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Executive Summary

The World Bank, once considered the world's premier foreign aid institution, is fighting for its life. Some of the bank's biggest donors, led by the United States, are tired of failed projects and the bank's increasingly risky loan portfolio and are scaling back their contributions to the bank's soft-loan window, the International Development Association. After a year of tense negotiations, the United States recently decided not to contribute any new money to IDA in 1997, and any future American funding remains uncertain.

To save IDA, the World Bank launched a misleading public relations campaign to convince Congress and the American public that U.S. taxpayers' contributions to IDA are good for the American economy because they return in the form of contracts for U.S. companies.

In fact, U.S. firms receive only about $0.23 in contracts for each $1.00 the United States contributes to IDA. Instead of being a boon for the American economy, IDA appears to be a black hole into which taxpayers pour billions of dollars for bad projects and pork-barrel contracts for a few American firms.

Members of Congress and lawmakers from other donor countries should reject the public relations pitches that accompany the World Bank's increasingly desperate search for new funds and refuse to commit their constituents' tax dollars to IDA in 1997 and beyond.

The Trouble with IDA

In March 1996, after a fierce year-long debate, donors to the World Bank's soft-loan window, the International Development Association, agreed to replenish IDA's depleted coffers.[1] But the replenishment is much less than IDA had hoped--only $11 billion compared to the last replenishment of $18 billion. The United States, once the World Bank's biggest promoter, was the least willing to give of all IDA donors.

The Clinton administration, which favors a continued strong U.S. involvement in the World Bank, had hoped to contribute about $1.3 billion to IDA in each of the next three years. But the U.S. Congress, now discouraged by years of destructive bank lending and domestic budget constraints, made it clear that it would not approve such a large request. The president had no choice but to acquiesce; he has not requested any new money for IDA in 1997 and has stated that the administration will ask Congress for only $800 million in each of the second and third years of IDA-11 (1998 and 1999), the present replenishment cycle.

Despite the administration's significantly reduced request, there is no guarantee that Congress will grant it. In the early 1990s U.S. lawmakers refused to ante up all of the dollars pledged for the last replenishment cycle, IDA-10, which left the United States $934 million behind in payments. In the absence of any new money for 1997, the Clinton administration has asked Congress to pay the accumulated arrears in 1997. But IDA's other donors have retaliated against the U.S. cuts. To keep the money flowing in 1997, absent a U.S. contribution, IDA's other donors have established an Interim Trust Fund and have barred U.S. companies from procuring contracts funded by that fund. Only in 1998, when (and if) new money starts to flow, will the United States be eligible to procure contracts for the full range of IDA-funded projects. Congress, upset with what it feels is an unfair penalty, is threatening not to appropriate funds to clear the arrears unless the ban against U.S. procurement through the trust fund is lifted.

Because most other countries' IDA contributions are tied proportionately to U.S. donations by an unofficial "burden-sharing" agreement, reductions in U.S. contributions to IDA have led to a drop in funding from other countries as well. This year the domino effect of U.S. cuts led to a $7 billion reduction in contributions to IDA from the last three-year replenishment in 1993. Should Congress not clear its arrears in 1997, or should it scale back American contributions in 1998 and 1999, the future of IDA could be seriously threatened.

The reluctance of donors to fund IDA is, in large part, the result of years of research and countless studies--by citizens' groups from around the world and by the World Bank itself--documenting the widespread failure of World Bank loans (through IDA and the International Bank for Reconstruction and Development) to alleviate poverty; their devastating environmental, social, and political effects; and the bank's contribution to the Third World's debt crisis.[2]

Project failures are now legion. Brazil's Polonoroeste road-building project set much of the Amazon rain forest on fire; India's Sardar Sarovar dam uprooted 240,000 Indians and was condemned by the World Bank's own panel of investigators; and, also in India, IDA continues to fund the Singrauli coal projects, once described as the "lower circles of Dante's Inferno."[3] IDA-funded projects, from massive road-building and colonization projects in the 1980s to monstrous dam projects in the 1990s, have left a trail of poverty and destruction in their wake.

