IMF Special Drawing Rights and Economic Aid to Less Developed Countries*

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One important aspect of the current debate about the future course of world monetary reform concerns the question of whether it would be both technically feasible and desirable to link the now five-year-old IMF Special Drawing Rights liquidity scheme with the provision of greater economic assistance to the world's less developed countries. This paper proposes to examine this issue in the light of experience with the SDR facility in the first stages of its existence. The first section outlines the salient features of the SDR scheme as it stands at present, focusing mainly on those aspects that provide the basic mechanism for potential transfers of real resources from the developed to the less developed participants. In the second section the rationale for supplementing the financial resources of the less developed countries through the operation of the international monetary system, rather than through more traditional channels, is examined in the light of the alleged shortcomings of the post-war aid effort and practices. The main technical possibilities for establishing an SDR link with development finance are then discussed against the background of the growing external debt problems of the less developed countries.

I.

Under the post-war currency par-value system, members have been required to maintain the exchange value of their currencies within prescribed margins of their currency parities established in accordance with internationally agreed procedures. In periods of rapidly expand-

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ing international transactions, the capacity of members to protect their domestic economy against the impact of temporary payments imbalances has depended essentially on the general availability of international media with which the established parities could be defended. When the SDR scheme was created in 1969, it was precisely for the purpose of providing the system with such media on a long-term systematic basis. While not actually enlarging the IMF holdings of convertible currencies available to members under the ordinary quota procedure, the scheme merely obliges participants with a 'strong balance of payments and reserve position' to provide convertible currencies, in exchange for SDR units, for the use of other members whenever designated to do so by the IMF. In this respect, the scheme is a direct, though a technically novel extension of the Bretton Woods liquidity mechanism embodied in the IMF Articles of Agreement which had to be amended to incorporate the new provisions. In effect, the SDR scheme provides members with access to required currencies in addition to their existing ordinary IMF drawing rights. But, unlike the upper tranches of IMF quotas which are only conditionally available to meet specific contingencies and have to be repaid, SDR units are unconditionally usable, non-extinguishable, and transferable among participants.[1]

Being reserve allotments, SDR units can only be created and distributed for collectively agreed purposes and in accordance with firm rules embodied in the IMF Articles. The basic provision is that a recommendation by the IMF to create a given amount of SDR units during a specified period, known technically as 'SDR activation period', must be approved by the Board of Governors with no less than an 85 per cent majority of the IMF voting power; thus, even a small group of surplus countries with ample reserves can at present block any new SDR issues. Once the amount of SDRs to be created is determined, the new units are distributed in proportion to members' IMF quotas. The quota structure itself determines the amount of ordinary IMF drawing rights available to each member in a payments emergency and is intended to reflect broadly the importance of individual countries in world trade and finance[2]. In 1970 and 1971, the

[1] For a more detailed account of the mechanics of SDR use, see M. *Polasek*, 'The IMF Special Drawing Rights and the Currency Par-Value System', *Economic Record,* Vol. 47, June 1971, pp. 203 - 16.

[2] This is reflected in the complex formula used to determine the initial IMF quota structure. The formula was based' on specified percentages of each member's gross national product, holdings of gold and U.S. dollars, annual

share of world trade by some eighty-five SDR recipients listed in international financial sources as being less developed countries was about one-fifth; their share of total world reserves, including IMF positions, was likewise one-fifth, with the remaining four-fifths being held by the twenty-five developed countries. On the basis of the IMF quota structure currently in force, the less developed countries have been allotted about one-fourth of the SDR cumulative allocation to date. The present method of disbursing SDR units has thus resulted in the less developed countries receiving a share of SDRs somewhat in excess of their collective importance as reserve holders and world traders.[3]

The initial disbursement of SDR units, however, is nothing more than book entries in the SDR accounts of members. It is only through subsequent transactions that SDR users acquire international purchasing power with which to settle current or past indebtedness. If over time each participant were equally likely to be a net user and net acceptor (from other members) of SDR units, its expected net SDR use would be zero, and the scheme would be similar in its effects to the various co-operative arrangements for the swapping of currencies, except that it would operate on a multilateral basis. In this case the size of each member's allocation of SDR units would only determine the amount of assistance the member could hope to obtain in the event of a payments emergency. But under the existing provisions the permitted maximum long-run net average use of SDR units is 70 per cent of net cumulative allocation; a member exceeding this limit must take steps to reconstitute its SDR holdings to this level by buying back SDR units with convertible currencies. These provisions mean that 70 per cent of the net cumulative allocation that may over time be distributed to a hard core of deficit countries also represents a potential net claim—in so far as such claim can be exercised within the provisions of the scheme—against the real resources of other non-deficit countries.

As a mechanism for providing members with international liquidity, the SDR scheme has so far operated with surprising smoothness. Table I gives a summary of SDR transactions during the activation period 1970-72. The total SDR allocation to date, expressed in SDR units

imports, annual variations in exports, and was then adjusted for the percentage ratio which annual exports bore to national income over a specified prewar period. See O. L. *Altman*, 'Quotas in the International Monetary Fund', *International Monetary Fund Staff Papers,* Vol. V, August 1956, pp. 129 - 50.

[3] IMF, *International Financial Statistics,* June 1972, pp. 18, 39.

equivalent to the U.S. dollar at its par value in 1946, is approximately SDR 9·4 billion; for reasons of comparability with Table II below, the values in Table I are in terms of U.S. dollars with the gold parity of $38 per ounce. As can be seen, the SDRs used by members to discharge their international indebtedness were absorbed in two ways. First, they were acquired by other members in exchange for convertible currencies—$1,459 m. by the end of 1972. In each quarter, the IMF estab-

Table I

Allocations, Holdings and Transfers of SDRs, 1970-72
(End of year; millions of U.S. dollars)

	1970	1971	1972
Allocations	3,414	3,494*	3,205
Total SDRs in use	3,414	6,908	10,113
of which:			
Member holdings	3,124	6,378	9,430
IMF holdings	290	530	683
Net use by members	672	1,632	2,142
Net acquisition by members	382	1,102	1,459
Acquisition by the IMF	290	530	683

* Includes $US 545 m. adjustment for the devaluation of the U.S. dollar in December 1971.

