ rating.

All the ADB projects, except two, were given a moderate rating because the sectoral breakdown was not specified, although the target sectors were mentioned.

Two projects received a ‘low’ rating, one in Myanmar and another in Pakistan. The Myanmar project, which was first proposed in 2018, is spread across four countries - Cambodia, Lao PDR, Myanmar and Viet Nam. The country-wise allocation given by ADB in this project is unclear.¹² In the case of the

project in Pakistan, the grant agreement, technical assistance reports and the project information documents have not been placed in the public realm.

These 'moderate' and 'low' ratings highlight a few places where the IFIs need to improve the accessibility of information about the aid provided by them.

There are certain independent platforms that do provide aid-related information in a more refined and user-friendly manner. Chief among them is the International Aid Transparency Initiative (IATI). But to avoid discrepancies such as the ones mentioned above, it is best to collect data directly from the sites of the IMF, WB and ADB.

4. The Conditionalities on Aid

IFIs have been criticised by some commentators for tying their aid to certain conditions, which usually promote debt reduction, balanced budgets, privatisation of public assets and fiscal conservatism to achieve financial stability and create a business-friendly environment receptive to Foreign Direct Investment (FDI). This process of imposing conditions on aid-receiving nations is of grave concern to developing nations, including the seven chosen for this note. These riders often interfere with the state's ability to deliver efficient public services at affordable prices, and prevent full/high employment policies and stimuli that boost healthcare spending, all of which are the foremost concerns of elected governments in the global south.

In the aid covered by this note's tabulation process, any presence of conditionalities was quite transparent and accessible to the public eye. Since the aid received was not a complete bailout of the economy, the conditions were not as binding as the ones in the Structural Adjustment Programs (SAPs) undertaken by Latin American countries in the 1980s or the IMF loan to India in the 1990s.

Nevertheless, in a couple of debt-relief projects of the IMF, the recipient government did give an informal assurance on reducing the fiscal deficit and focusing on debt reduction once the crisis ended. For example, while requesting debt relief under the Catastrophe Containment and Relief Trust (CCRT) programme from the IMF, the Afghan government planned to undertake reforms to bring the fiscal deficit down to 1 percent by 2022. For a fledgling economy with weak infrastructural and tax bases, it is unclear how such an assurance will help the economy.

Similarly, the IMF gave the government of Pakistan a loan of USD 1.386 billion under its Rapid Financing Instrument. In its country report no. 20/114, the IMF recommended a return to austerity and fiscal conservatism as soon as the economic downturn caused by the pandemic subsided,¹³ as stipulated under previous loan programmes. Overturning the expansion of social protection programmes during the aftermath of the crisis may undo all the progress made by Pakistan, possibly requiring an even bigger set of interventions.

In brief, while the stringent riders tied to these two loans are a continuation of previous examples of austerity reforms advocated by IFIs, it is clear that in terms of documentary transparency, the aid analysed in this note are largely satisfactory.

5. Concluding Observations

This note was aimed at evaluating the transparency of aid provided by three multilateral financial institutions on two parameters: completeness of information and accessibility of information.

The three IFIs have many credit instruments that finance aid given to member countries. These instruments differ in the maturity periods, interest rates, number and degree of severity of the conditions. Therefore, it is encouraging to see a clear demarcation of countries eligible for a specific kind of loan/aid. Most of the aid scores high on the completeness of information indicator.

The aid-related information is accessible in most cases, but there is scope for improvement. In case of the ADB webpage (that tabulated international assistance provided to a country during the Pandemic), the information had to be cross-checked with the list of documents associated with a particular project to make clear the evolution of pre-COVID-19 projects which were listed as Pandemic aid. This was the case for the USD 450 million project for Nepal and the USD 500 million loan to Pakistan. Ideally, all such information should be available in one place.

The overall high scores on both indicators for most aid bodes well for a more transparent future, where all the relevant information is available and accessible to all. The instances of low scores and inaccuracies, however, highlight that the IFIs still need to work on making their information complete, correct and more accessible.