Contrary to bank claims, projects like those are not exceptions in an otherwise beneficial or even benign project portfolio; they are evidence of the bank's chronic failings that continue to this day. Even bank projects targeted specifically at the poor--agriculture, irrigation, land settlement, and urban poverty projects, for example--have routinely had destructive consequences for their intended beneficiaries.[4]

With such a disastrous record, the World Bank is having a hard time convincing its critics that it will or can deliver "sustainable development" and "poverty alleviation." Moreover, criticism of the bank is no longer the exclusive purview of environmental groups and other private-sector entities. Scathing internal World Bank reports have disclosed that one-third of the bank's projects are failing; the Canadian auditor general has called on Canada, along with its G-7 partners, to undertake a value-for-money audit of the World Bank; and the Bretton Woods Commission, a group of many of the most powerful international bankers and financiers in the world, has produced its own critical review of the World Bank. In its latest self-evaluation report, the World Bank judged that one in three of its operations in 1994 had not made "an acceptable contribution to development" and that the percentage of satisfactory outcomes was "still far too low to be acceptable."[5]

To counter that tide of damning evidence and to win back the confidence (and dollars) of a highly skeptical Congress, the World Bank is now attempting to convince taxpayers that IDA is good business for donors. The bank's public relations people recently stopped describing IDA primarily as an "aid institution" whose main mission was poverty alleviation and sustainable development. Instead, it began selling IDA as a "bank" first and foremost, one that provides extraordinary procurement opportunities for American businesses. With all of its conventional defenses of IDA lending refuted and debunked by one critical study after another, the World Bank has latched on to the argument most appealing to donor nations' politicians: economic self-interest.

Procurement: The World Bank's New Mantra

In hopes of rebuilding its tattered image and helping to secure new funding for IDA in 1997-99, the World Bank hired former journalist and high-profile international political consultant Mark Malloch Brown. Shortly after assuming his new post as vice president of external affairs in late 1994, Malloch Brown set out to convince the U.S. Congress that IDA provides jobs and contracts for U.S. firms and is, therefore, good for the American economy and worthy of billions more in taxpayer dollars. With their eyes set firmly on the IDA-11 negotiations that would begin later in 1995, the bank and Malloch Brown stepped into new territory--an ambitious public relations campaign--and, for the first time in its history, the bank became an advertiser.[6]

The public relations campaign got under way in May 1995, when newspaper ads, citing examples of American companies that had obtained lucrative contracts for IDA projects, appeared in major U.S. dailies. The ads, which ran under the theme "The World Bank: A Good Investment," described IDA as a safe, low-cost investment for the United States.

According to the ads, IDA provides "extraordinary" procurement opportunities to American businesses, including billions of dollars in contracts to design, supply, and build IDA projects. Moreover, the economic benefits to be gained from U.S. membership in IDA are so great, claimed Malloch Brown at an April 1995 press conference, that IDA is really the "deal of the century" for cost-conscious donor countries like the United States.[7]

But Malloch Brown's sales pitch did not stop there. To make sure that Congress got the message, the bank sought out key supporters and opponents of IDA to convince them of the business benefits of supporting the bank. At an April 1995 press conference, Malloch Brown described how the bank was lobbying Congress and legislators from a number of "targeted states," pointing out that companies in their states were "getting extraordinary procurement opportunities out of both IDA and IBRD." Malloch Brown went on to argue that the procurement benefits are so enormous that the net cost of membership in IDA is "extraordinarily low."[8]

While the bank touted the alleged benefits of procurement on Capitol Hill, Malloch Brown also revamped the bank's External Affairs Department so that it could produce more pro-bank public relations and step up its attacks on those who dared to argue against replenishing IDA's funding. In an internal memo detailing the reorganization of External Affairs, the World Bank admitted that the restructuring was prompted by the desperation the bank felt over impending cuts to IDA funding and set the task of restoring IDA funding as the top priority for the new public relations machinery. "We are targeting [the U.S.] states . . . so as to reinforce our IDA legislative strategy," said the memo.[9]

