PART II
INTERNATIONAL FINANCIAL INSTITUTIONS (IFIs)

Common Features of IFIs

All five of the international financial institutions outlined here share common characteristics:

- Their *common goal* is to participate in the ongoing efforts of Third World countries to accelerate economic growth and social development.
- Their *function* is to lend capital and provide policy advice to enable developing countries to carry out specific projects, mainly in the public sector. Projects are chosen for their medium and long-term benefits to the borrowing country's economy and must generate tangible returns to help repay the loan.
- *Membership* in the IFIs is composed of sovereign governments from developed as well as developing countries. Each member subscribes to the organization's capital according to predetermined amounts; some members voluntarily contribute to special categories of resources used to make loans on concessional (easier) terms.
- *Operational authority* comes from a Board of Governors in which each member country is individually represented (usually the country's finance or aid minister or equivalent). The Governors, in turn, delegate day-to-day responsibility for operations to a Board of Directors, in which groups of countries are represented collectively by an Executive Director, chosen by ballot. (Canada is represented in each IFI Board of Directors by a Canadian national.)
- *Voting power* within each organization is a function of each member's relative share of the capital subscriptions; however, decisions are normally taken by consensus.
- IFIs finance most of their lending operations out of *borrowings* in the international capital markets (up to nine dollars borrowed for every one dollar subscribed).
- IFIs make loans on different terms, depending on whether the borrowing country is creditworthy or too poor to afford interest payments. For the former, the IFIs lend money from their *ordinary capital resources* and charge interest over the life of the loan. For poorer borrowing members, money is made available from special *concessional resources* at no, or very low, interest for longer periods. Because Canada contributes to both of these resources in all of the IFIs, Canadian companies are eligible to submit proposals for consulting work financed by either type of loan.
- *Procurement* of goods, equipment and related services, and civil works, with the proceeds of IFI loans must be done in a manner that maximizes the effectiveness of public expenditures, provides borrowing countries with best value for their money, and gives potential foreign suppliers a chance to participate.
- For *consulting services* financed by their loans, IFIs recommend an approach in which *quality* is the overriding factor in consultant selection. Normally, borrowing countries have the primary responsibility for selecting consultants, with IFIs vetting various steps in the process, including the final selection. As outlined in Part I, IFIs can also contract directly for consulting services.