



IDA13

**The IDA Deputies:
An Historical Perspective**

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THE IDA DEPUTIES: AN HISTORICAL PERSPECTIVE

Establishment of the International Development Association (IDA)

1. IDA was established in 1960 to complement the role of the IBRD in promoting economic development by offering concessional financing to the poorer developing countries within its membership. This was done because IBRD's capital structure precluded it from offering such concessional financing. IDA's primary purpose is accordingly "to promote economic development, increase productivity and thus raise standards of living in the less-developed areas of the world . . . by providing finance . . . on terms which are more flexible and bear less heavily on the balance of payments than those of conventional loans."¹ IDA has wide flexibility to shape its operations and the terms of its financing.

Replenishment of Resources

2. The periodic replenishment of IDA's resources was considered in negotiating IDA's charter. Specific issues discussed at the time included whether the charter should prescribe replenishment and with what frequency, and whether burden-sharing, payment arrangements and voting rights should be handled flexibly or in the same manner as initial subscriptions if IDA's resources were replenished by increasing its capital stock.²

3. IDA's Articles of Agreement provide for periodic reviews of the adequacy of its resources and, if desirable, the authorization of general increases in subscriptions. Article III – "Additions to Resources" – provides for replenishments to be approved by a two-thirds majority of IDA's members. Final approval of replenishments is within the powers of the Board of Governors, in accordance with Article VI, Section 2(c)(ii). This power to authorize additional subscriptions and determine the related terms and conditions is non-delegable and may be exercised only by the Board of Governors.

The Replenishment Process

4. Since IDA's Second Replenishment, deliberations have been held by representatives of donor countries interested in contributing to IDA's resources.³ The deliberations and conclusions of the representatives are included in a Deputies' report that sets forth the agreed

¹ IDA Articles of Agreement, Article I.

² "Principal Points for Consideration in Connection with Proposed International Development Association", October 9, 1959, IDA/R59-1, paras. 35-37.

³ At the outset, donor representatives were referred to variously as "Part I representatives", "delegates", and, informally, "IDA Deputies". By the Third Replenishment, certain Part II members (Ireland, Spain and Yugoslavia) also made contributions, so "Part I representatives" was no longer accurate. The replenishment reports through IDA5 spoke of "members" and "donors" but the format was that of draft reports of the Executive Directors. Beginning with the IDA5 report, there were a handful of references to the views of "Deputies" although the basic drafting remained unchanged. These references increased over time.

replenishment arrangements, including the size of the replenishment and relative burden sharing among donors, effectiveness and advance commitment mechanisms and payment procedures, as well other matters which are not related to the financial terms and conditions of the replenishment.⁴ Once discussions have been completed, the Deputies' report, to which a draft Board of Governors resolution is attached, is presented by Management to the Executive Directors for their approval. The report, once approved by the Executive Directors, is transmitted to the Board of Governors with a recommendation for the adoption of the attached draft replenishment Resolution. The decision of the Board of Governors on the replenishment is usually made by a vote without meeting. The Board of Governors accepts the report as approved by the Executive Directors, adopts its conclusions and recommendations, and approves a general increase in subscriptions in accordance with the terms set out in the Resolution.

A History of the Replenishments

5. Set forth is a brief history of IDA's twelve replenishments to date, including key highlights of replenishment deliberations.

I. First Replenishment

6. In mid-1962, on the recommendation of the President, IDA's Executive Directors requested the Board of Governors to direct them to embark on replenishment deliberations for the first replenishment of IDA's resources.⁵ This first formal request that the Executive Directors assess IDA's "prospective financial requirements" was adopted by the Board of Governors at the annual meetings in September 1962. The task was given to the Financial Policy Committee of the Board, following the practice used in drafting IDA's Articles of Agreement. Certain basic principles were agreed early in the discussions, notably that financial replenishment was the responsibility of the Part I members but that the Part II voting block should be maintained even though Part II members would not contribute additional funds. Accordingly, it was agreed that the replenishment would not involve new subscriptions or voting rights; replenishment funds would be donor contributions.⁶

7. In this First Replenishment, which has been described as "comparatively uneventful",⁷ representatives of the largest contributors to IDA's initial resources (France, Germany, Italy, the United Kingdom, and the United States) held informal meetings to discuss the total amount of an

⁴ In early replenishments, the report was the draft Report of the Executive Directors. By the time of IDA8, the report – although always adopted by the Executive Directors as their own – was drafted as the Deputies' report, that is, it records the consensus of the Deputies.