The bank's new strategy was put to the test in July 1995, after a rash of newspaper articles criticizing the bank appeared in U.S. dailies. External Affairs promptly responded with an op-ed by Malloch Brown in the conservative Washington Times that made it clear that the supposed benefits of procurement were now the bank's primary defense against its critics. Malloch Brown quoted the head of Caterpillar, Inc., as saying that "IDA is helping to develop markets for American products." Malloch Brown then went on to describe the benefits of U.S. membership in the World Bank for U.S. firms. "American companies," he said, "recoup about $1 in contracts for each $1 the United States contributes."[10]

Almost two years after it began, the public relations campaign can fairly be called a dismal failure. Despite the bank's best efforts, Congress remains unconvinced that IDA provides "extraordinary" procurement benefits. A recent House Appropriations Committee report, which describes a bill that would appropriate only $525 million of the $934 million the United States is in arrears to IDA in 1997, chastised IDA, claiming that the United States has uncomplainingly provided "more than 20 percent of IDA funds over the past 35 years, while receiving only 10 percent of IDA procurement."[11] Should a similar bill pass the Senate, the United States would fail to clear its arrears to IDA and would thereby put itself out of the running for procurement contracts even after 1997. Clearly, the World Bank has failed to convince Congress of the benefits of procurement.

And the bank has been unable to back up its claims about the benefits of procurement. Repeated requests for the figures to back up the "$1 in contracts for each $1 the United States contributes" statement (and for the methodology used to calculate the value of contracts won for each dollar contributed) were denied by Malloch Brown; the office of the World Bank's Canadian Executive Director; and the bank department that collects those data, the Resource Mobilization Department. Only after an earlier draft of this paper was distributed to members of Congress and World Bank officials did bank officials provide some of the requested information. The information the bank provided only reinforces the findings of this study.[12]

Inflating the Benefits and Other Sleights of Hand

Figures leaked from the U.S. Treasury (and the new data provided by the World Bank) shed light on why the bank initially appeared intent on keeping data on the true cost of procurement contracts secret. According to those data, between 1986 and 1994 the United States averaged only $0.23 in procurement for every dollar paid into IDA.[13]

That fact, so well guarded by the bank, contradicts Malloch Brown's claim that IDA is the "deal of the century" for U.S. taxpayers. It also refutes his claim that the net cost of IDA to the United States is "extraordinarily low." In fact, the net cost (defined crudely by the bank's public relations people as the difference between U.S. taxpayer contributions and the value of World Bank contracts awarded to U.S. firms) to the United States of membership in IDA for the nine years from 1986 to 1994 was approximately $5.8 billion. Since 1960 membership in IDA has had a net cost of approximately $11.9 billion for U.S. taxpayers.[14]

Even if the bank's claims were true and IDA contracts delivered as many dollars to U.S. companies as U.S. taxpayers contributed, financing the bank would still be difficult to justify. After all, such an exercise amounts to nothing more than the redistribution of U.S. citizens' wealth for the benefit of some privileged firms. In short, the bank actively promotes corporate welfare--a function at odds with the bank's avowed aims of promoting market economics and alleviating world poverty. Development economist Peter Bauer aptly put it another way: "To argue that aid helps the domestic economy is like saying that a shop-keeper benefits from having his cash register burgled so long as the burglar spends part of the proceeds in his shop."[15]

The bank's advertising campaign thus provided a glimpse of a billion-dollar agency with institutional schizophrenia: IDA is unsure whether it is a development institution whose purpose is alleviation of poverty or a bank whose goal is to benefit companies in donor countries. In reality, it is neither an instrument of environmentally and economically sensible development nor an efficient broker of corporate welfare. The first goal, alleviation of poverty, might at least arouse the sympathies of kind-hearted Americans; the second, corporate welfare, cannot be defended on the basis of sound economic policy or popular support.