Source: IMF, *International Financial Statistics,* February 1973, p. 21.

lishes what is known as a 'designation plan' consisting of a list of members with balance of payments and reserve positions strong enough to provide agreed maximum amounts of currencies for the use of other members. Thus the very first designation plan prepared for the first quarter of 1970 provided for a total of SDR 350 m., of which only SDR 133 m. were actually used; a further SDR 20 m. were exchanged in the course of so called 'voluntary transactions' (i.e. without designation and by agreement between participants).[4]

The excess of net SDR use over net acquisition by members in each period was absorbed in the course of members' ordinary transactions

[4] IMF, *Annual Report,* 1970, pp. 31, 147.

with the IMF. The Fund does not share in any fresh SDR allocations, but members may use SDRs to repurchase their currencies from the IMF and make other repayments (e.g. of loans in connection with quota increases).[5] Furthermore, SDRs may be acquired by the IMF in payment of charges incurred by members exercising their ordinary IMF drawing rights. Like all net SDR recipients, the Fund is entitled to interest of $1^1/_2$ per cent on its SDR holdings which is debited to the SDR accounts of net users. Table I indicates that since the inception of the SDR scheme the IMF has become a significant recipient of SDR units from other participants. The SDR units so acquired enable the Fund to replenish its holdings of national currencies that may be required for its ordinary lending operations.

Table II

SDR Positions: Developed and Less Developed Countries, 1970-72
(End of year; millions of U.S. dollars)

	1970	1971	1972
Developed participants:			
Allocations	2,561	2,608	2,385
Cumulative allocations	2,561	5,169	7,554
Holdings	2,642	5,381	7,842
Net acceptance	81	212	288
Less developed participants:			
Allocations	853	886	820
Cumulative allocations	853	1,739	2,559
Holdings	482	998	1,588
Net use (—)	— 371	— 741	— 971

Source: Derived from IMF, *International Financial Statistics,* March 1971, p. 21; April 1972, pp. 7, 21; February 1973, p. 21.

[5] The repurchases excepted are those under Article V 7 (b), i.e. those relating to increases in the Fund's holdings of a member's currency over a given financial year, after an allowance has been made for changes in the member's reserves over the same period.

Table II summarizes the SDR positions of two groups of countries, developed and less developed, during the period under review. By the end of 1972, \$971 m. of SDR units had been transferred outside the less developed group, with the developed participants accepting the net amount of \$288 m. and the IMF absorbing the rest. However, these results do not necessarily indicate the size of real resource transfers between the developed and less developed participants, since some of the less developed participants could have used their newly allotted SDR units instead of drawing on their other reserve assets with higher market yields; the extent to which the gains from the scheme's operation were divided between real resource gains (from other members and through the agency of the IMF) and liquidity gains cannot thus be ascertained without an extensive and detailed analysis of the balance of payments and reserve performance of a large number of countries.

Such a task is beyond the scope of the present study, and if we wish to assess the capability of the SDR scheme as a mechanism for transferring resources from the developed to the less developed participants we must proceed by a somewhat different route. As already remarked, the reconstitution clause permits members to spend up to 70 per cent of their SDR allocations without the need to reconstitute their holdings with the use of other reserve assets. Abstracting from incidental effects of SDR use on the holdings of other reserves, what this provision means is that, out of one billion SDR units created, the long-term potential maximum claim by the group of eighty-seven less developed countries against the resources of the remaining members is about SDR 175 m. (70 per cent of the less developed nations' combined SDR quota of about 25 per cent). However, not all of these eighty-seven countries can be expected to remain in deficit and thus be entitled to use their SDR units in accordance with the 'requirement of need' provisions. From Table III, which summarizes the quarterly net SDR position of the group of eighty-seven less developed participants after the first issue of SDR units had been fully distributed to all members, we find that at the end of the first quarter of 1972 there were in fact thirty-four less developed countries, sharing together 37 per cent of the total SDR allocation to this group (column (2)), with SDR holdings equal to or in excess of their individual SDR allocations; over the course of 1972, this number declined to twenty-nine countries (33 per cent of the group's cumulative allocation). Of these, however, only ten participants, with 25 per cent of the group's aggregate SDR quota, were actually net

SDR creditors, i.e. had maintained payments and reserve positions strong enough to be designated to accept SDR units from other members in exchange for convertible currencies; the remaining nineteen countries, which had maintained their allocations intact, were by and large emerging nations with very small IMF quotas.

These results also indicate that while the number and composition of countries in the individual net use categories tabulated in Table III

Table III

Use of SDR Facility by Less Developed Participants, 1972
(End of quarter)

SDR holdings as % of cumulative allocation	Quarter I (1)	Quarter I (2)	Quarter II (1)	Quarter II (2)	Quarter III (1)	Quarter III (2)	Quarter IV (1)	Quarter IV (2)
100 % to 124 %	34	37	31	34	29	33	29	33
of which:								
Greater than 100 %	(12)	(28)	(11)	(26)	(10)	(25)	(10)	(25)
Equal to 100 %	(22)	(9)	(20)	(8)	(19)	(8)	(19)	(8)
75 % to 99 %	6	15	8	16	8	16	7	16
50 % to 74 %	17	7	16	10	17	10	16	9
30 % to 49 %	23	28	20	28	22	26	18	19
10 % to 29 %	4	10	8	7	7	10	12	16
0 % to 9 %	3	3	4	5	4	5	5	7
of which:								
Less than 50 %	(30)	(41)	(32)	(40)	(33)	(41)	(35)	(42)
Total	87	100	87	100	87	100	87	100

Column (1): Number of participants.
Column (2): Share of cumulative allocation to all less developed participants (%).
Source: Derived from IMF, *International Financial Statistics*, May 1972, p. 7; August 1972, p. 7; November 1972, p. 7; February 1973, p. 7.

tended to vary somewhat from one quarter to another as a result of fresh SDR transactions, a large and growing majority of the less developed participants—nearly sixty countries at the end of 1972 with two-thirds of the overall SDR allocation to the less developed areas—had found it necessary to rely on the SDR facility to a varying degree in dealing with their payments problems. Of these, more than thirty countries with 40 to 42 per cent of the less developed group's combined SDR quota might be described as 'heavy' SDR users, with their SDR drawings exceeding 50 per cent of their individual allocations. By and large, the countries that had depleted their SDR holdings below 50 per cent of their allocations were those facing severe payments problems, low reserve levels, and a growing burden of external debt. If we now assume, on the basis of this information, that the countries found in this group constitute what may be regarded as a hard core of potential long-term SDR debtors, which may account for as much as 40 to 50 per cent of future SDR allocations to the less developed countries as a whole, then out of a billion of freshly created SDRs as much as SDR 100 to 125 m. (40 to 50 per cent of SDR 250 m.) would be allotted to countries whose long-term average use is likely to reach the permitted 70 per cent; under the assumed conditions, the long-term net resource gains accruing to such countries could thus be as much as SDR 70 to 85 m. per SDR 1 billion. To the extent, however, that some of these resources might come not from the advanced countries but from those surplus less developed countries that are liable to designation under the existing designation provisions, net inflow of real resources from the rich advanced countries to the less developed countries taken together as a group might be somewhat less. On the other hand, there will be other less developed participants that over time are likely to show some net resource gains from the surplus advanced countries even though their long-term net average use of SDR units settles at some point below the permitted 70 per cent. In the light of experience to date, which indicates that only a relatively small number of economically less advanced participants have been in a position to be significant net acceptors of SDR units, it seems likely that the latter effect would outweigh the former. It would then appear not unreasonable to conclude that the net long-term potential resource gain to the less developed countries as a group from the creation of an additional SDR 1 billion would lie somewhere in the range of SDR 70 to 100 m. i.e. between 7 and 10 per cent of any particular SDR allocation.

