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THE WORLD BANK UNDER R. McNAMARA AND A. W. CLAUSEN (5)

—WORLD BANK'S LENDING BEHAVIOR AND THE INTERNATIONAL FINANCIAL SYSTEM*—

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I. *Characteristics of the Bank's Decision-Making Process*

This dissertation has examined the World Bank's lending behavior in order to analyze its decision-making process. The Bank President, the staff members and the Board of Executive Directors are the main participants in the decision-making process for lending —the formation of lending policy and the preparation of individual loans.

The Executive Directors are authorized to determine the orientation of Bank lending policy.[1] In fact, they decided on an expansion of lending to sub-Saharan countries, and reconfirmed the "graduation" policy at the beginning of the 1980s. The Bank's basic lending policy, such as the stress on poverty-alleviation projects and the expansion of adjustment lending, was developed under the strong leadership provided by the Presidents of the Bank, however.

The Executive Directors also have the power to approve or reject individual loan proposals presented by the Bank staff. However, the Executive Directors basically consider lending operations to fall under the jurisdiction of management, and usually approve loan proposals.[2]

The reasons for the limited influence of the Board of Executive Directors can be summarized as follows: First, the Executive Directors are privy to less information regarding the proposed project plan, compared to the Bank's staff, which is involved from the earliest stages of identification to the formal presentation to the Board, a period of more than two or three years. Second, the temporary nature of the position of Executive Director in the World Bank strengthens the tendency of non-interference with loan proposals during Board negotiations. Third, the provision in the IBRD Articles of Agreement (IV-10) prohibiting

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[1] The Board of Governors which is composed of representatives from all the member states, has the power to make final decisions on important matters such as the admission of new members and increases in the capital stock. Regarding the power of the Board of Governors defined in the IBRD Articles of Agreement, see Article V, Section 2-(b).

[2] The Bank staff were obliged to suspend or withdraw the presentation of loan proposals when they anticipated strong opposition from the Board.

political activity requires the Executive Directors to examine loan proposals presented by the Bank staff only from an economic or financial viewpoint; information which is largely provided by the staff.

The President therefore determines the basic lending policy with the assistance of the Bank staff. The President's influence over the Bank staff is decisive because of the traditionally American administrative style of the Bank.[3] He also has the power to reorganize the Bank secretariat when it is required.

The staff members are responsible for the allocation of Bank funds among countries and sectors and they prepare loan proposals in accordance with the framework of the Bank's broad lending policy. First, empirical analysis using a formula-based model clarified that the Bank staff basically allocates funds to countries based on the official lending criteria, such as creditworthiness, economic performance, and the level of poverty. The availavility of external resources also affects the allocation of funds both of the IBRD and the IDA. However, the Bank tends to allocate more funds to countries which receive more bilateral ODA from DAC countries. The "bandwagon" effect can be seen in the relationship between the Bank's lending and the allocation of bilateral aid by DAC countries. The staff uses different rules in allocating its IBRD resources and IDA funds by taking into consideration the different conditions affecting both types of loans.

A question regarding the appropriateness of the variables used is raised because some of the multiple regression equations produced in the empirical analyses are necessarily imperfect. Lending criteria such as creditworthiness or market ineligibility are not easily measured by a single variable. In addition, the lack of reliable data, particularly socially-related data in low-income countries, restricts the effective use of empirical analysis, preventing the staff from relying on quantitative analysis of a borrowing nation's economy. The Bank staff uses both quantitative data and judgemental considerations for measuring and evaluating the lending criteria.[4]

Second, the Bank staff performs its functions in order to achieve the goals of the Bank, as seen in the assumption of the formula-based model. However, political factors, as well as the official lending criteria, can affect the Bank's lending behavior (the political risk model). Political risk factors can empirically explain the deviant cases shown by the formula-based model. The Bank staff is influenced by political instability measured by military-civilian conflict and business restrictions in the borrowing countries. The staff sometimes allocates funds because of good business conditions in borrowing countries in spite of a high degree of political instability.

Thirdly, the influence of U.S. pressure over the Bank's resource allocation among countries was empirically examined. The U.S. has been the strongest power source within and outside the Bank. Therefore, the Bank staff may have been influenced by U.S. pressure. In fact, major recipients of Bank loans have strong trade relationships with the U.S. Multiple regression analysis has clarified, however, that it is a disguised relationship, and the trade relationship with the U.S. did not affect the Bank's lending behavior, when the effects of other factors are taken into consideration.