Procurement at IDA

The most common means of comparing the procurement benefits of one country to those of another is to calculate each country's procurement per dollar committed, that is, to divide the value of contracts awarded to a country in a given year by the amount of money that country paid to IDA. The World Bank provides statistics on the value and number of contracts won by each country, but it has been hesitant to release annual figures on how much each country contributes to IDA, thereby complicating a detailed analysis of its claim that IDA is a "deal" for its donors. However, the leaked Treasury information (and the new bank data) on U.S. annual contributions to IDA show that IDA procurement is anything but a deal for U.S. taxpayers.

Another way to compare procurement benefits to cost is to use figures from the Organization for Economic Co-operation and Development--which are publicly available but which measure donor contributions in a slightly different way.[16] Calculating procurement per dollar committed using the OECD figures shows that the United States is not alone in earning paltry returns on its IDA dollars. With the possible exception of the United Kingdom, IDA is not the deal of the century for other G-7 countries either (Table 1).

For example, when procurement per dollar committed is calculated using the OECD figures, the average return on U.S. contributions drops to $0.17, the lowest of the G-7 countries.[17] Italy, Germany, Canada, and Japan earn between $0.20 and $0.39 in procurement for each dollar contributed to IDA; France and the United Kingdom receive substantially more, $0.70 and $1.15, respectively.[18]

Table 1
Procurement per Dollar Committed to IDA, G-7 Countries, Fiscal Years 1986-93

	Contributions [a] ($ millions)	Procurement Disbursements ($ millions)	Return on Contributions (per $)
France	2,958.11	2,063.60	0.70
United Kingdom	2,355.29	2,700.60	1.15
Italy	2,271.21	737.20	0.32
Germany	4,102.12	1,611.20	0.39

United States	8,566.00	1,488.10	0.17
Canada	1,749.99	357.50	0.20
Japan	8,688.78	1,876.70	0.22
Sources: Contribution figures from OECD, Statistical Annex to the OECD Annual Development Co-operation Report, 1986-93; procurement disbursement figures from World Bank Annual Reports. [a] Contributions are measured by notes deposited.			

Those findings clearly indicate that IDA is a net drain on most of its major donor countries, which contradicts the World Bank's claims about the benefits of IDA procurement. The findings also appear to contradict those of most other studies of World Bank procurement.

For example, recent reports by Canada's Office of Liaison with International Financial Institutions, a branch of the Canadian government whose mandate is to help Canadian firms procure contracts for World Bank and other multilateral development bank projects, and the North-South Institute, an Ottawa-based think tank, conclude that procurement is a boon for many donor countries. A 1995 OLIFI study found that the United States averaged $1.59 in contracts for each dollar committed to the World Bank between 1988 and 1994. The North-South Institute found that Canada procured an average of $1.18 in contracts for every dollar contributed to the bank between 1986 and 1991.[19] But neither of those studies calculates procurement in return for contributions to IDA alone. Both reports make the procurement picture look rosier by combining IRBD procurement with IDA procurement.

Inflating the Benefits: Procurement at IBRD

Compared with those of IDA, the IBRD's procurement returns appear to be a windfall for donor countries, with most G-7 countries receiving more than 50 times the procurement benefits (in terms of return on contributions) from the IBRD that they receive from IDA. If OECD figures are used to measure contributions, Germany receives a whopping $29.22 in contracts for each taxpayer dollar paid to the IBRD, while Japan, at the low end of the scale, wins $6.54 in contracts for each dollar it contributes (Table 2).

When the substantial procurement returns from IBRD are added to the more meager ones from IDA, many donor countries show a positive return on their overall World Bank contributions--the conclusion reached by the OLIFI and North-South Institute studies (Table 3). However, the inclusion of IBRD statistics in the calculation of procurement benefits is problematic for at least two reasons: first, the usual means of calculating IBRD procurement (comparing paid-in capital to the value of contracts won) inflates the benefits to donor countries winning IBRD contracts; second, the combination of inflated IBRD returns with those of IDA helps obscure the true costs of IDA membership.

