

Collective action clauses gain support

Three recent international sovereign bond issues containing collective action clauses (CACs) have been a resounding success, putting an end to emerging market countries' fears that such clauses would raise borrowing costs. There is no evidence that the bonds issued by Mexico, Brazil, and South Africa under New York law included a yield premium either at launch or in subsequent trading. Moreover, Uruguay successfully exchanged almost all of its privately held external debt into bond instruments that contained CACs, enabling it to avert a debt default.

The IMF has been promoting CACs as a tool for making sovereign debt restructuring more orderly and predictable. If a country is at risk of defaulting on its debt, CACs would prevent a small group of creditors from blocking a debt restructuring favored by the majority of creditors. Although CACs have long been included in bonds issued under English and Japanese law, they had not normally been included in issues in New York's bond market. An IMF paper on this issue, "Collective Action Clauses: Recent Developments and Issues," is available on the IMF's website at <http://www.imf.org/external/np/psi/2003/032503.htm>.



Debt for health

The World Bank has launched an innovative program to help eradicate polio worldwide by 2005. Developing countries will receive loans from the International Development Association (IDA), the World Bank's arm for concessional lending to the poorest countries, to finance national polio eradication programs. When a country successfully completes its program, its loan will be bought down by the Investment Partnership for Polio, which comprises the World Bank, the Bill and Melinda Gates Foundation, Rotary International, and the United Nations Foundation. To fund the buy-downs, the partnership has established a trust fund with \$25 million from the Gates Foundation and \$25 million from Rotary

International and the UN Foundation. This \$50 million investment will buy down \$120–140 million in IDA loans.

In April, the Bank approved a \$28 million interest-free loan for the purchase of oral polio vaccine in Nigeria, and, in May, it approved a \$20 million loan to Pakistan. The partnership said it would move quickly in the coming months to fund the immunization of children in other countries where polio is still endemic. It has called on the international community to help it close a funding gap estimated at about \$275 million.

In 1988, polio was endemic in more than 125 countries, paralyzing over 350,000 children each year. In 2002, polio was endemic only in Afghanistan, Egypt, India, Niger, Nigeria, Pakistan, and Somalia. However, in January 2003, Lebanon had its first case of polio in nearly 10 years, with the virus probably imported from India. Unless polio is eradicated in all countries, it could recur in countries that have been free of it for years.

IMF increasing technical assistance for Africa

On May 29, the IMF inaugurated its second African Regional Technical Assistance Center (AFRITAC), in Bamako, Mali. The first opened in Dar es Salaam, Tanzania, in October 2002. The centers were established as part of the IMF's Africa Capacity-Building Initiative in response to a request from African leaders for assistance in strengthening their countries' institutions. The centers will work closely with the World Bank, the African Development Bank, African regional institutions, and country donors.

The AFRITAC in Bamako serves 10 countries in West Africa—Benin, Burkina Faso, Côte d'Ivoire, Guinea, Guinea-Bissau, Mali, Mauritania, Niger, Senegal, and Togo. The AFRITAC in Dar es Salaam serves 6 countries in East Africa—Eritrea, Ethiopia, Kenya, Rwanda, Tanzania, and Uganda. To date, the Dar es Salaam center has initiated some 20 capacity-building projects. If they are successful, the IMF plans to set up three more centers to cover all of sub-Saharan Africa.

EVENTS COMING UP IN 2003

June 11–13	Africa Economic Summit 2003	Durban, South Africa
June 21–23	World Economic Forum Extraordinary Annual Meeting	Jordan
September 10–14	Fifth World Trade Organization Ministerial Conference	Cancun, Mexico
September 23–24	IMF-World Bank Annual Meetings	Dubai, U.A.E.
November 6–7	Fourth Annual IMF Research Conference: Capital Flows and Macroeconomic Cycles	Washington, D.C.

Improving management in developing countries

The International Finance Corporation (IFC), the private sector arm of the World Bank Group, is launching a pilot program to address the scarcity of well-trained managers in developing and transition countries by strengthening business schools in these countries and helping them become more fully integrated with international academic networks of business management. The Global Business School Network, headed by Guy Pfeffermann, the IFC's former Chief Economist, will complement existing bilateral programs in this area.

The IFC has begun working on a proposal with the Lahore University of Management Sciences in Pakistan and obtained World Bank financial support for teams from the University of Michigan's William Davidson Institute to evaluate graduate (MBA) business education in several African countries. This summer, 10 MBA students from European and U.S. schools participating in the network will work with local MBA students at small and medium-sized businesses in Botswana, Cambodia, Mali, Mauritius, Nigeria, South Africa, Ukraine, and Uzbekistan. The network is also initiating work with the Indian Institute of Management, Bangalore.

Money games

The IMF Center has developed educational modules and interactive games that are a fun way for young people to learn about international economics and the IMF's activities. "The IMF in Action" and "Monetary Mania" are geared to high school students, while "Where in the World and What in the World Is Money?" and "Trading Around the World" have been developed for younger children. These games can be accessed at the center's website, which also provides information about other IMF Center events and activities:

<http://www.imf.org/external/np/exr/center/students.htm>



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"The effect of climate is clearly not the only ruling constraint on economic development; nor is it suggested that development in today's poor countries would be unbounded if this effect could be removed. What is claimed is that climatic factors severely hamper development through their impact on both man himself and on his agriculture."

From an article by Andrew M. Kamarck in the June 1973 issue of Finance & Development.

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