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[3] Michael G. Schechter, "The Political Roles of Recent World Bank Presidents," in Lawrence S. Finkelstein (ed.) *Politics in the United Nations System* (Durham: Duke University Press, 1988), p. 352.

[4] Statement to the author by a Bank staff member in 1983.

American Executive Directors, unlike Directors from other countries, often vote negatively on loan proposals, but their negative votes have not resulted in loans being rejected. There do exist a few cases where negative votes by the U.S. on loan proposals have affected Bank lending to those countries thereafter. However, in the past, the Bank staff did not present loan proposals when they anticipated the opposition of the United States. The U.S. therefore exerted influence on the Bank staff's behavior, based on its anticipated reactions.[5] Owing to the decline of U.S. influence over the Bank staff, the U.S. has had no alternative but to oppose loan proposals by casting negative votes on the Board.

The influence of the U.S. over resource allocations among countries is, in fact, declining. The U.S., however, still exerts a strong influence over the formulation of the Bank's broad lending policy, such as the expansion of SALs and sector adjustment loans, which is discussed later.

Although decision-making within the Bank secretariat is generally from top to bottom, the relationship between the Bank's President and the staff is sometimes complicated. Considering the huge size of the Bank's secretariat and the repetitive nature of Bank decision-making each year, the Bank's staff, as with any bureaucratic organization, develops its incremental lending rules over long periods of time. A drastic change in lending amounts in the case of the large sectors would consequently cause a large change in the pattern of allocation among regional departments and among countries. It might also cause problems between regional departments and between the Bank staff and the Executive Directors which represent their regional and national interests as well. The Bank's staff, as is the case with other bureaucratic organizations, resorts to incrementalism to avoid this problem.

Bank staff's incrementalism, however, is not as rigid as that defined in some budget-making theories. The previous year's total was not always approved as a basic portion. This is due to the time schedule of the project cycle. That is, it usually takes two or three years from the identification to the final presentation before the Board of Executive Directors. Therefore, although the lending amount for a sector shows a general incremental trend, that amount is likely to fluctuate every year, depending upon the progress achieved during the project preparation stage. This finding suggests that bureaucratic incrementalism is not as rigid in the operational budget making process as it is in the administrative budget making process.

The Bank's staff has requested continuous, incremental increases in Bank lending for traditional sectors, in spite of the change in lending policy which stressed poverty-alleviation sectors under President McNamara. In addition, many staff members were critical of the effectiveness of poverty-alleviation projects, based on their own professional points of view.[6] McNamara was forced to allow an expansion of loans for traditiomal projects in absolute terms in order to avoid a competition for funding between traditional projects and poverty-alleviation projects. McNamara expanded Bank funds greatly to increase the lending amount for both traditional and poverty-alleviation sectors. As a result, he silenced the critics and increased the proportion of poverty-alleviation projects, but did

[5] Influence is defined not only as a causal relation between the behavior of the individuals but as a causal relation based on anticipated reactions. See R. Douglas Arnold, *Congress and the Bureaucracy: A Theory of Influence* (New Haven: Yale University Press, 1979), pp. 72–73.

[6] Vice President and Treasurer Eugene H. Rotberg was one of the major critics to McNamara's lending policy. Michael Schechter, *op. cit.*, p. 366.

not convert all staff members into supporters of his approach.

A. W. Clausen was nominated as a Bank President because of his experience as a distinguished commercial banker, and he was welcomed by staff members who were critical of McNamara's policy of stressing social projects. In fact, Clausen's efforts to establish the Multilateral Investment Guarantee Agency (MIGA) which covers non-commercial risk for investors was highly evaluated by the Bank's staff members.

Clausen's policy of expanding structural adjustment lending, and later, sector adjustment lending also raised a controversy within the Bank secretariat, however. Asjudtment lending is a type of program lending which is contrary to the Bank's traditional policy which concentrated on project lending. The Bank's attention to borrowing governments' administrative and political matters conflicts with the Bank's lending rule not to take into consideration political factors in making loans. Staff members in the project divisions and those in the program divisions hold different opinions on the effectiveness of policy-based program lending.

Moreover, member states have ambivalent attitudes toward the expansion of adjustment lending. The U.S. and other developed countries expect that these adjustment loans will have an effect on the resolution of debt problems in developing countries. However, they fear that the expansion of these loans will result in a less thorough check during the preparation and approval stage of a loan application because the objectives of policy-based program lending are more ambiguous and it is more difficult to measure the effect of these loans than is the case with traditional project lending. Borrowing countries welcome the expansion in program lending, but they are critical of the conditions attached by the Bank to the program loans. Thus, under the leadership of Clausen, various groups in the Bank were engaged in developing a standard policy for the allocation of SALs and sector adjustment loans. President Barber B. Conable has also undertaken a reorganization of the Bank, in accordance with the expansion of policy-based program lending.