Table 2
Procurement per Dollar Committed to IBRD, G-7 Countries, Fiscal Years 1986-93

	Contributions [a] ($ millions)	Procurement Disbursements ($ millions)	Return on Contributions (per $)
France	134.83	3,492.50	25.90
United Kingdom	154.86	3,534.80	22.83
Italy	125.47	2,396.60	19.10
Germany	183.47	5,361.50	29.22
United States	555.00	9,868.90	17.78
Canada	95.14	1,279.40	13.45
Japan	1,008.54	6,593.10	6.54
Sources: Contribution figures from OECD, Statistical Annex to the OECD Annual Development Co-operation Report, 1986-93; procurement disbursement figures from World Bank Annual Reports.			

[a] Contributions are measured by notes deposited.

Table 3 **Procurement per Dollar Committed to IDA and IBRD Combined, G-7 Countries, Fiscal Years 1986-93**			
	Contributions [a] ($ millions)	Procurement Disbursements ($ millions)	Return on Contributions (per $)
France	3,092.94	5,556.10	1.80
United Kingdom	2,510.15	6,235.40	2.48
Italy	2,396.68	3,133.80	1.31
Germany	4,285.59	6,972.70	1.63
United States	9,121.00	11,357.90	1.25
Canada	1,845.13	1,636.90	0.89
Japan	9,697.32	8,469.80	0.87
Sources: Contribution figures from OECD, Statistical Annex to the OECD Annual Development Co-operation Report, 1986-93; procurement disbursement figures from World Bank Annual Reports. [a] Contributions are measured by notes deposited.			

The IBRD, unlike IDA, finances its lending operations primarily from borrowings. (IDA raises most of its money from the triennial donor country contributions, with a much smaller portion coming from the repayment of past loans and transfers from the IBRD.) Member countries purchase shares in the IBRD but pay in only about 7 percent of the cost of those shares; the remaining 93 percent of the capital is "callable" as a guarantee or promise to pay. Those guarantees--in effect, contingent liabilities for the donors--enable the IBRD to raise the vast majority of the money used for its lending operations from international capital markets. In that way, the IBRD's donors' contributions are leveraged, which allows much more money to flow back to donor countries in procurement than was actually contributed by them.

But calculating the IBRD's procurement per dollar committed in that way--that is, by comparing the value of procurement won to only the paid-in portion of a country's contributions--ignores the risk that some, if not all, of the callable capital may someday have to be paid. A call on capital could occur if one or more of the World Bank's large borrowers, such as Brazil, India, or Mexico, were to default on their loans--something that even the World Bank has admitted is not outside the realm of possibility.[20] The exclusion of all of the callable capital from calculations of procurement benefits, therefore, underestimates the risk involved in winning those contracts and also inflates procurement benefits to donor countries.

To properly assess the cost of contracts procured from the IBRD, a reasonable portion of the risks involved in winning those contracts should be included. Of course, the definition of what is reasonable in this case--that is, what the likelihood of a call on capital is and how much each donor country would have to ante up in that event--can be debated. However, almost everyone except the World Bank agrees that the risk exists.

The World Bank rates the likelihood of a call on capital as extremely low. In fact, the bank is so confident that none of its large borrowers will ever default that it has set aside only minuscule provisions against loan losses--about 3 percent of disbursed and outstanding loans plus the present value of the bank's loan guarantees.[21] However, commercial banks with similarly risky loan portfolios have assessed risk very differently. In 1989, for instance, J. P. Morgan set aside 100 percent provisions against loan losses, and Canadian commercial banks are currently required to put aside against possible losses 35 percent of the value of their loans to their most risky sovereign borrowers.[22] The inclusion of at least a portion of each donor country's contingent liabilities significantly reduces the IBRD's otherwise extraordinary procurement returns.[23]