How important are these potential resource flows in relation to other forms of aid from the developed to the less developed countries? The Development Aid Committee (DAC) of OECD estimated that for 1969, the year during which the SDR scheme was negotiated and ratified, the total volume of financial flows from DAC countries to the less developed areas was about $US 13·6 billion. Of this amount, however, nearly half ($6·9 billion) were private capital flows and public export credits, leaving the amount of $6·7 billion as the net flow of nominal official aid from DAC donors to the less developed countries. Making some further adjustments to account for the fact that not all official aid was in the form of outright grants and that some 80 per cent of the aid provided was tied aid, *Mende* has estimated the net amount of resources made available to the less developed countries in 1969 through official channels to lie within the range $US 3·5 to 4 billion.[6] As already indicated, the volume of SDRs created over the first activation period averaged just over $US 3 billion annually (at the 1969 U.S. dollar parity). On the basis of our previous calculations, the potential annual flow of resources to the less developed countries under the SDR scheme would have thus amounted to 5 to 10 per cent of the net official aid provided by DAC countries in 1969.

While the results of these calculations are of necessity somewhat tentative, and might need to be revised in the light of further experience with the SDR facility, they nonetheless indicate that the potential impact of the SDR facility, as the scheme is presently constituted, on future resource flows between the developed and less developed participants remains rather limited when compared with the already existing channels for the provision of official aid. In recent years, however, the adequacy of providing development support through these traditional channels has been increasingly questioned, and we must now review briefly some of the main points of this criticism, before turning to some of the more technical questions of a development link.

II.

The wealthy countries can provide development aid to the less developed areas either by outright transfers of resources in the form of goods or cash grants or by means of various forms of capital aid. What distinguishes capital aid from outright grants is that, since the principal of the loan must ultimately be repaid out of future income of the recipient, it is not the provision of the loan but the terms on which it is granted—the length of the grace and of the amortization period, and the rate of interest—that constitute development aid. Such aid can be provided in many forms: bilaterally, by means of low-cost inter-governmental loans and credits, or even through the medium of private capital markets at subsidized rates of interest; or multilaterally,

[6] See T. *Mende, De L'Aide à la Recolonisation: Les Leçons d'un Échec* (Seuil, Paris, 1972), chapter IV, pp. 67 ff. For a critique of the OECD official aid statistics, see also G. *Myrdal, The Challenge of World Poverty: A World Anti-Poverty Programme in Outline* (Pelican, London, 1970), pp. 303 ff.

through the agency of international development institutions, such as the World Bank (IBRD) and its 'soft-loan' affiliate, the International Development Association (IDA).

The post-war aid programme has met with increasing criticism on two broad grounds. First, the critics have complained of growing 'aid weariness' among the governments of the developed countries. Despite the catch-cry that the 1960s should become a 'development decade', official development assistance provided by the main aid-givers declined from 0·44 per cent to 0·34 per cent of gross national product between 1965 and 1970, and the proportion of outright grants in official development aid has declined from about 95 per cent to 65 per cent since the early 1960s.[7] The flagging aid effort of the developed countries has led to the promulgation of various economic aid objectives for the 1970s—the 'second development decade'. The best known of these is the UNCTAD resolution that the developed countries should aim at providing a net flow of financial resources towards the developing countries of one per cent of gross national product annually. Recognizing that the UNCTAD target included financial flows that were not strictly in the nature of aid, the Pearson Commission proposed a separate target that would require the developed countries to provide net disbursements of official aid equalling 0·7 per cent of their gross national product. *Myrdal*, too, has urged that the burden of aid should be shared among the economically advanced countries on some basis 'amounting to an approach to a system of international taxation'.[8] All these recommendations are well-intentioned enough. But in the absence of a world government with effective taxing powers, their implementation is left entirely to the goodwill of the governments concerned. On the basis of past experience, the prospects for meeting quantitative aid targets, such as those set by the Pearson Commission for the 1970s, must remain highly uncertain.

The second major criticism of the post-war aid effort is that it is not merely the quantitative aspect of the so-called economic assistance to the less developed nations but also its qualitative aspect that require urgent attention. Thus, instead of providing assistance designed

[7] IBRD, *Annual Report 1971*, pp. 47, 61. The donor nations included are the DAC countries: Australia, Austria, Belgium, Canada, Denmark, France, Germany, Italy, Japan, Netherlands, Norway, Portugal, Sweden, Switzerland, United Kingdom and United States.

[8] *Myrdal*, op. cit., p. 353.

primarily to raise productivity and living standards in the low-income countries, the developed countries have by and large paid greater regard to promoting narrow commercial, political, and balance of payments interests of their own: '... bilateral programs of assistance have had as one of their primary objectives helping the high-income countries themselves: they have looked toward financing export sales, toward tactical support of diplomacy, toward holding military positions thought to be strategic.'[9] Two factors are said to have contributed most to the ineffectiveness of many 'assistance programmes' to the less developed countries: high-pressure selling of equipment for not-well-considered projects in the less developed areas, often on 'hard' commercial credit terms, and the tying of aid to the goods of the supplying countries, whether for balance of payments reasons or because of pressures from commercial interests in the donor countries. The former practice, quite apart from contributing heavily to the already critical external debt problem of many developing countries, has been criticized not only for its wastefulness on technical grounds but also for its undesirable economic effects in encouraging the use of production techniques in the less developed countries that are detrimental to a fuller use of their unutilized and underutilized labour potential. The strongest and the most commonly raised objection against aid-tying is that it denies the recipient the opportunity of procuring the required development goods and services at competitive international prices. *Myrdal* claims that such practices have been variously estimated to have increased the cost of development procurements by 20 to 40 per cent, thus reducing the quantum of real aid provided by the aid-tying countries by a similar margin.[10] Another criticism is that, under the pretext of the balance of payments, aid-tying serves as a disguised subsidy to the aid-producing enterprises in the donor country; if this is so, it might be argued that such aid should more appropriately be shown as an internal subsidy to the sectors concerned (e.g. agriculture, armaments), and not as foreign aid. Finally, it is sometimes claimed that while the tying of U.S. aid to food deliveries out of the large U.S. surpluses during the 1960s served the humanitarian purpose of relieving critical food shortages in a number of less developed countries, it also had the unfortunate economic effects of slowing down pro-