These characteristics of Bank lending may be found in other international economic organizations, especially if the latter are engaged in operational activities rather than serving simply as forums for debate and if the staff tends to be composed mainly of professionals. This subject, however, requires further empirical testing.

II. *The Impact of the International System on the Bank's Lending Behavior*

According to the hegemonic stability theory, the post-war international economic system, known as the Bretton Woods system, was created and managed by the United States. The World Bank was established within the framework of the Bretton Woods system. Therefore, changes in the degree of U.S. power affected the Bank's lending behavior both directly and indirectly through causing changes in the Bretton Woods system. The politicization of economic issues is an example of the changes in the Bretton Woods system, which influenced the Bank's lending behavior. In addition to the reduction in American power, the emergence of newly independent countries has also caused great changes in the Bretton Woods system, thereby influencing the lending behavior of the Bank.

The impact of changes in the international system on the Bank's lending policy and lending process will now be summarized, focusing on the decline of U.S. power in international finance, the politicization of economic issues, and the emergence of newly independent countries.

The Bretton Woods system was established when the U.S. was at the height of its power. Whether the Bretton Woods system is still effective (and if not, when did it collapse) is still a controversial subject. The World Bank, like the IMF and the GATT, was established as a core institution to enable this newly-formed postwar international economic system to work smoothly. As the U.S. occupied the dominant position in the Bretton Woods system, it also assumed the same role in the World Bank. For example, the introduction of the weighted voting system guaranteed the U.S. a strong voice within the World Bank. The agreement that the headquarters of the World Bank would be located in the country of the largest subscriber of Bank capital also provided the U.S. with various opportunities to influence the Bank's decisions both formally and informally. Moreover, it became the accepted custom that the president of the Bank would be an American.

As U.S. economic power began to decline in the latter half of the 1960s, the U.S. gradually began to show reluctance in its support for the World Bank. Its reluctance at first appeared as a lack of enthusiasm for maintaining its share of the financial burden. It was the U.S. that delayed payments of IDA replenishments every time after the first replenishment for IDA activity in fiscal years 1965–68. As a result, the U.S. disturbed the smooth implementation of IDA projects.

The rapid deterioration of the Bretton Woods system in the 1970s was symbolically apparent in the U.S. declaration to suspend the convertibility of U.S. dollars to gold in 1971, as well as in the change from the fixed exchange rate system to the floating exchange rate system among major countries, in 1973. There were, in addition, the oil shocks which occurred in 1973–74 and 1978–79. Correspondingly, the U.S. came to behave more negatively than before toward the World Bank. Conservatives in Congress began publicly to criticize the Bank's poverty-alleviation policies, while liberals in Congress also became critical of Bank lending to countries which suppressed human rights. The attitude of the executive branch of the U.S. government to the World Bank was relatively more favorable, but even the executive branch of the American government instructed the U.S. Executive Directors of the World Bank to vote against, or abstain from voting on specific loan proposals several times each year during the 1970s. U.S. voting behavior is contrary to the Bank's custom of making decisions by consensus. The decline in U.S. influence over the Bank's lending policy is striking, considering that the U.S. was once able to pressure the Bank's management and staff to refrain from presenting to the Board of the Executive Directors loan proposals to which the U.S. was opposed.

The current influence of the U.S. on Bank activity should not be underestimated, however. First, the Bank president enjoys strong power over the formulation of Bank lending policy, and the U.S. government has traditionally determined the president of the World Bank. A. W. Clausen was nominated to be Bank President by President Carter who was looking for a credible person in the private banking community who was also acceptable to the U.S. Congress, in order to get the approval of IDA replenishment by the U.S. Congress.[7] Clausen was replaced by President Reagan in 1986 because he failed to

[7] Michael Schechter, *op. cit.*, pp. 367–368.

respond to the desire of the U.S. government to prevent an increase in its financial burden in 1986.[8] Second, the Bank's lending policy of emphasizing structural adjustment loans and sector adjustment loans in the 1980s can be seen as a response to the demands of the U.S. government. Third, the U.S. has succeeded in retaining its veto power on the Board by amending the rules of the Bank itself; that is, the U.S. approved a decrease in its subscribed shares of IBRD capital in fiscal year 1987, contingent on the amendment of the IBRD Articles of Agreement to increase to 85 percent the majority of the total voting power required for further amending of the Articles.