Take the United States, for example. Comparing total U.S. contingent liabilities to the total amount of IBRD procurements won since the United States became a member of the World Bank group causes the seemingly extraordinary returns to disappear. If one compares 35 percent of the subscribed capital (paid-in plus callable capital) to IBRD procurements (using the Canadian commercial bank ratio as a guide), the U.S. procurement per dollar committed drops from $17.78 (as shown in Table 2, where none of the contingent liabilities are included) to only $1.81.[24] If those more meager IBRD returns are added to IDA's already low procurement returns, even the combination of IBRD and IDA procurement statistics can no longer hide the fact that the World Bank is a losing investment for many of its donors. Taking into account potential risks of a call on capital, the U.S. return on its contributions to the World Bank as a whole since its creation is only $0.88 per dollar contributed.[25]

The Myth of Procurement Benefits

Despite all of the World Bank's public relations efforts, the claim that IDA contributions are a boon for the U.S. economy is simply false. Evidence shows that IDA contributions are a drain on the American economy and that the cost of membership in IDA far outweighs the value of the contracts that are won in return. A handful of American corporations do well by IDA contracts, but the costs of those contracts to U.S. taxpayers reveal IDA contributions for what they really are: pork-barrel politics.

When the costs of IDA membership are examined alongside the dismal development record of IDA projects, little justification for continued IDA funding remains. IDA projects have caused untold harm to the people, environments, and economies of many Third World societies, all the while draining the pocketbooks of donor country taxpayers. Even the IBRD's seemingly handsome procurement benefits are based on assumptions about the financial stability of the World Bank's borrowers that many, including Western commercial banks and their state regulators, do not share.

Members of Congress and lawmakers from other donor countries should reject the public relations pitches that accompany the World Bank's increasingly desperate search for new funds and refuse to commit their constituents' tax dollars to IDA in 1997 and beyond.

Notes

1. The World Bank group comprises four main organizations: the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA).

IDA lends funds mainly to the World Bank group's poorer member countries--countries with an annual per capita gross national product of less than $696 (in 1993 U.S. dollars). IDA funds come mostly in the form of triennial contributions from richer members, with a smaller amount coming from the repayment of IDA loans and from transfers from IBRD's net earnings. IDA lends money (called "credits") to governments, which must repay the credits over a period of 35 to 40 years (there is a 10-year grace period). IDA credits carry no interest, but there is an annual service charge of 0.5 percent on the disbursed amount of each credit.

The IBRD obtains most of its funds through medium- and long-term borrowings in the capital markets of Europe, Japan, and the United States. It also borrows funds at market-based rates from central banks and other government institutions, and significant amounts of IBRD's funds come from its paid-in capital, from its retained earnings, and from repayments of its loans. Member countries purchase shares in the IBRD but pay in only about 7 percent of the cost of the shares; the rest is "callable" as a guarantee.

2. Although the IBRD and IDA are two legally and financially distinct entities, they are known colloquially as the "World Bank." They publish one joint annual report and share the same staff, who prepare the loans, and the same executive directors, who approve them. As of 1994, 62 countries had borrowed from both IDA and IBRD, and some projects, such as Sardar Sarovar and Singrauli in India and Xiaolangdi in China, have received financing from both the IBRD and IDA. Critics contend that there is little, if any, difference in project quality between IDA and IBRD. See, for example, Patricia Adams, "The World Bank's Finances: An International S&L Crisis," Cato Institute Policy

Analysis no. 215, October 3, 1994; Patricia Adams, Odious Debts: Loose Lending, Corruption, and the Third World's Environmental Legacy (London and Toronto: Earthscan, 1991); Bruce Rich, Mortgaging the Earth: Environmental Impoverishment and the Crisis of Development (Boston: Beacon, 1994); Bradford Morse and Thomas Berger, Sardar Sarovar: Report of the Independent Review (Ottawa: Resource Futures International, 1992); World Bank Portfolio Management Taskforce, "Effective Implementation: Key to Development Impact," Washington, World Bank, 1992; and World Bank Environment Department, Resettlement and Development: The Bankwide Review of Projects Involving Involuntary Resettlement (Washington: World Bank, April 8, 1994).

