



World Bank

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RECORD IDA FUNDING SET FOR 1990-93

WASHINGTON, December 14, 1989--Negotiations were completed today among 31 IDA donors and Switzerland to provide SDR 11.68 billion (about US\$15 billion) to the International Development Association (IDA) for lending to the world's poorest nations. The funds will cover operations in the three years from July 1, 1990 to June 30, 1993. In addition, the repayments of funds loaned in IDA's early years are now sufficient to support an estimated SDR 1.6 billion in new commitments in the same period, bringing the total resources available to SDR 13.3 billion (about US\$17 billion).¹

IDA is the concessional lending affiliate of the World Bank Group. The negotiations, which were conducted by Mr. Ernest Stern, Senior Vice President for Finance for the World Bank and IDA, and concluded today, are for the ninth replenishment of IDA's resources. The newly agreed IDA donor funding compares to that of SDR 10.5 billion (about US\$12.4 billion) for the current three year period that ends on June 30, 1990, an increase of over 11 percent. Together with the recently completed Lome Agreement of the EEC, this will assure a substantial increase in concessional funds for the poorest countries.

Barber B. Conable, President of the World Bank Group, said: "The world's poor needed record funding for IDA. This is a major international initiative to raise the quality of life of the hundreds of millions of people who are currently trapped in absolute poverty." Over 50 low-income countries are currently eligible to receive IDA resources; these countries represent more than 2.5 billion people who potentially stand to benefit from IDA credits.

Mr. Stern explained that it was agreed by donors that in coming years IDA will further increase its focus on anti-poverty initiatives, it will strengthen its assistance to countries pursuing economic policy reforms and it will place more emphasis on critical environmental issues.

IDA provides credits for 35 to 40 years to borrowing countries. Such credits are currently at zero percent interest with a 0.75 percent service charge and a 10 year grace period prior to the start of principal repayments. The vast majority of the people in IDA borrowing countries have annual incomes of less than US\$400. Countries with per capita incomes of US\$970 or less (in 1987 dollars) will be eligible for IDA credits, but the great demand for these

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¹ Under IDA8, SDR 1.1 billion in repayments are available for commitment, bringing total IDA8 resources to SDR 11.6 billion or US\$14.5 billion.

funds from the poorest nations will mean that, in effect, the effective cut-off will remain at US\$580 per capita. Donors emphasized, however, that borrowing countries should not view IDA credits as entitlements and must strive to strengthen their economic performance to secure full IDA support, the chairman of the IDA negotiations noted.

Donors identified three program areas as deserving higher priority: poverty reduction, which is central to all of IDA's operations, is to be given even stronger emphasis in IDA lending allocations; support for sound macroeconomic and sectoral policies and programs, including further emphasis on institutional strengthening; environmental programs are to be further expanded and strengthened in providing for environmental protection and improvement.

In view of the urgent requirements for additional concessional funds in the low income countries of Asia and Africa, the IDA donors agreed that scarce IDA resources should be allocated based on universally applicable criteria. The share of IDA9 resources going to Sub-Saharan Africa should continue to be between 45 to 50 percent, provided this continues to be warranted by performance.

Lending for investment projects will remain the mainstay of IDA's work, representing about 75 percent of all outlays, the donors agreed. Thus, lending for quick-disbursing adjustment programs will continue to account for about 25 to 30 percent of IDA's commitments.

Mr. Stern noted that it was agreed that economic policy performance remains a critical criterion for donors in the decisions that IDA takes on individual country lending allocations. "There was broad agreement," Mr. Stern added, "that the definition of performance should include three main components: sound economic management; efforts towards growth with equity, and poverty reduction; and efforts towards long-term sustainable development."

Mr. Stern said the replenishment level of SDR 11.68 billion had been achieved through special efforts on the part of many donors. Nine countries made such efforts through share increases or special contributions -- Austria, Finland, France, Ireland, Italy, Japan, Korea, Spain and Turkey. Japan's special contribution of US\$302 million was critical to reaching the overall agreement. Switzerland, although not a member of IDA, agreed to increase its support in IDA9 by close to 40 percent.

CONTRIBUTIONS TO IDA REPLENISHMENTS
(SDR MILLION)

	IDA9		
	BASIC	SUPPLEMENTARY	TOTAL
United States a/	2524		2524
Japan	2184	239.8	2424
Germany, Federal Republic	1284	58.0	1342
France	888		888
United Kingdom	782		782
	7662	297.8	7960
OTHER b/	3656	62.8	3719
TOTAL	11318	360.6	11679

	IDA8		
	BASIC	SUPPLEMENTARY	TOTAL
United States c/	2421		2421
Japan	1811	379	2190
Germany, Federal Republic	1114	42	1156
France	707		707
United Kingdom	649	13	662
	6703	433	7136
OTHER b/	2983	321	3304
TOTAL	9686	754	10440

BASIC SHARES IN THE REPLENISHMENT (%)

	IDA8	IDA9
United States	25.00	21.61
Japan	18.70	18.70
Germany, Federal Republic	11.50	11.00
France	7.30	7.60
United Kingdom	6.70	6.70
	69.20	65.61
OTHER b/	30.80	34.39
TOTAL	100.00	100.00

a/ -- Equivalent to U.S. \$ 3180 million.
b/ -- Including Switzerland.
c/ -- Equivalent to U.S. \$ 2875 million.

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