The changes in the influence of the United States over Bank activity may be explained by using the concepts of structural power and relational power. Susan Strange defines relational power as "the power of A to get B to do something they would not otherwise do."[9] In the 1950s and 60s, America's relational power in the World Bank caused the Bank's staff to be sensitive to U.S. attitudes, and the staff refrained from presenting loan proposals to the Board of the Executive Directors when they anticipated U.S. opposition to these proposals. However, since the 1970s, the U.S. has been forced to vote against loan proposals directly on the Board, but usually failed to cause the proposals to be rejected. This implies a decline of American relational power.

Structural power is defined as "the power to decide how things shall be done, the power to shape frameworks within which states relate to each other, relate to people, or relate to corporate enterprises."[10] The power to nominate Bank presidents, the power to formulate basic lending policy, and the power to amend the Bank's Articles of Agreement constitute important aspects of structural power in the World Bank. The United States, in fact, has maintained its strong structural power in the Bank.

U.S. relational power is declining, and this decline is likely to weaken U.S. structural power, as well. In fact, the decrease in U.S. voting power on the Board of the IBRD as a result of the general capital increase in fiscal year 1988 might have caused the loss of U.S. veto power on the Board in regard to the amendments of the Articles of IBRD Agreement. However, the U.S. pushed through a change in the rules and succeeded in maintaining its veto power.

The politicization of economic issues caused by the change in the Bretton Woods system also strongly affected the Bank's lending policy and process. The separation of economic and political issues was one of the principal concepts. Accordingly, the Articles of Agreement of the IBRD and those of the IDA contained provisions prohibiting the Bank from engaging in political activities. These provisions were highly effective in shielding the Bank from political influences; the staff has allocated resources based on economic lending criteria, and the Executive Directors have also had to discuss loan proposals in technical or economic terms. The World Bank has sought to make Bank projects economically and financially efficient. Accordingly, the Bank added capable economists and financial analysts to the staff, rather than generalists. The Bank's emphasis on efficiency led to a policy which stressed project lending rather than program lending, because the objectives of a project, the methods of implementation, and the methods of evaluation are more ex-

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[8] *Ibid.*, pp. 372–373.
[9] Susan Strange, *States and Markets: An Introduction to International Political Economy* (London: Pinter Publishers, 1988), p. 24.
[10] *Ibid.*, p. 25.

plicit in case of project lending rather than program lending. The World Bank acted exclusively as a project-oriented agency.

As the economic issues became politicized since the 1970s, the staff was required also to take into consideration political factors, such as political instability or business restrictions, when making loans. Experience taught that governmental policies had a direct and decisive impact on the implementation of Bank projects. Thus, the staff began to undertake policy-based program lending in the 1980s, in which the Bank provided advice on reform of the economic policies of recipient countries. It also emphasized the importance of institutional development to strengthen the administrative ability of borrowing governments. Borrowing governments' appropriate policies determine the success or the failure of projects/programs financed by the Bank, and it is indispensable to sustain the achievements of them.[11]

Politicization of economic issues provided an impact on the organizational structure of the World Bank group. Private lenders/investors had been wary of political risks such as nationalization of foreign firms, and in 1965, the Bank established the International Center for Settlement of Investment Dispute (ICSID), the purpose of which was to conciliate investment disputes between investors and states. As the principle of separation of economic issues from political consideration showed itself to be a fiction, private lenders/investors expected the Bank to function more directly as a guarantor. Thus, the World Bank decided to establish the Multilateral Investment Guarantee Agency (MIGA), which covers non-commercial risks, in 1985. Finally, the Bank undertook its reorganization appropriate for carrying out its policy-based lending in fiscal year 1987.

The emergence of newly independent countries influenced the Bank's lending behavior directly by increasing the demand for development funds, as well as indirectly by stimulating a change in the post-war international economic system.

