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WORLD



INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

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SUBJECT: INTERNATIONAL DEVELOPMENT  
ASSOCIATION (IDA)

The Articles of Agreement of the International Development Association, the proposed new financing institution to be affiliated with the World Bank, are now ready for acceptance by prospective member governments.

By authorization of the Bank's Executive Directors, the text of the Articles of Agreement, together with a Report by the Executive Directors drawing attention to certain features of the Articles, is being transmitted to the 68 member governments of the Bank. The next step will be for those governments desiring to join IDA to take whatever legislative or other action may be required to accept membership and to subscribe funds. The Articles provide that IDA will enter into force when governments whose subscriptions aggregate at least 65% of total initial subscriptions have accepted membership. The Articles will remain open for signature by original members until December 31, 1960. The earliest date on which IDA may come into being is September 15, 1960.

A preamble to the Articles states the conviction of the signatory governments that mutual co-operation for constructive economic purposes, healthy development of the world economy and balanced growth of international trade foster peace and world prosperity; that higher standards of living and economic and social progress in the less developed countries are desirable, not only in the interests of those countries but also for the international community as a whole; and that achievement of these objectives would be facilitated by an increase in the international flow of capital, public and private, to assist in the development of the resources of the less developed countries.

- 2 -

The main features of IDA, as proposed, are as follows:

Purposes

The purposes of IDA are defined: "... to promote economic development,

increase productivity and thus raise standards of living in the less developed areas of the world included within the Association's membership, in particular by providing finance to meet their important developmental requirements on terms which are more flexible and bear less heavily on the balance of payments than those of conventional loans, thereby furthering the developmental objectives of the International Bank for Reconstruction and Development (hereinafter called "the Bank") and supplementing its activities."

#### Membership and Initial Subscriptions

Membership of IDA is to be open to member countries of the Bank.

The initial resources proposed for IDA are \$1,000 million, an amount which will be obtained if all existing member countries of the Bank join IDA and thereby accept the subscriptions assigned to them. IDA subscriptions are to be roughly proportionate to subscriptions to the Bank's capital. Thus the United States would be the largest shareholder, with a subscription of \$320.29 million. The United Kingdom would be the next largest with \$131.14 million. As in the Bank, voting rights in IDA will be roughly proportionate to subscriptions.

A unique feature of IDA is that member countries have been divided into two groups for purposes of subscription of funds (see Schedule A, attached). Subscriptions will be payable over a five-year period, and the countries in both groups will subscribe 10% of their initial subscriptions in gold or freely convertible currencies. Different provisions are made for the two groups, however, with regard to the remaining 90% of their initial subscriptions. The first group, the 17 more industrialized member countries of the

- 3 -

Bank, will pay their 90% in five equal installments in gold or freely convertible currencies, whereas the second group, the 51 less developed member countries, will pay their 90% in their national currencies, which IDA will not be free to convert into other currencies or to use to finance exports from the country concerned without its consent. The Executive Directors have expressed the hope that the more developed of the second group of countries will soon be in a position to release at least some part of the 90% of their subscriptions from these restrictions.

#### Operations

... have been drafted in very general terms, giving the

The Articles have been drafted in very general terms, giving the Association wide latitude to shape its financing to meet the needs of actual cases as they arise.

IDA is to finance development in the less developed member countries and the less developed dependent and associated territories included within the membership of member countries. The Articles provide that IDA financing shall be for purposes which, in the opinion of IDA, "are of high developmental priority in the light of the needs of the area or areas concerned and, except in special circumstances, ... for specific projects." In their Report transmitted to member countries with the Articles of Agreement, the Executive Directors point out that IDA is thereby authorized to finance "any project ... which will make an important contribution to the development of the area or areas concerned, whether or not the project is revenue-producing or directly productive. Thus projects such as water supply, sanitation, pilot housing and the like, are eligible for financing, although it is expected that a major part of the Association's financing is likely to be for projects of the type financed by the Bank." The Executive Directors

- 4 -

state that the words "specific projects" are understood, as they are in the Bank's practice, to include such proposals as a railway program, an agricultural credit program, or a group of related projects forming part of a development program. IDA will not provide financing if it is available from private sources on reasonable terms, or could be provided by loans of the type made by the Bank.

IDA will impose no conditions that the proceeds of its financing shall be spent in the territories of any particular member or members; IDA will in general follow the practice of the Bank in encouraging its borrowers to make use of international competition in the placing of orders for goods and services. And IDA will also follow the Bank in disbursing its funds to recipients only to meet expenses in connection with a project as they are actually incurred.