⁵ The Articles specify that replenishments should be considered "at intervals of approximately five years". The length of the interval was the subject of some discussion as many Executive Directors felt it should be shorter than five years. From the First Replenishment, a three-year interval became the norm.

⁶ The General Counsel opined that IDA has the authority to accept such contributions as part of its implied powers and/or under Article V, Section 5, "Miscellaneous Operations". Additions to IDA Resources, Memorandum from the General Counsel, September 9, 1963.

⁷ Mason, Edward S., and Asher, Robert E. The World Bank Since Bretton Woods, The Brookings Institution, 1973 ("Mason and Asher"), p. 406.

increase of the resources of IDA and the proportion of the total amount each country might be prepared to contribute.⁸ The first and second meetings were held at the senior official level, and the third, at the ministerial level.

II. Second Replenishment: Origin of the IDA Deputies

8. The Second Replenishment process began in the same manner as the First Replenishment. The President of IDA sent a memorandum to the Executive Directors, who after due consideration, sent a recommendation to the Board of Governors. The Governors adopted a Resolution on September 30, 1965, directing the Executive Directors to work toward replenishment of IDA's resources. In July 1966, the President proposed an increased contribution level of \$1 billion per year, and by the spring of 1967 the United States had agreed with this proposed increase provided it was tied to procurement to relieve U.S. balance of payments difficulties. This issue was not quickly resolved and commitment authority dwindled during the resulting substantial delay. At the 1967 Annual Meetings, the Governor for The Netherlands, after expressing concern over delays in reaching agreement, suggested cutting the "Gordian knot" by proposing that:

a special conference be convened of high level representatives of Part I countries, preferably their responsible Cabinet Minister – preceded if necessary by one or two meetings of their deputies – for the purpose of reaching a final agreement on the amount and apportionment of the required replenishment of IDA funds.⁹

9. The first such meeting was held in the Hague in November 1967. The agenda included the amount and apportionment of the Second Replenishment and issues related to those subjects. This reference to the term "deputies" may be the origin of name now commonly used for the representatives of countries involved in discussions on IDA's replenishment.

III. The Third to the Eighth Replenishments

10. **Change in Process.** For the Third Replenishment, the practice of starting formal consideration of the adequacy of IDA's resources by a Board of Governors request to the Executive Directors was discontinued. Do nor meetings were arranged by Management beginning in 1969 and this practice has continued since then.

11. The **Third Replenishment** was most noteworthy for its adoption of the voting rights arrangements that have been in place ever since. Voting rights were not accorded in the first two replenishments. By the Third Replenishment, burden sharing had shifted significantly, and the issue of how to structure votes on account of replenishments was the primary focus of discussions. It was decided to realign voting rights with relative contributions in accordance with three basic principles:

⁸ Information for this note is taken in part from "The Role of the IDA Deputies", Legal Department Memorandum, IDA/SecM85-38, December 18, 1987. See IDA/FPC 63-1 dated January 4, 1980.

⁹ See "Summary Proceedings" of the 1967 Annual Meetings of the Board of Governors, Rio de Janeiro, September 25-29, 1967, at pp. 44-45.

- 1) the voting power of each Part I country should correspond (except for membership votes) to its share of total cumulative Part I resources contributed to IDA;
- 2) the relative voting power of the Part II countries as a group should be maintained by conferring votes on Part II members at a nominal cost; and
- 3) membership votes should be increased to preserve the voting share of the smaller countries.

Although voting rights have been considered in succeeding replenishments, these principles from the Third Replenishment have not been altered.