The Bank once provided reconstruction loans to Western European countries and Japan, but it gradually shifted its main activity to lending for economic development. Newly independent countries joined the IBRD, which increased the number of IBRD members from 45 in August 1947 to 151 in fiscal year 1988. Accordingly, demand for development funds also increased greatly, and the Bank increased the IBRD's loan amounts from $659 million in fiscal year 1960 to $1,580 million in fiscal yaer 1970 and $14,762 million in fiscal year 1988. Even when discounting for the effect of inflation, these figures show a large, rapid expansion of Bank lending. The Bank also responded to requests from developing countries by establishing affiliates such as the IFC in 1956 and the IDA in 1960. To deal with the large funds involved, the Bank increased the number of professional staff members from 159 in fiscal year 1951 to 3,556 in fiscal year 1988. Thus, the secretariat of the World Bank became a huge bureaucratic entity, subject to the same problems faced by any other large-scale organization, and although most members of the secretariat are professionals they are also part of the bureaucracy, and as such, have developed organizational SOPs, which strongly affect Bank resource allocation among the sectors.

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[11] The World Bank began to evaluate the economic rate of return of projects not only at the completion time but also five years after the completion of them, and the Bank examines the "sustainability" of borrowing governments, which is defined as "the ability of a project to maintain an acceptable level of net flow of benefits throughout its economic life." *Kikin Chōsa Kihō* (*The OECF Research Quarterly*), no. 59, 1988, p. 5.

III. *The Future Role of the World Bank*

The World Bank has changed its lending policy, pattern of resource allocation and its organizational structure to adjust to changes in the international financial system. The Bank, in turn, also imposes a strong impact on the international system. As concluding remarks, the future role of the World Bank in the international system will be examined, focusing on North-South relations, debt issues, and East-West relations.

It is apparent that the World Bank is expected to play a leading role in mitigating the Norht-South conflict. First, the Bank has to play an important role in designing development strategy, which affects not only its lending policy but the policies of other aid agencies and the direction of international flows of resources. The Bank has basically sought to achieve efficiency in its projects/programs. However, the Bank broadened its efficiency-based approach in the 1970s by also stressing social, administrative and political factors, not only technical, financial, and economic aspects. The staff now seeks ways of balancing the need to seek efficiency in projects/programs with the need to consider the socio-political factors.

Second, the Bank emphasizes the use of private foreign investment to assist in achieveing economic growth in developing countries. It stresses the use of foreign firms as the most important source of new technology for developing countries, and the Bank is critical of the inefficient management of state enterprises.[12] The Bank's philosophy is likely to be more frequently imposed on borrowing countries as the policy-based lending expands in the future.

Critics opposed to the Bank's position regarding the roles of foreign private investments and government in economic development are, however, being heard more frequently.[13] Moreover, the Bank's policy advice, or conditionality, is seen as an intervention in the national sovereignty of borrowing nations. Therefore, the Bank staff is required not to impose its views unilaterally during policy dialogue with borrowing nations, but rather, to try to reach a consensus.[14]

Third, decentralization of the Bank's decision making process is necessary, in order to ensure that a variety of perspectives regarding development is included in the Bank's overall strategy. At present, most staff members are employed in the headquarters of the Bank, so that information and decision-making are also concentrated there. This system was appropriate for the Bank when it sought a united lending approach which stressed the efficiency of projects. However, as the economic gap within developing countries widened, the demands of nations in the southern hemisphere on the World Bank have also become more varied. In addition, the Bank must also examine non-commercial factors, most of which are specific to individual countries. The World Bank began increasing the number

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[12] The World Bank, *World Development Report* (1983), pp. 56–57.

[13] For example, see Samuel M. Wangwe, "Impact of the IMF/World Bank Philosophy, the Case of Tanzania," in Kjell J. Havnevik ed., *The IMF and the World Bank in Africa: Conditionality, Impact and Alternatives* (Uppsala: Scandinavian Institute of African Studies, 1987), p. 158.

[14] The problem of the incompatibility of policy advice between the Bank's adjustment loans and the IMF's adjustment programs becomes more important. Richard E. Feinberg, "The Changing Relationship between the World Bank and the International Monetary Fund."

of staff members from developing countries and female employees late in President McNamara's term. While this policy has helped to diversify the perspectives of the Bank staff, many of the staff members from developing countries have been educated in the U.S. and other developed countries, and therefore share a basic viewpoint with staff members from developed countries. The World Bank is an operating organization. It therefore needs to be unified in its approach. Even so, it is also true that the decentralization of the Bank secretariat has become increasingly more important.

The debt problem in developing countries is another area in which the Bank is expected to assume a leadership role. The U.S., which has only very reluctantly supported the World Bank since the 1970s, seems to have changed its attitude a bit as U.S. expectation that the Bank can play an important role in resolving the debt issue has increased. In fact, U.S. commercial banks have played a major role in creating this problem, through their extensive loans to third-world nations. The U.S. government has actively dealt with the problem of third-world debt, and it proposed the Baker plan in 1985 which emphasized the necessity of structural adjustment aimed at economic development rather than seeking only an improvement in governmental financing.

