SAILING BACK TO THE FUTURE: HISTORY AND POLICY MAKING AT THE WORLD BANK

IDA and Debt Relief: An illustrative example of history and policy-making

Alex Iorio
Chief Counsel
International Development Association

- **IBRD and IMF**
  Established in 1948 to help post-war reconstruction and address the root conditions that led to the depression that preceded WW II.
- **IDA** Established in 1960 amongst growing competition for influence in developing countries:
  - For the US, IDA a tool in the anti-communist effort.
  - For Europeans powers, a means to deliver aid programs for former colonies.
Using History to Inform Development Policy: The Role of Archives

THE NEW YORK TIMES
February 23, 1958

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The New York Times

Money Urges

A 2D WORLD BANK

It Would Make Low-Interest
Loans to Poor Nations

BY E. W. KENEN
Washington

Senator A. H. Monroney
has called on the Senate
Finance Committee to
establish a new agency to
provide long-term, low-interest
loans to underdeveloped
nations.

The new agency would be
known as the World Bank,
complementary to the existing
international agencies.

Senator Monroney states that
the World Bank would be
administered by the Inter-
national Monetary Fund and
the United Nations.

He recommends a starting
capital of $250 million and
proposes a $50 billion fund
for future years.

The new agency would
provide guarantees for
export credits from
American banks.

The agency would
support projects in
underdeveloped countries
and help them
achieve economic
self-sufficiency.

On the other hand, the
agency would avoid
funding projects in
developed countries.

Senator Monroney argues
that a World Bank could
help underdeveloped
countries achieve
economic growth
by providing
credit and expertise.

He believes that
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Dear Mr. Secretary:  

I have read with great interest your letter concerning the adequacy of the present resources of the International Monetary Fund and the International Bank for Reconstruction and Development.

Third: With respect to the proposal for an International Development Association, I believe that such an affiliate of the International Bank, if adequately supported by a number of countries able to contribute, could provide a useful supplement to the existing lending activities of the Bank and thereby accelerate the pace of economic development in the less developed member countries of the Bank. In connection with the study of this matter that you are undertaking in the National Advisory Council pursuant to the Senate Resolution, I note that you contemplate informal discussions with other member governments of the Bank with a view to ascertaining their attitude toward an expansion of the Bank’s responsibilities along these lines. If the results indicate that the creation of the International Development Association would be possible, I request that, as a third step, you initiate prompt negotiations looking toward the establishment of such an affiliate of the Bank.

The three-point program I have suggested for consideration would require intensified international cooperation directed to a broad attack upon some of the major economic problems of our time. A concerted and successful international effort along these lines would, I feel certain, create a great new source of hope for all those who share our conviction that with material betterment and free institutions flourishing side by side we can look forward with confidence to a peaceful world.

Sincerely,

/Dwight D. Eisenhower

The Honorable Robert B. Anderson  
Secretary of the Treasury  
Washington, D.C.
50 + years

- IDA as maker of concessional loans to poorest countries.
- $400 billion since 1960.
- Purpose to raise standards of living in less-developed areas of the world in IDA’s membership – (GNI cut-off $1195).
- Periodic replenishments – 3 years cycle.
  - In 1960, 18 donors
  - In 2011, 52 donors
- 36 Countries have graduated from IDA to become donors.
- Last IDA replenishment almost $50bn.
IDA and Debt Relief

- IDA’s Articles of Agreement allow IDA to make loans.
- Grant making by IDA always much debated. IDA can make grants, but only if a specific replenishment allows for grant – making.
- IDA’s Articles also provide that IDA may: “agree to a relaxation or other modification of the terms on which any of its financing shall have been provided”.
Could IDA provide debt relief?

- 1990s campaign by NGOs for debt relief “Jubilee 2000”.
- Partial debt relief under the Heavily Indebted Poor Countries Initiative.
  - Looked to archives to establish intent of the provision.
  - Formal interpretation of Articles’ provision by Executive Directors allowing forgiveness of a portion of debt service.
Using History to Inform Development Policy: The Role of Archives
MDRI

- G8 Summit at Gleneagles in 2005 followed by Live8 concerts.
- Proposal for 100% debt relief under which IDA would forgive $37 billion of loans. The “Multilateral Debt Relief Initiative”.
- Drafting history unclear.
- Inter-dependent package agreed under which IDA agreed to provide debt relief but would receive dollar-for-dollar compensation from donors.