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[9] Statement by G. D. *Woods*, President, World Bank Group, *UNCTAD II Conference* (New Delhi, 1968).
[10] *Myrdal*, op. cit., p. 229.

grammes of agricultural expansion and, more important, of fundamental agrarian reform in the recipient countries;[11] had they given direct aid support to such programmes, the developed countries—and the United States in particular—could have provided a more lasting contribution towards relieving the food problems of the poorest underdeveloped nations.

Provision of economic assistance to the less developed countries through the international monetary system differs from other forms of aid in that '... enduring forms of reserve financing should be limited to the less developed countries, the richer ones being called upon, as indeed they have always been in the past, to earn through the transfer of real resources whatever reserves they wish to accumulate in order to enable themselves to avoid premature or unnecessary changes in their domestic policies and/or exchange rates'.[12] The essential problem, however, in applying this principle in practice is that, if the link mechanism is to be relied upon to increase substantially the flow of resources to the less developed countries, the advanced countries might need to continue running current account surpluses and add to their reserves even if such additions may no longer appear necessary in the light of their reserve positions. There is not a great deal of detailed statistical analysis of actual central bank practices relating to reserve management, but what evidence there is suggests a tendency by the advanced countries to accumulate reserves greatly in excess of their assessable requirements. Using quarterly balance of payments data for a wide cross-section of countries, *Rohwedder* and *Schroeder* computed the amount of reserves that would have been needed to cover the payments deficits actually incurred by the countries concerned over the period 1957-68 with a 99·5 per cent probability. Comparing then the results with the actual amounts of reserves held in 1968, they found that in general the advanced countries maintained reserve levels that exceeded their computed requirements by very substantial margins. For the Group of Ten countries, excluding the United States, 'excess' reserves amounted to nearly 55 per cent of actual reserves; for individual countries such as West Germany (75 per cent) and Switzerland (83 per cent), they were markedly higher. Using a similar but a

[11] See, for instance, W. A. *Lewis, Some Aspects of Economic Development* (Ghana Publishing Corporation, Accra, 1969), pp. 6 ff.

[12] R. *Triffin,* 'The Use of SDR Finance for Collectively Agreed Purposes', *Banca Nazionale del Lavoro,* Vol. XXIV, March 1971, p. 9.

more detailed approach, *Felderer* estimated that over the period 1958-65 as much as 88 per cent of Austria's official reserves were 'excess' reserves.[13] If it should then be true that the advanced countries as a group would like to see continuation of their current account surpluses even if it means adding further to their already ample reserves, the link mechanism would satisfy the preferences of all participants by providing the advanced countries with the desired liquidity and the less developed countries with the desired real resources.

But even if this should not be true, or if the willingness of some of the advanced countries to add further to their reserves should be weakened as a result of other factors, e.g. undesirable capital inflows, there is yet another important argument for linking aid with SDR creation if the purpose of the SDR unit is to replace commodity money with international fiat money; it was precisely for the purpose of supplementing gold in the world monetary system that the SDR unit was initially created. In these circumstances it might be argued that the saving of real resources effected by the SDR scheme should not be distributed haphazardly among those countries which finance their deficits with the rest of the world with the use of newly-created SDR units but that the resources so released should accrue to those countries needing them most, i.e. the poor developing nations. While most advocates of the link would be content to accept the underlying value judgment that such a distribution of potential welfare gains from the SDR scheme would be a better one than any other distribution, *Cohen* would argue that the case for the link becomes even stronger when we consider the nature of the process by which the costs of international adjustment are distributed between the advanced and the less developed countries.[14] In his view, it is the specialized low-income exporters of primary commodities that bear the lion's share of the cost of international adjustment in so far as any adverse movements in the external productivity of their exports lead to losses of income that cannot be readily offset by compensatory domestic policies. Being the

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[13] J. *Rohwedder* and U. *Schroeder*, "Der Bedarf an Währungsreserven", *Weltwirtschaftliches Archiv*, Vol. CV, 1970, pp. 430 - 47; and B. *Felderer*, "Die Sozialen Kosten von Waehrungsreserven", *Zeitschrift fuer Nationaloekonomie*, Vol. 28, 1968, pp. 217 - 33.

[14] B. *Cohen, Adjustment Costs and the Distribution of New Reserves*, Princeton Studies in International Finance No. 18 (Princeton University, 1968).

weakest trading partners in the system, such countries often attempt to reduce their vulnerability to adverse outside influences by adopting policies of diversification and industrialization which, when they cannot be financed from capital inflows and outside grants, only further drain their reserves and so increase their vulnerability to outside pressures. *Cohen* would contend that in these circumstances the link could hardly be regarded simply as a device for tricking the industrialized nations to give the less developed nations 'something for nothing'; the developed nations are well aware, or should be, that in the absence of stabilization programmes for many major primary commodities they are able to shift the cost of international adjustment into the providers of such commodities. To the extent, then, that the link would allow the distribution of the benefits from future liquidity creation to be more closely related to the present distribution of adjustment costs among SDR participants, it would also provide an element of compensation for those countries that 'until now have been obliged to pay the highest price for the privilege of membership in the system'.[15]

III.

The simplest method of establishing a development link within the existing SDR scheme would be to allocate agreed amounts of SDR units to the less developed participants directly. This 'direct' form of the link could be introduced in several alternative ways: (a) by altering the present method of distributing SDRs, so that the developing participants receive a larger share of SDR allocations than their existing share of IMF quotas; (b) by voting special SDR issues that would be distributed to the less developed countries on the basis of some agreed formula; (c) by enlarging the present IMF quotas of the less developed countries, while retaining the quota structure as a basis for SDR distribution; this method would not only raise the less developed countries' participation in SDR allocations, but would also increase their share of ordinary IMF drawing rights and their aggregate IMF voting power. Any of these three measures could be supplemented by waiving the provisions under which the less developed participants are obliged to reconstitute their SDR holdings to the required 30 per cent of their cumulative allocations.

[15] Ibid., p. 34.