3. Indian Express, April 27, 1991, cited in P. Bosshard, "Energy from Dante's Inferno," Berne Declaration, Switzerland, 1993.

4. Rich, pp. 86-99, details the failure of the World Bank's lending for poverty reduction. With regard to the bank's agricultural projects of the 1980s, he writes, "By the late 1980s it became clear that the performance of Bank agricultural projects . . . was abysmal in the Bank's own terms of meeting appraised economic rates of return, avoiding huge cost overruns, and reaching the poor" (p. 97).

5. World Bank Operations Evaluation Department, 1994 Evaluation Results (Washington: World Bank, 1996), p. 25; Auditor General of Canada, Report of the Auditor General of Canada to the House of Commons 1992 (Ottawa: Minister of Supply and Services Canada, 1992); and Bretton Woods Commission, Bret-ton Woods: Looking to the Future (Washington: Bretton Woods Commission, 1994).

6. Stewart Elliott, "Advertising," New York Times, May 17, 1995, p. C7.

7. IBRD, Press conference, April 23, 1995, Millers Reporting Company, Inc., Washington.

8. Ibid.

9. Mark Malloch Brown, "Communications Strategy Update," World Bank office memorandum, May 3, 1995, p. 6.

10. Mark Malloch Brown, "The World Bank and its Critics," Washington Times, July 7, 1995.

11. U.S. House of Representatives, Committee on Appropriations, "Foreign Operations, Export Financing, and Related Programs Appropriations Bill, 1997," Report 104-600, 104th Cong., 2d sess., May 29, 1996, p. 50.

12. The author sent four letters to the World Bank's External Affairs Department in July and August 1995. Only one response was received, and it provided neither the methodology to back up the bank's claims about the benefits of procurement nor the figures detailing IDA donors' yearly cash contributions.

After repeated requests, the Office of Canadian Executive Director to the World Bank acknowledged that the information being sought had been released to the Canadian Embassy in Washington for an Office of Liaison with International Financial Institutions study but that the data had been released "by inadvertence" (personal correspondence with Michael Jay, executive director's assistant, Office of the Canadian Executive Director, December 20, 1995).

In a telephone interview on August 11, 1995, with Ken Ohashi, chief officer, Resource Mobilization Department, World Bank, Ohashi confirmed that the Resource Mobilization Department does collect figures on IDA donors' cash contributions and that such information had previously been released publicly. However, according to Ohashi, the World Bank has to "draw the line" at nongovernmental organizations and would not release the information to the author.

The data the bank provided by fax on August 2, 1996, detailed three alternative methods that the bank used to calculate U.S. procurement benefits from IDA. Each method yielded procurement per dollar committed equal to or less than that found by the author.

The U.S. Department of the Treasury, which does not maintain data on World Bank procurement that benefits foreign firms, has repeatedly refused to provide full data on U.S. notes cashed, and Treasury Department staff have actively urged the author not to continue his research. The Treasury Department has even failed to respond to a Freedom of Information Act request filed more than a year ago (it is legally required to respond within 10 working days).

13. According to leaked Treasury Department figures, the United States had paid a total of $16,288,585,233 to IDA as of August 1995. The United States had also deposited an additional $3,729,480,899 in notes that had yet to be cashed. The procurement per dollar committed figure of $0.23 for the years 1986-94 was calculated by dividing the United States' total IDA procurement for those years ($1,707,100,000) by the amount of U.S. IDA cash payments for the same years ($7,459,661,000).

14. The net cost of U.S. membership in IDA from 1986 to 1994 was calculated by subtracting its total procurement for those years ($1,707,100,000) from the total amount of U.S. cash payments to IDA for the same years ($7,459,661,000). The net cost of U.S. membership in IDA since 1960 was calculated by subtracting total procurement, 1960-1994,

($3,609,000,000) from total U.S. cash payments to IDA, 1960-1994, ($15,472,085,233).