The Bank under A. W. Clausen expanded its structural adjustment loans and sector adjustment loans, responding to the expectation of the U.S., and numerous sector adjustment loans have been provided to a number of Latin American countries where U.S. commercial bank loans were concentrated. The Bank also tried to expand co-financing with private lenders as a risk guarantor.

The U.S. faced a dilemma because it did not want to increase its financial burden, however, and it therefore opposed the capital increase of the IBRD, which was required to strengthen the Bank's lending ability. Finally, the U.S. resolved this dilemma by approving the capital increase of the IBRD in fiscal year 1988, while maintaining its veto power by changing the Articles of Agreement of the Bank.

The debt situation in developing countries, however, could not be improved. Debt countries received less external capital and commercial loans than the Baker plan expected. Those countries rather have suffered from the outflow of the capital abroad. Thus, the U.S. government proposed the Brady Plan in March 1989, in which the World Bank as well as the IMF are expected ot provide new cash or guarantees for increasing commercial loans. The U.S. may strengthen its support for the World Bank as the Bank makes efforts for the solution of the debt problem more actively.

The improvement in East-West relationships is the third area in which the World Bank can make a contribution. The Bank's membership is still not totally global in nature. The Soviet Union and most of its allies were not members in the early years of the Bank. However, East European countires began to join the World Bank in the 1970s. Romania participated in the IBRD in 1973, Hungary became a member of the IBRD in 1982, and Poland entered the IBRD in 1986. The Soviet Union, which has expressed a desire to participate in the Uruguay Round of GATT, also indicated in 1988 that it is willing to join the World Bank as well as the IMF.

The expansion of Bank membership to Eastern European countries is indispensable if the Bank is to play a more active, leading role in international finance, for three reasons. First, Eastern European countries are also suffering from serious debt problems.[15] Eastern European countries were viewed as attractive borrowers in the mid-1970s because most projects were backed by national governments. However, debt-repayment problems in Eastern Europe seriously worsened after 1979. In 1981 both Poland and Romania were forced to reschedule. Yugoslavia received an emergency credit package under the auspices of the IMF in 1982. Hungary avoided a formal rescheduling, but its actions led to a sharp loss in liquidity. To resolve the liqudiity crisis and to aid its adjustment process, Hungary was allowed to join the IBRD in July 1982, even though its per capita GNP was around the trigger level for an IBRD borrower. Thus the Bank is expected to provide financial resources and advice to Eastern European countries.

Second, the entry of Eastern European countries into the World Bank implies the involvement of Eastern European countries in the Western international economic system. While Eastern European countries are being provided access to Bank resources which are required if they are to deal with their debt-problems, the Bank has demanded that the Eastern European countries provide more detailed information on their economic and financial situations. In addition, the Bank also provides advice on the reform of economic ploicy and even on administrative matters of these countries. Thus, the extension of Bank membership to Eastern European countries should strengthen the interaction and interdependence between Eastern Europe and the Western World and stimulate the integration of both into one international system.

Third, the participation of the Soviet Union and other East European countries in the World Bank and the use of Bank resources by these countries are likely to stimulate the use of international organizations as a diplomatic tool for nation states. Responding to the diplomatic behavior of the Soviet and East European countries, the U.S. might also use the Bank and other international organizations more actively.[16]

Changes in the international economic system have caused changes in Bank's lending behavior, and the Bank is also able to impose a strong impact on the international economic system. The Bank is expected to play a leading role in these three issue-areas, but whether the World Bank can serve in the resolution of these three issues depends on many other factors, such as the progress of North-South negotiations at the UN and the continuing development of detente between the Soviet Union and the United States.[17]

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[15] As to debt issues in Eastern Europe, see Laura D'Andrea Tyson, "The Debt Crisis and Adjustment Responses in Eastern Europe: A Comparative Perspective," *International Organization*, vol. 40, no. 2, 1986, pp. 239–286.

[16] The Gorbachev administration has begun to utilize the services of the United Nations very actively, as reflected in the importance accorded to the UN Peace Keeping Operation, which is assisting in the Soviet Union's pull out from Afghanistan. Sadako Ogata, "Kokuren wo sosei-saseta Gorubachofu (trans: Gorbachev Has Revived the United Nations)," *Chuō Kōron*, February 1989, pp. 146–153.

[17] This article was written in September 1989.