The key question arising from this type of link is its likely impact on the flow of resources from the developed to the less developed participants. Since the 'direct' link would presumably leave unaltered the conditions under which participants may have recourse to the SDR facility in obtaining the needed currencies, this impact would depend essentially on two factors: first, on the extent to which the less developed countries as a group were allotted SDR units in excess of their present share of roughly 25 per cent of new SDR allocations; and second, on the annual rate of future SDR creation. In the light of our earlier discussion, even if the rate of SDR creation were maintained at some $US 3 billion a year, which seems doubtful now that the new allocation due on 1 January 1973 has been postponed, any small changes in the basis for SDR distribution would only have a modest quantitative impact on potential resource flows between the developed and less developed participants in relation to the annual flow of aid provided by the developed countries through other official channels.[16] This result would not be all that significantly altered even if the adoption of the 'direct' link encouraged the less developed participants to spend the additional SDRs through payments deficits that might otherwise not have occurred without the link. For the link to become a major source of economic aid, therefore, what would be required is a drastic change in the present basis for SDR allocation, e.g. by allotting SDRs only to the less developed participants and possibly waiving the reconstitution provisions, together with a massive and sustained infusion of new SDR units into the system. This, of course, is not to deny the usefulness of the 'direct' link in supplementing the economic aid that may be available to the less developed countries from other sources, but merely to point out its limitations in the absence of any major changes in the future creation and distribution of SDR units.

These limitations apart, the direct form of the link poses several other technical problems. First of all, since the function of the SDR facility would no longer merely be to supplement world liquidity but also to allocate additional financial resources for development purposes, it might be a great deal more difficult to formulate generally acceptable criteria that are to govern future SDR creation; the link might also make future SDR decisions more difficult to implement, given that the influential countries not wishing to support any particular SDR allo-

[16] See p. 70 above.

cation could abstain from participating in that allocation or could attempt to block any future SDR increases through the exercise of their veto power. Even if the advanced participants could agree on increasing the aggregate share of SDR units allotted to the developing countries, on what basis should such increases be distributed among the potential recipients? There are clearly a number of criteria under which a poor less developed country could qualify for increased assistance, but how are such criteria to be ranked? Of necessity, the increased SDR allocations would need to be distributed among the less developed countries on some rule-of-thumb basis, and the arbitrariness of such procedure could be expected to increase even further the difficulties of administering the link.

The second major problem with the 'direct' link is its potential inflationary impact on the world economy. As already remarked, the countries at present entitled to use SDR units are deficit countries with a 'balance of payments need' as defined in the IMF Articles. To the extent that newly-created SDR units finance deficits that might otherwise not have arisen, the existing SDR system already puts pressures on the resources of those countries that may be called upon to provide the counterpart real resources through larger export surpluses. Some opponents of the link have therefore expressed concern that, since the additional real resources which the developed countries could be called upon to provide as a result of the linking arrangements would normally not be appropriated through the budget, the link may become a mechanism for inflationary financing of economic development through the issue of new international money.[17] The force of this argument, however, depends on the extent to which the authorities of the advanced countries succeed in framing their monetary and budget policies so as to bring the various components of the total demand for resources, including those originating in the export sector from the existence of the link, into balance with available supplies. If such policies should be successful, there is no reason to expect that development financing through the link should be any more inflationary than the provision of ordinary aid. It is of course true that in the absence of a determined effort by the advanced countries to make the transfer mechanism of the link effective through the use of appropriate financial

[17] See G. *Haberler*, 'The Case Against the Link', *Banca Nazionale del Lavoro*, Vol. XXIV, March 1971, pp. 12 - 22.

measures, it would always be possible to mitigate the potential inflationary impact of the link by reducing the scale of new SDR creation; but any attempts to do so might be in conflict with the link's basic objective of substantially enlarging the flow of economic assistance to the less developed areas.

Finally, there is the question of how the currency contributions needed to make the link operative would be shared among the developed countries. As already remarked, under the present designation procedure the onus of providing currencies for the use of deficit participants lies on countries in a 'strong balance of payments and reserve position'; the amounts of SDR units accepted from other participants earn interest of $1^1/_2$ per cent which is far below the rates obtainable in the world currency markets, and to that extent the present SDR procedure works to the disadvantage of those countries that may be called upon to provide currencies in exchange for SDR units. If a significantly larger volume of SDR units were to be allocated to the developing nations, it seems clear that the mechanism for the provision of the required currencies could no longer be left to the haphazard factors which influence the pattern of payments imbalances among the world's wealthiest countries but would need to reflect the capacity of the rich industrial members to provide development assistance in accordance with some broader non-financial criteria. These considerations raise some further issues that will be considered next.

IV.

The method of directly allotting SDR units for development purposes is not the only form of the link that could be adopted. An arrangement that would channel capital aid from the developed to the developing countries through the agency of established development institutions, such as the IBRD or the IDA, is known technically as an 'organic link'. In a national monetary system, the purpose of money creation through expansion of bank credit is not merely to provide the community with liquid assets facilitating exchange but also to distribute its capital among alternative uses. It might then be argued that if the world monetary system has now reached a stage of development where new international money can be created by collective action, it should also serve the purpose of promoting a more balanced use of the world's capital between the more developed and the less developed countries.[18] Thus, as part of the process of new reserve creation, the advanced countries with relatively abundant capital resources would make part of their resources available for development projects capable of enlarging the productive powers of the world economy in much the same manner as in the course of domestic money creation resources are normally transferred from lenders to borrowers through the expansion of credit. The 'borrowers' in this case would be low-income countries with inadequate resources to finance economically and socially worthwhile projects.

The basic notion of the organic link first appeared in a 1965 UNCTAD Report dealing with the special monetary problems of the developing countries.[19] The Report proposed the creation of new reserve units which would be distributed to all participants on the basis of some acceptable formula, e.g. in proportion to members' IMF quotas. Unlike the subsequent SDR scheme, however, the Report envisaged that in return for the units received the participants would deposit counterpart national currencies with the IMF. More important, part of the currencies so deposited would be used by the IMF to purchase bonds issued by the IBRD, thus providing the latter with resources for financing development projects in the emerging nations.

It is the last feature of the U.N. proposal that underlies the various alternative forms of the organic link that could be adopted. New issues of reserve units would continue to be determined in the light of global reserve requirements and be distributed among participants by allotment. But in order to secure their share of the new reserve units, the economically advanced countries would now need to enter into advance commitments to finance IBRD operations. The burden of real financing of IBRD loans for the developed countries as a group would then be determined by the overall size of their commitment to provide currencies for IBRD purposes, either directly or through the IMF. However, as the loans provided by the IBRD are not tied loans, the national currencies of the developed countries actually disbursed by the IBRD need not necessarily return to their country of origin, unless each of the contributing developed countries

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[18] See M. *Fleming*, 'The SDR: Some Problems and Possibilities', *International Monetary Fund Staff Papers*, Vol. XVIII, March 1971, pp. 36 ff.