IDA's financing out of initial subscriptions is to take the form of loans. Broad latitude is provided for these loans, the Articles providing

... such as IDA "may deem appropriate." This

that the forms and terms shall be such as IDA may deem appropriate  
will permit the Association to provide finance in any of a number of ways:  
for example, by providing for lenient terms of repayment (such as loans re-  
payable in foreign exchange with long maturities or long periods of grace,  
or both, or loans repayable wholly or partly in local currency), by lending  
free of interest or at a low rate of interest or by some combination of the  
foregoing.

IDA may provide financing to a member government, to the government  
of a territory included within IDA's membership, to a political sub-  
division, to a public or private entity in the territories of a member or  
members, or to a public international or regional organization. Unlike the

- 5 -

Bank, which must obtain a governmental or comparable guarantee when lending  
to a borrower other than a member government, it is left to IDA's discretion  
whether to require such a guarantee. IDA is directed to co-operate with  
other public international bodies and member countries providing financial  
and technical assistance to the less developed areas, and specifically to  
enter into formal arrangements with the United Nations.

It is also provided that IDA shall not interfere in the political af-  
fairs of member countries nor be influenced in its decisions by the political  
character of the member or members concerned. Only economic considerations  
are to be relevant to IDA's decisions.

#### Resources and Use of Currencies

IDA is to keep the adequacy of its resources under regular review. It  
is contemplated that the first review would take place during the first five-  
year period, and subsequent reviews at intervals of approximately five years  
thereafter. General or individual increases in subscriptions may be author-  
ized at any time.

IDA may also enter into arrangements to receive from any member, in  
addition to its own subscription, supplementary resources in the currency of  
another member provided that the member whose currency is involved does not  
object. For example, the United States has indicated that it might offer to  
IDA some of its holdings of foreign currencies arising through sales of sur-  
plus commodities under Public Law 480. The provision of such supplementary

resources would not entitle the subscribing member to any additional voting rights.

Organization and Management

The structure of IDA is adapted to administration by the Bank. Thus

- 6 -

IDA is to have a Board of Governors, Executive Directors, and a President, all of whom will be the holders of those positions in the Bank, serving ex officio in IDA. The Governors may delegate to the Executive Directors the same broad powers as have been so delegated in the affairs of the Bank. As to staffing, officers and staff of the Bank are to be appointed, to the extent practicable, to serve as such in IDA, which accordingly will have no separate officers or staff, at least initially. Should a different course at any time appear desirable there is sufficient flexibility to permit the appointment of officers (other than the President) and staff who would be concerned solely with IDA's affairs.

Other Articles contain detailed provision for such matters as withdrawal or suspension of membership; status, immunities and privileges; amendments; interpretation and arbitration; and signature and entry into force.

SCHEDULE A

INITIAL SUBSCRIPTIONS

(US \$ millions)

PART I

Australia	20.18	Japan	33.59	
Austria	5.04	Luxembourg	1.01	
Belgium	22.70	Netherlands	27.74	
Canada	37.83	Norway	6.72	
Denmark	8.74	Sweden	10.09	
Finland	3.83	Union of South Africa	10.09	
France	52.96	United Kingdom	131.14	
Germany	52.96	United States	<u>320.29</u>	
Italy	18.16			763.07

PART II

Afghanistan	1.01	Israel	1.68	
Argentina	18.83	Jordan	0.30	
Bolivia	1.06	Korea	1.26	
Brazil	18.83	Lebanon	0.45	
Burma	2.02	Libya	1.01	
Ceylon	3.03	Malaya	2.52	
Chile	3.53	Mexico	8.74	
China	30.26	Morocco	3.53	
Colombia	3.53	Nicaragua	0.30	
Costa Rica	0.20	Pakistan	10.09	
Cuba	4.71	Panama	0.02	
Dominican Republic	0.40	Paraguay	0.30	
Ecuador	0.65	Peru	1.77	
El Salvador	0.30	Philippines	5.04	
Ethiopia	0.50	Saudi Arabia	3.70	
Ghana	2.36	Spain	10.09	
Greece	2.52	Sudan	1.01	
Guatemala	0.40	Thailand	3.03	
Haiti	0.76	Tunisia	1.51	
Honduras	0.30	Turkey	5.80	
Iceland	0.10	United Arab Republic	6.03	
India	40.35	Uruguay	1.06	
Indonesia	11.10	Venezuela	7.06	
Iran	4.54	Viet-Nam	1.51	
Iraq	0.76	Yugoslavia	4.04	
Ireland	3.03			<u>236.93</u>
		TOTAL		1,000.00