6. References

¹Irfan Nooruddin/James R. Vreeland, 'The Effect of IMF Programs on Public Wages and Salaries', in Jennifer Clapp/Rorden Wilkinson (eds.), *Global Governance, Poverty and Inequality* (New York: Routledge, 2010), 90–111

²CCRT was specifically created for COVID-19 aid for low-income countries.

³The full list of PGRT-eligible countries can be seen here: <https://www.imf.org/external/Pubs/ft/dsa/DSAlist.pdf>

⁴IBRD: International Bank for Reconstruction and Development. IDA: International Development Association

⁵The income threshold for middle income countries is USD 1,026-12,475 (2011 USD)

⁶See the full list of IDA partners here: <https://ida.worldbank.org/about/borrowing-countries>
And see the eligibility criteria for IDA here: <https://ida.worldbank.org/about/how-does-ida-work>

⁷Nepal Project - <https://projects.worldbank.org/en/projects-operations/document-detail/P170409>
Pakistan Project - <https://projects.worldbank.org/en/projects-operations/document-detail/P171850>

⁸DMCs are classified into:

- Group A (Concessional assistance-only): those in need of greatest concessionality and eligible for Asian Development Fund (ADF) grants
- Group B (OCR blend): those that need some concessionality, and
- Group C (Regular OCR only): those in need of least concessionality.

DMCs within these groups are further differentiated to determine the mix of funds and lending terms they can access, based on the ADB's (i) concessional assistance policy and (ii) policy on diversified financing terms (effective 2021).

For further details, see: <https://www.adb.org/what-we-do/public-sector-financing/lending-policies-rates>

⁹Information available at - <https://covid19policy.adb.org/policy-measures/IND>

¹⁰The objective of the project according to the relevant Project Information Document (PID) at the time was "To improve transport efficiency on selected project corridors and strengthen institutional capacity to improve connectivity and facilitate trade." Source: See the PID dated 12.7.2019

<http://documents1.worldbank.org/curated/en/209991563349522043/pdf/Concept-Project-Information-Documents-PID-Nepal-Strategic-Road-Connectivity-and-Trade-Improvement-Project-P170409.pdf>

The next PID was released on 1.4.2020. The project objective essentially remained the same – "To improve the efficiency and safety of select transport infrastructure, improve the efficiency of cross-border trade, and strengthen capacity for road network management in Nepal." The loan amount had been renegotiated to USD 450 million. See:

<http://documents1.worldbank.org/curated/en/219821585887703781/pdf/Project-Information-Documents-Nepal-Strategic-Road-Connectivity-and-Trade-Improvement-Project-P170409.pdf>

¹¹See PID dated 6.10.2019: <http://documents1.worldbank.org/curated/en/185111574052058637/pdf/Concept-Program-Information-Documents-PID-Resilient-Institutions-for-Sustainable-Economy-P171850.pdf>

See also PID dated 16.6.2020: <http://documents1.worldbank.org/curated/en/480421592312520752/pdf/Appraisal-Program-Information-Documents-PID-Resilient-Institutions-for-Sustainable-Economy-P171850.pdf>

¹²For a full list of documents for this project, see: <https://www.adb.org/projects/48118-002/main#project-documents>

¹³See IMF country report no. 20/114, paragraph 18 quoted here in full – "The authorities' response measures have been appropriate, but it must be temporary. The announced fiscal support package, including the expansion of social programs, rightly focuses on tackling the health emergency and supporting the most vulnerable, while aiming to support economic activity. Similarly, the SBP's proactive liquidity- and credit-support initiatives should shore up activity and safeguard financial stability. Nonetheless, given Pakistan's limited fiscal space and remaining vulnerabilities, enacted support measures must be targeted and temporary, focusing on the immediate health spending needs and protection of the most vulnerable, while preserving long-term sustainability. In this context, the authorities must decisively press ahead with the reforms included in the EFF as soon as the immediate crisis pressures subside."



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