[19] U.N. *International Monetary Issues and the Developing Countries* (New York, 1965).

secured an amount of orders for development goods equal to its currency contribution earmarked for IBRD use. Any failure of orders to match contributions would entail some redistribution of reserves among the developed countries in so far as countries with excess orders would acquire currency claims against countries experiencing shortfalls. The ultimate effect on the net reserve position of each developed member would therefore depend not on its initial share of the new reserve units but on its capacity, and willingness, to transfer real resources by accepting orders for development goods generated by the World Bank's investments in the less developed countries. This feature of the scheme has a further important implication. Even if some countries wished to have no part in any collective aid arrangements and continued to opt out of future SDR allocations, thus forfeiting their share of new reserve allotments, they need not be excluded from playing a part in the essential process of providing development resources so long as they remain in a position to compete for orders generated by the IBRD investments. To that extent, they would earn reserves in the form of currencies disbursed by the IBRD. In these circumstances, the burden of real financing of development loans would extend beyond the circle of those countries that actually take up the new reserve units. The failure of the developed countries to co-operate by taking up fresh reserve allocations, however, would have the effect of limiting the scale on which the IBRD could continue to finance its activities.

The main difference between the SDR liquidity system and that proposed by the U.N. Report is that the former contains no mechanism for the central pooling of national currencies in the IMF; instead, the participants only assume an obligation to provide currencies when required to do so by the IMF. For the organic link to become operative, further rules would need to be drawn up for the provision of currencies required by the IBRD, or a similar development institution, to finance its activities. One possibility is that once a decision had been taken on what the next SDR allocation should be, the developed participants would 'buy' with convertible currencies an amount of SDR units needed by the World Bank to support its operations during the forthcoming activation period; their individual acceptance obligations could then be based on a mutually satisfactory formula, e.g. in proportion to IMF quotas or gross national product.

This mechanism would mobilize the currencies needed for the financing of multilateral capital aid, and these could then be used in accordance with the financial practices of the receiving development institution. At present, the World Bank can obtain funds from three sources: capital subscriptions of member countries, direct borrowing from member states, and sales of its own securities. The bulk of the Bank's capital remains unpaid, and merely serves as a security for its own obligations. The Bank has moreover shown reluctance to borrow from member countries. Its new fund requirements must be met almost entirely by sales of its own bonds in the world capital markets, to the central banks of member countries and to international institutions; in the 1971 fiscal year such sales realized close to $US 1·4 billion. In so far as the Bank's sales of bonds in the open market draw upon investible funds that would otherwise have been absorbed domestically in the subscribing countries, this method of financing also facilitates the real transfer of the Bank's loans. However, it also forces the Bank to compete for funds with the commercial enterprises and governments of the advanced countries. The cost at which the Bank can secure additional funds thus tends to be high and may fluctuate markedly from one period to another; for example between 1970 and 1971 the Bank's borrowing costs, weighted by amount and maturity, rose from 7·54 per cent to 8·07 per cent, necessitating an increase in its lending rate from 7 to $7^1/_4$ per cent. The fact that the Bank has to borrow on the open market does not mean that its loans contain no concessionary element. This element remains present so long as the Bank can offer loans with grace and maturity periods longer than those available on other commercial loans and so long as its other investments allow it to charge lending rates that are lower than the rates at which it can currently acquire funds in the market. However, according to the Bank's own estimates, the concessionary element in the loans provided by the multilateral development institutions is still rather low when compared with other official aid and outright grants; for 1967-69, it was only about half that provided by low-interest Soviet-Sino and DAC 'official development' loans (which carried an interest rate of 2 per cent) and less than one-third when compared with outright grants which, of course, have a concessionary element of 100 per cent.[20]

Given the present World Bank practices of raising finance to support its operations, an organic link with the SDR scheme would under present conditions serve its most useful purpose by increasing the

[20] See IBRD, *Annual Report 1971*, pp. 48, 69 (Table 10).

concessionary or aid component in future Bank lending to the less developed countries. This could be accomplished in either of two ways. First, the currency subscriptions of the developed countries could be deposited with the IMF which would then stand ready to absorb special issues of IBRD long-term bonds at concessionary rates of interest. Over time, the lowering of the cost of the Bank's own outstanding debt would allow it to support an increasing range of development projects on terms comparable to those available under other low-cost programmes. In the course of such operations, the IMF would earn additional income from its bond holdings; such income could either be credited to the accounts of the developed participants in proportion to their acceptance obligations, thus providing the IMF with national currencies needed for its ordinary operations, or returned to the countries concerned. If the latter course were adopted, a similar procedure might be that the low-interest IBRD bonds are sold directly to the central banks of the countries putting up national currencies for development purposes in exchange for SDR units. At present, only about 18 per cent of the Bank's debt is held by the monetary and public authorities of member countries, with the rest being held by private entities. The practice of placing an increasing volume of IBRD bonds with the public authorities of the advanced countries might also have the advantage of adding another asset to the existing spectrum of internationally negotiable assets, thus providing the authorities with further means of strengthening their 'second-line defences' against transitional payments disturbances.

The method of raising finance has been the main factor influencing the Bank to grant loans for projects of assessable commercial value and at relatively high rates of interest. Increasingly, however, the Bank has recognized the urgent need for broadening the scope of its development assistance to fields such as agricultural extension programmes, transportation, population planning, and education. Many such projects cannot be assessed by ordinary commercial standards, and the task of financing them has fallen to the IBRD's affiliate, the International Development Association. The main source of the IDA's funds is capital subscriptions from member countries, supplemented by grants from the net income of the IBRD; since 1964, such grants have amounted to $US 485 m. This method of financing enables the IDA to provide interest-free credits, subject only to a service charge of three-quarter per cent, of up to fifty years and with a grace period of about ten years. Since 1960, such credits have grown to nearly $US 3·5 billion, and this growth has only been constrained by the inability of the IDA to raise funds on a scale that would keep pace with the demand for its resources. At the end of the 1971 fiscal year the IDA's loanable resources became exhausted, and although the developed participants pledged themselves to provide an additional $US 2·4 billion during the triennium 1971-74, the pledges were not met and the IDA's lending programme under the third replenishment had to be postponed. Given the nature of the IDA's operations, and its reliance on direct contributions from member countries, it has been variously suggested that it is the IDA's assistance programme to the less developed countries that should be the prime beneficiary of any future link between the SDR scheme and development assistance. The Bank, because of its excellent credit standing in the world capital markets and its large resources to guarantee its own debt against default by ultimate borrowers, would then continue to tap the world's private sources of development capital which might otherwise not be easily accessible to the individual less developed countries.[21] One way of linking the SDR scheme with the IDA's assistance programme would be to allocate a specified proportion of future SDR allocations directly to the IDA which would then negotiate the SDRs it receives for convertible currencies. However, SDRs cannot at present be held outside the member countries and the IMF, and a further amendment of the IMF Charter would be necessary. If such an amendment should prove difficult to negotiate, it might still be possible to accomplish the same purpose by allowing the currency proceeds from future SDR allocations to the developed countries to be channelled directly into their IDA subscriptions.