15. Peter T. Bauer, Equality, the Third World, and Economic Delusion (Cambridge, Mass.: Harvard University Press, 1981), p. 122.

16. OECD figures measure notes deposited rather than cash or budgetary contributions. After agreeing to an IDA replenishment, most donor countries deposit notes, payable to IDA, in an acceptable institution from which IDA will eventually cash them as needed. IDA need not cash all of the notes deposited during a three-year funding cycle during that same period. That means that there will usually be a slight discrepancy between notes cashed and notes deposited, with notes deposited being the larger of the two amounts. A country's actual cash contributions to IDA are most accurately measured by notes cashed, not notes deposited.

17. Compared to $0.23, which results from the use of budgetary or "cash" contributions.

18. Using the new notes-cashed figures provided by the World Bank, we obtain similar results for the G-5 countries (the only countries for which the bank provided data) for 1986-95. The average return for the United States is $0.23. Japan and Germany also have very low returns, $0.22 and $0.37, respectively, and France and the United Kingdom earn $1.38 and $1.14, respectively, per dollar contributed.

19. Office of Liaison with International Financial Institutions, "Canadian Procurement at the World Bank and Inter-American Development Bank, Annual Report 1994," March 1995; and Roy Culpeper and Andrew Clark, High Stakes and Low Incomes: Canada and the Development Bank (Ottawa: North-South Institute, 1994).

20. Confidential notes from a 1992 presentation to the World Bank's Board of Executive Directors confirm this concern. "Almost half of the projected increase in Bank exposure is to countries that are currently considered to be high risk," said the notes. "It is possible that a few of today's high risk countries could slide into nonaccrual over the next few years. . . . External financing pressures can quickly reach crisis proportions, and the Bank's preferred creditor status could come under stress." "Informal Board Seminar on the Status of the IBRD Portfolio," Briefing notes, World Bank, March 6, 1992.

21. International Bank for Reconstruction and Development, "Information Statement," March 22, 1995, p. 17.

22. Government of Canada, Office of the Superintendent of Financial Institutions, "Guideline: Exposures to Designated Countries," Ottawa, October 1993.

23. The IBRD faces different, though still substantial, risks of borrower default than do commercial banks. Unlike commercial banks, the IBRD enjoys "preferred creditor" status with its borrowers. Should borrowers be unable to service all of their debts, the IBRD will always be paid back first. Some argue that because the IBRD enjoys preferred creditor status, it is justified in putting aside lower provisions against loan losses than do commercial banks.

However, the IBRD's preferred creditor status is not based on the viability of the projects for which it lends or on the economic strength of its borrowers. Rather, that preferred creditor status is maintained by routine transfers of funds from rich country donors (in the form of bilateral aid, debt restructuring through the Paris Club, new IBRD loans to refinance old loans coming due, and cheap, interest-free IDA credits), without which many financially crippled borrowers would be unable to repay their IBRD loans. Through debt forgiveness and "round-tripping" loans, the IBRD is able to disguise its risky loan portfolio as a safe one and ignore the very real possibility of defaults. See Adams, "The World Bank's Finances."

24. As a founding member of the World Bank, the United States had subscribed $30.641 billion in capital to the IBRD at the end of 1994. Comparing 35 percent of that amount ($10.72 billion) to total U.S. procurements won since 1945 ($19.381 billion) results in a U.S. procurement per dollar committed ratio of only $1.81.

25. To calculate the return on U.S. contributions since the World Bank's creation, total U.S. IDA procurements since 1960 ($3.609 billion) were added to total U.S. IBRD procurements since 1945 ($19.381 billion) for a total of $22.99 billion. That figure was then divided by the total of U.S. IDA contributions ($15.472 billion) and 35 percent of total IBRD subscribed capital ($10.720 billion), or $26.192 billion.