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Barbara Khol

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Inter-American Development Bank (IDB) General Assembly Meetings: Summary of Statements & Events

by Barbara Khol
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The Inter-American Development Bank (IDB) annual general assembly meetings commenced April 6 in Santo Domingo, capital of the Dominican Republic. Participants included finance ministers and central bank governors from the IDB’s 44 member-nations. At present, the 17 member-nations outside the Americas are limited to a maximum 8% capital contribution, and to two seats of a total 12 on the IDB board of directors. April 4: At a seminar on poverty alleviation mechanisms sponsored by the IDB, senior officials of multilateral institutions said financial assistance programs resulting in the greatest income and living standard benefits are almost those which create jobs for women, or provide loans to women entrepreneurs. James Michel of the US Agency for International Development (USAID) said research and experience indicate that women's income is generally "better invested," such as in spending for nutrition, health care and improving the standard of living for family members. These factors, he added, are more than sufficient to prioritize any program involving women's participation, above all when funding is scarce and increasing program benefits becomes imperative. Nora Martinez, director of the Honduran non-governmental organization Banco de las Mujeres del Mundo, said the loan repayment rate on credit lent to women for developing "micro-scale" enterprises is 94%. She added that the repayment rate on "other loan programs" is much lower. In addition, said Martinez, women's businesses are generally better managed. April 5: According to the IDB’s annual operations report released Sunday in Santo Domingo, the bank approved 77 loans for a total US$5.419 billion last year, a 40% increase over 1990. Disbursements in 1991 came to US$3.151 billion, compared to US$2.507 billion in 1990. The IDB received US$1.888 billion last year in payments from debtors. Of the 1991 total, nearly 89% derived from the ordinary capital fund, and the rest, from the special operations fund (SOP). Ordinary fund loans carry a variable interest rate (currently at 7.7% per year). Recipients of SOP loans pay a 1% per annum interest rate, and the repayment period is usually much longer than for ordinary fund credit. The report stated that 18.5% of the US$5.419 billion went to social welfare infrastructure; 33% to productive sector expansion and modernization; 38%, physical infrastructure; and 9.6%, government planning, pre-investment financial and institutional restructuring programs, and export financing. Twelve of the 77 loans for a total US$2 billion were earmarked for supporting sectoral adjustment policies in 11 countries. Nearly US$1 billion went to social infrastructure; US$700 million, electricity grid repair, maintenance and expansion; US$678 million, transportation and communications; US$570 million, agriculture; US$267 million pre-investment projects; US$102 million, manufacturing and mining; US$88 million, export financing; and, US$45 million, tourism. The IDB’s seventh capital replenishment for US$26.5 billion approved in 1989 specifies a total US$6.3 billion in loans for 1992, and US$7.15 billion for 1993. The report stated that the bank set a new record in 1991 for SOP loans, credit for micro-scale businesses (45 separate projects at a total US$71 million), and financing technical cooperation agreements. At an informal meeting, the IDB governors committee members and delegation chiefs met to discuss key agenda items. A proposal by IDB president Enrique Iglesias for a 10% increase in sectoral adjustment loans to benefit the region's largest economies was rejected. The IDB’s seventh capital replenishment for
the 1990-93 period allocated 65% of the total US$22.5 billion for A and B category nations, and 35% for the rest. "A" countries are Argentina, Brazil, Mexico and Venezuela, and "B," Chile, Peru and Colombia. Categories "C" and "D" encompass smaller South American nations, and Central American and Caribbean countries. Next, under terms of the capital replenishment, a maximum 25% of total funds was earmarked for sectoral adjustment loans. In the first two years, IDB sectoral loan resources were nearly exhausted to support economic reform and debt reduction programs in Mexico, Chile, Peru and Venezuela. Argentina and Brazil have recently finalized agreements with the International Monetary Fund (IMF), and are negotiating debt refinancing and reduction deals with commercial bank creditors. However, since resources for sectoral adjustment purposes have been nearly exhausted, the two governments will receive only limited support from the IDB. The 10% increase requested by Iglesias would permit the infusion of another US$1.4 billion for sectoral adjustment loans. Participants at the Sunday meeting also supported suspending cooperation with the World Bank in devising loan packages for adjustment programs. A formal vote on the issue was postponed until the IDB's legal advisers prepare a report. The seventh capital replenishment agreement specified such linkage on the ground of the IDB's relative lack of experience with sectoral loans. In 1991, IDB governors authorized the bank to independently approve sectoral adjustment credit for governments lacking such arrangements with the World Bank. At present, IDB governors are supportive of greater autonomy in this area, with the proviso that IDB exercise more rigorous conditionality. Next, sectoral loans would be acceptable to support economic stabilization and reform programs and foreign debt reduction, but not for financing balance of payments deficits. April 6: On Monday, Iglesias told general assembly participants that poverty and income inequities must be reduced in order to achieve sustainable long-term economic development. In 1970, the IDB general assembly approved a directive calling on the bank to channel 50% of loans to programs benefitting the poor. This mandate has never been met. According to Iglesias, in 1991 the IDB almost fulfilled the above requirement, since 43% of financing went to projects benefitting low-income populations. Iglesias said the bank plans to place more emphasis on support for micro-scale businesses and technical cooperation in 1992. Next, the IDB president stated that the bank hopes to approve about US$1 billion in loans this year for Central American governments. The aggregate loan totals for the region came to US$600 million and US$300 million in 1991 and 1990, respectively. (Basic data from several reports by Spanish news service EFE, 04/05/92; Agence France-Presse, 04/04/92, 04/06/92; Chinese news service Xinhua, Notimex, 04/06/92)

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