While the effect of the various forms of the organic link on the future flow of development resources to the less developed world is difficult to foresee—for this depends not as much on the technical nature of the link as on the willingness of the rich countries to participate and on the extend to which each government may substitute one form of aid for another—their main merit is that they could increase substantially the concessionary element in international lending for development pur-

[21] For the difficulties facing the less developed countries attempting to raise finance in the international capital markets on their own account, see R. N. *Cooper* and E. M. *Truman,* 'An Analysis of the Role of International Capital Markets in Providing Funds to Developing Countries', *Weltwirtschaftliches Archiv,* Vol. CVI, 1971, pp. 153 - 83.

poses. Over the past decade, economists have been increasingly concerned about the extent to which the rapidly growing external debt burden of many less developed countries impinges upon their development effort. At the end of 1969, the accumulated external public debt of 80 developing countries stood at $US 58·9 billion (including $US 13 billion of undisbursed payments), and their debt service payments amounted to almost $US 5 billion; nearly 75 per cent of this debt was owed by sixteen countries. While during the 'first development decade' the GNP of the less developed countries as a group grew at an annual average rate of about 6 per cent, their total external debt was rising at 14 per cent a year, and their debt service payments at 9 per cent. In 1969, there were thirteen countries with a debt service ratio of over 15 per cent of their foreign exchange earnings; of these, seven had a ratio in excess of 20 per cent. In the view of experts, the rapidly worsening debt problem confronting many developing nations must be mainly attributed to the fact that '... while the flow of resources in those categories with a relatively high concessionary element has grown very slowly or not at all for the past few years, growth in most of the "hard term" categories has been rapid and, from all indications, appears likely to continue unabated, at least for the immediate future'.[22]

It would of course be unrealistic to imagine that an SDR link with development finance—even if it were to be adopted immediately—could provide a quick and effective solution to the problem of indebtedness of the less developed countries which may soon assume crisis proportions. To do so on a lasting basis would require, first of all, drastic changes in the commercial policies of the developed countries so as to provide the less developed debtors with opportunities to increase substantially their gross foreign exchange earnings with which to service their growing foreign debts; in this regard, the rich advanced countries have so far been unwilling to make any substantial concessions. Second, given the size and distribution of the overall debt, any attempt to re-finance the bulk of the present 'hard-term' debt by means of long-term credits with a high concessionary content would require a worldwide aid programme of unattainable dimensions; the IDA has had trouble enough to raise a fraction of the resources that would be needed for this purpose merely to continue its operations. Nonetheless, an organic link of the type envisaged here would at least provide a technically feasible method for reversing the past trends toward 'hard-term' capital flows

[22] IBRD, *Annual Report 1971,* pp. 48, 50 ff.

which can only aggravate the already critical debt position of many less developed countries. More important, any attempt to negotiate a viable and enduring link between international liquidity and development assistance would call for a close hard look at the entire post-war economic aid effort, a reappraisal that is now long overdue.

Zusammenfassung

IMF-Sonderziehungsrechte und Entwicklungshilfe

Das Problem eines „link" zwischen der Entwicklungshilfe und den IMF-Sonderziehungsrechten ist seit deren Einführung Gegenstand einer ausgedehnten Kontroverse. Die Gegner des „link" bestehen darauf, den Charakter des Systems der Sonderziehungsrechte auf die Schaffung von Reserven zu begrenzen, ohne darin gleichzeitig einen Mechanismus für den Transfer von realen Ressourcen zwischen bestimmten Teilnehmergruppen einzubauen; nach ihrer Auffassung würde die Einführung eines „link" das Risiko mit sich bringen, andere wichtige Formen der Entwicklungshilfe zu beeinträchtigen, so daß die Bereitstellung von Sonderziehungsrechten erschwert und die weltweite Inflationierung gefördert würde. Demgegenüber geben andere Ökonomen zwar zu, daß diese Gefahren vermieden werden müssen, doch bezweifeln sie, daß der Mechanismus der Sonderziehungsrechte in bezug auf den internationalen Transfer von Ressourcen „neutral" sein könnte bzw. sollte, solange derartig große Unterschiede im Einkommen, der ökonomischen Struktuur und der Spar- und Kapitalbildungsrate zwischen den wirtschaftlich entwickelten und unterentwikkelten Mitgliedern bestehen. Der vorliegende Beitrag beschäftigt sich mit den Hauptproblemen dieser Kontroverse sowohl im Lichte der aktuellen Erfahrungen mit den Sonderziehungsrechten als auch vor dem breiteren Hintergrund der Entwicklungshilfebemühungen nach dem Zweiten Weltkrieg.

Unter Verwendung von Zahlen, die die Inanspruchnahme von Sonderziehungsrechten durch verschiedene Teilnehmergruppen aufzeigen, wird im ersten Teil der Versuch einer Bewertung derjenigen Ressourcenströme zwischen entwickelten und unterentwickelten Ländern unternommen, die wahrscheinlich das Resultat des gegenwärtig praktizierten Systems der Sonderziehungsrechte sind; die Ergebnisse werden dann mit anderen Formen der offiziellen Entwicklungshilfe verglichen. Im zweiten Abschnitt werden die wichtigsten Kritikpunkte dargestellt, die gegen die traditionellen Formen der Entwicklungshilfe erhoben wurden. Die Diskussion des dritten Abschnitts konzentriert sich auf die Techniken und Probleme, die mit einer Verteilung von erhöhten Sonderziehungsrechten an Entwicklungsländer verbunden sind. Abschließend werden die Vorzüge eines „organic link" — einer Methode der Finanzierung von Projekten der Entwicklungshilfe mit Sonderziehungsrechten über bereits existierende Kapitalmärkte — diskutiert, wobei die externe Schuldenlast der Entwicklungsländer berücksichtigt wird.

