10-9-1986

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Funding to Increase for World Bank's IDA Development Program

by LADB Staff
Category/Department: Region
Published: 1986-10-09

Representatives of some 34 nations have tentatively agreed to increase funding for the International Development Association (IDA) to a minimum of $11.5 billion over a three-year period beginning July 1, 1988. In a declaration released late on Sept. 25, Moeen Oureshi, first vice president of finance of the World Bank and principal negotiator for the IDA, said the additional funds were suggested by Japan, Italy and other European nations. The increased funding would bring the level of the IDA’s eighth fund replenishment to more than $12 billion in comparison with the present three-year total of $10.5 billion. IDA resources for the present period derive from $9 billion in regular contributions plus a supplemental fund of $1.5 billion.

The agreement on funding, reached after three days of negotiations (Sept. 23-25), means that US contributions will increase from $750 million per year to $933 million. The IDA is affiliated with the World Bank and provides loans to the world’s poorest nations. The IDA will continue to require a service charge of 0.75%, while loan terms will also become slightly more restrictive. It was agreed that loan life on future credits to poor nations be reduced from 50 to 40 years. Proposals to include a small interest charge on IDA loans, and cutting loan repayment periods on outstanding loans were rejected.

One pending issue concerns how voting power will change as a result of the increased contributions by Japan. Japan offered to raise its contribution by $350 million to $2.5 billion in return for an increase in its shares in the World Bank to 6.6%. The number of shares determines voting power. Japan's move is expected to leave the United States with a slightly smaller share than its current 20%, which now gives it veto power in Bank lending decisions. According to official US sources, during discussions in the World Bank board the US agreed to relinquish some of its voting shares if the board agrees to amend its articles of incorporation to lower the veto threshold.

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