

### Growth in Concessional Financing

In an effort to cope with the existing financial malaise afflicting most LDCs, many countries are hesitant to contract new debt unless the terms are very advantageous. As already noted, most developing countries have cut back sharply on the large public sector projects for which export credit insurance and financing have traditionally been sought. However, for those purchases which are still being made by developing countries, there is a growing demand for officially backed financing or financing on concessional terms.

In the context of weak demand, competition among national governments, through their official credit agencies, has intensified. Some agencies have adopted a very aggressive position in markets they consider desirable. In those LDC markets which have managed to avoid severe financial constraints, exporters and their governments have offered concessional financing to such a degree that several of the most important markets, including China, India and Indonesia, are considered "spoiled". This term reflects the fact that their governments will only consider making major purchases of goods or services from suppliers able to offer below market-rate financing. For instance, there is a regulation in Indonesia, spurred by aggressive Japanese