Die Ergebnisse der Untersuchung stützen die Ansicht, daß das System der Sonderziehungsrechte in seiner gegenwärtigen Form realistischerweise in bezug auf den Transfer realer Ressourcen zwischen einkommensstarken und -schwachen Ländern nicht als „neutral“ angesehen werden kann; solange die Form der Inanspruchnahme von Sonderziehungsrechten wie in den Anfangsstadien ihrer Einführung anhält, werden die Netto-Ressourcengewinne der unterentwickelten Länder insgesamt zwischen 7 und 10 Prozent betragen, unabhängig davon, wie die Sonderziehungsrechte verteilt sind. Zweitens erscheint es notwendig, die gegenwärtige Basis für die Zuteilung von Sonderziehungsrechten erheblich zu ändern, wenn der „direct link“ einen bedeutsamen Beitrag für die Ressourcenströme in Entwicklungsländern leisten soll. Schließlich besteht der wesentliche Vorzug des „organischen link“ darin, daß er eine technisch praktikable Methode darstellt, die Bedingungen der Vergabe von Entwicklungskrediten zu verbessern.

Summary

IMF Special Drawing Rights and Economic Aid to Less Developed Countries

The issue of a ‘link’ between the Special Drawing Rights scheme in the IMF and development assistance to developing countries has been the subject of considerable controversy since the scheme’s inception in 1970. The opponents of the ‘link’ have stressed the necessity of preserving the character of the SDR facility as a reserve-creative system without any in-built mechanism for the transfer of real resources among specific groups of participants; in their view, introduction of the ‘link’ would run the risk of impinging upon other important sources of assistance to developing nations, make the provisions of the SDR scheme more difficult to implement, and add to world inflationary pressures. While admitting the need to avoid these dangers, other experts have expressed doubts that the SDR liquidity mechanism can, or indeed should, be expected to remain ‘neutral’ with respect to international resource transfers, given that large differences in incomes, economic structures, and rates of savings and capital formation continue to prevail between the economically advanced and less advanced participants. The present study addresses itself to the main issues arising out of this debate in the light of actual experience with the SDR facility and against the broad background of the post-war economic aid effort.

Using published data on SDR usage by various groups of participants, the first section attempts an appraisal of the resource flows between the developed

and less developed participants that are likely to result from the operation of the SDR scheme in its present form; the results are then compared with other major sources of official development aid. The second section considers the main criticisms that have been levelled against traditional forms of aid. In the third section, the discussion focuses on the techniques, and problems, of allotting larger amounts of SDR units to the less developed participants directly. Finally, the merits of an 'organic link', i. e. method of SDR financing of development projects through existing capital market channels, are discussed with reference to the external debt burden of the developing nations.

The findings of the study provide support for the view that the SDR scheme, as it is presently constituted, cannot realistically be expected to remain 'neutral' with respect to real resource transfers between high and low-income participants; if the pattern of SDR usage established in the early stages of the scheme's existence were to prevail, the net potential resource gains to the less developed countries as a group might lie between 7 and 10 per cent of any particular SDR allocation. Second, for the 'direct link' to add significantly to such resource flows, it would appear necessary to alter drastically the present basis for SDR allocations. Finally, the chief merit of the 'organic' form of the link is that it would provide a technically feasible method for increasing the concessionary element in future development lending.

Résumé

FMI-Droits de tirage spéciaux et aide au développement

Le problème d'une « connexion » entre l'aide au développement et les droits de tirage spéciaux du FMI est depuis la création de ces derniers l'objet d'une sérieuse controverse. Les opposants à la « connexion » exigent de limiter la nature du système des droits de tirage spéciaux à la création de réserves, sans y introduire un mécanisme de transfert de ressources réelles entre certains groupes de participants; de leur avis, l'introduction d'une « connexion » comporterait le risque de réduire d'autres formes importantes de l'aide au développement, ce qui ne faciliterait pas la mise à disposition de droits de tirage spéciaux et stimulerait l'inflation mondiale. D'autres économistes en revanche, s'ils reconnaissent que ces périls doivent être écartés, ne croient guère que le mécanisme des droits de tirage spéciaux puisse ou doive être « neutre » à l'égard du transfert international de ressources aussi longtemps que subsisteront d'aussi énormes différences de revenu, de structure économique et de taux de formation d'épargne et de capital entre les pays membres économiquement développés et ceux qui ne le sont pas. L'auteur se penche sur les problèmes essentiels de cette controverse tant sous l'éclairage des expériences actuelles faites avec les droits de tirage spéciaux que dans l'optique plus large des efforts d'aide au développement consentis depuis la deuxième guerre mondiale.

En exploitant des données chiffrées sur le recours de divers groupes de participants aux droits de tirage spéciaux, un essai d'évaluation des flux de ressources entre pays développés et sous-développés constituant vraisemblablement le fruit du système des droits de tirage spéciaux tel qu'il se pratique aujourd'hui est entrepris dans un premier chapitre; les résultats sont alors comparés à d'autres formes de l'aide officielle au développement. Le deuxième chapitre détaille les principales critiques adressées aux formes traditionnelles d'aide au développement. Les techniques et les problèmes liés à une répartition entre les pays de développement de droits de tirage spéciaux plus élevés font l'objet d'un troisième chapitre. Finalement, l'auteur examine les avantages d'une « connexion organique » — une méthode de financement de projets d'aide au développement sur des droits de tirage spéciaux par l'intermédiaire de marchés financiers existants —, qui tienne compte de la charge des dettes envers l'étranger des pays en voie de développement.

Les résultats des l'étude confirment la position de ceux qui soutiennent que le système des droits de tirage spéciaux en sa forme actuelle ne peut, si l'on entend demeurer réaliste, être estimé « neutre » à l'égard du transfert de ressoureces réelles entre pays à revenu élevé et pays à revenu faible; aussi longtemps que la forme du recours aux droits de tirage spéciaux demeurera celle des premiers temps de leur introduction, les gains nets en ressources des pays sous-développés représenteront de 7 à 10 %, quel que soit le système de répartition des droits de tirage spéciaux. Au surplus, il paraît indispensable de changer radicalement la base d'attribution des droits de tirage spéciaux, si l'on veut que la « connexion directe » apporte une contribution significative aux flux de ressources vers les pays en voie de développement. Enfin, le principal avantage de la « connexion organique » réside dans le fait qu'elle constitue une méthode, techniquement praticable, d'amélioration de l'octroi de crédits de développement.