12. **Fourth through Eighth Replenishments**. Highlights of the succeeding replenishments were as follows: The **IDA4** discussions focused on burden sharing. In **IDA5**, changes were made to respond to legislative processes in the United States that required it to pay annually rather than the full three-year amount. *Pro rata* provisions were introduced, as well as the notion of a qualified Instrument of Commitment; these remained features of subsequent replenishments.¹⁰ **IDA6** allowed donors to contribute in terms of the SDR. The IDA6 Report also recommended consideration of denominating credits in SDRs rather than US dollars, and this change was made by the Executive Directors during the IDA6 period.¹¹ **IDA7** followed a funding crisis arising from the U.S. decision to pay its IDA6 contribution over four years instead of three. Special contribution arrangements for FY84, the affected fourth year, were put in place, and other donors were given the right to restrict the use of part of their contributions in proportion to any shortfall in contributions by the United States.¹² In **IDA8**, burden sharing and harmonization of donor voting rights between IDA and IBRD (that is, adjusting IBRD capital subscriptions so that IBRD votes more accurately reflected cumulative IDA contributions) were the main issues discussed. The IDA8 Resolution was accompanied by a resolution relating to supplementary contributions by Japan, the Netherlands, Germany and the U.K., for which additional subscription votes were accorded. At the same time, special IBRD capital increases were put in place, and both the supplementary contributions and the special contributions of Canada and the Netherlands were conditioned on the IBRD share increases.¹³

IV. The Ninth through Twelfth Replenishments and Deliberations on Policy Issues

13. As indicated above, the process of replenishment deliberations has remained the same since 1969, and policy issues did not feature prominently in deliberations through IDA8 even though the issue of control over IDA's Management and lending policies had been referred to as far back as the Second Replenishment. In that connection, while policy was recognized as within the purview of the Executive Directors, some Deputies pressed for the opportunity to help

¹⁰ Resolution No. 102, June 16, 1977.

¹¹ "Additions to IDA Resources: Sixth Replenishment", R79-145, and Resolution No. 117, March 26, 1980.

¹² Resolution No. 132, August 6, 1984.

¹³ Resolution No. 142, June 26, 1987.

with policy formulation.¹⁴ The Ninth Replenishment and beyond witnessed a significant shift in Deputies' discussions and recommendations on operational and other issues related to the activities of IDA. Indeed, recommendations on policy matters have now become a fundamental element in Deputies' reports as described below.

14. In **IDA9**, Deputies discussed various policies related to IDA operations. One of the key policies involved the adoption by borrowing countries of programs to support environmentally sustainable development. Deputies endorsed the adoption of environmental assessment processes and procedures, including Environmental Action Plans, as part of IDA's ongoing policy dialogue and urged the completion of environmental reviews for all IDA recipients.¹⁵

15. The discussion of environment-related issues continued in **IDA10**, (including the progress made in the carrying out of environmental assessments) and strengthening IDA's environmental focus on these issues. Deputies focused on governance and the efficiency of public sector management and other issues such as the role of women in development, population planning, and recipients' use of non-development expenditures (including military expenditures).¹⁶

16. **IDA11** entailed a one-year Interim Trust Fund in which the United States was not expected to participate and a two-year "regular" replenishment for FY98-99. Deputies also for the first time recommended the making of grants as a form of financing other than loans.¹⁷

17. In **IDA12**, grants (for HIPC countries or for assistance to post-conflict countries) and guarantees were recommended by the Deputies. The key departure from earlier replenishments was the inclusion of specific operational and policy recommendations for approval by IDA's Board of Governors, ranging from greater emphasis on governance factors in the allocation system and the CAS, to the need for a private sector development strategy, to public disclosure of CASs.¹⁸

¹⁴ Mason and Asher, pp. 409-410.

¹⁵ "Additions to Resources: Ninth Replenishment", IDA/R90-1 dated January 5, 1990.

¹⁶ Resolution No. 174, March 31, 1993.

¹⁷ Resolution No. 183, June 26, 1996.

¹⁸ "Additions to Resources: Twelfth Replenishment, A Partnership for Poverty Reduction", R98-195, and Resolution No. 194, April 8, 1999.