



Foreign and Commonwealth Office

London SW1A 2AH

15 April 1983

Dear Willie,

International Development Association, Special Funding
Arrangements: Publication of a Command Paper

I am writing to seek agreement to publication as a Command Paper of the text of a resolution by the Executive Directors of the International Development Association (IDA) authorising arrangements for special contributions to help sustain its lending programme during its fiscal year 1984 (1 July 1983 - 30 June 1984). A copy of the proposed text of the Command Paper is attached.

The Sixth Replenishment of IDA, UK participation in which was approved by Parliament in two stages in March 1981 and July 1981, provided IDA with lending resources for a three year period to 30 June 1983. The US contribution was approved in full by the US Congress, but only after a lengthy delay, and on the basis that it would be phased over four or more years instead of the three allowed under IDA 6. This has now caused a short-fall in IDA's commitment authority in its fiscal year 1984 by which time the majority of donors, including the UK, will have completed their IDA 6 contributions, and before arrangements for a further replenishment (IDA 7) can be made. The IDA has asked member governments to contribute to special funding arrangements in its fiscal year 1984 to help alleviate the short-fall in its commitment authority. The UK has agreed to participate, subject to Parliamentary approval; this is now being sought, and the Command Paper is required in this connection.

The Command Paper consists simply of the text of the resolution with a brief explanatory foreword. It is non-controversial and its publication is unlikely to give rise to any comment. In order to expedite the Parliamentary process we should like it to be published as soon as possible. The text has been cleared at official level with the Treasury.

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I am sending copies of this letter and enclosures to the Private Secretaries of the Leader of the House of Commons, the Paymaster General, the Financial Secretary to the Treasury, the Secretary of the Cabinet and the Government Chief Whip.

I should be grateful to receive your agreement to publication as proposed. We would propose to publish in the week beginning 25 April.

Yours ever
John Holmes

(J E Holmes)
Private Secretary

W Rickett Esq
10 Downing Street



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10 DOWNING STREET

From the Private Secretary

20 April, 1983

INTERNATIONAL DEVELOPMENT ASSOCIATION,
SPECIAL FUNDING ARRANGEMENTS: PUBLICATION
OF A COMMAND PAPER

Thank you for your letter of 15 April. We have no objection to your publishing as a Command Paper the text of the resolution by the Executive Directors of IDA authorising the arrangements for the special contributions in fiscal year 1984. I note that you propose to publish this paper next week.

I am copying this to David Heyhoe (Lord President's Office), John Kerr (H.M. Treasury), Murdo Maclean (Chief Whip's Office) and Richard Hatfield (Cabinet Office).

W. F. S. RICKETT

John Holmes, Esq.,
Foreign and Commonwealth Office

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INTERNATIONAL DEVELOPMENT
ASSOCIATION

Replenishment of IDA Resources

Resolution of the Executive Directors
dated 26 October 1982

Presented to Parliament by the Secretary
of State for Foreign and Commonwealth
Affairs by Command of Her Majesty

LONDON
HER MAJESTY'S STATIONERY OFFICE
£ net

FOREWORD

1. The purpose of this Command Paper is to lay before Parliament the text of the Resolution dated 26 October 1982 by the Executive Directors of the International Development Association authorising arrangements for special contributions.
2. It is the intention of Her Majesty's Government, subject to Parliamentary approval, to make an Order under section 6(2) of the Overseas Development and Co-operation Act 1980, to enable them to make payments in accordance with the terms of the Resolution.

INTERNATIONAL DEVELOPMENT ASSOCIATION

Resolution NO. IDA 82-6

ARRANGEMENTS FOR SPECIAL CONTRIBUTIONS

Section A. Introduction

1. WHEREAS

- (a) The commitment on credits of the Sixth Replenishment of the Association's resources is expected to be phased over a longer period than originally contemplated, due to shortfalls in unqualified contribution commitments received from a major contributor to the Sixth Replenishment;
- (b) As a result, delays and shortfalls in the availability of resources to the Association for commitment on credits have occurred and are further expected to occur;
- (c) The other members of the Association have agreed to undertake a joint effort to maintain assistance to the poorest developing countries on concessional terms on a more adequate level pending a further general replenishment of the Association's resources;
- (d) For this common purpose, these members are prepared to make special contributions, as provided in Section C of this Resolution, for supplementing the resources available for lending by the Association during the period extending to June 30, 1984;
- (e) Some members wish to make such special contributions in the form of additional contributions to the Association's regular resources, designated as contributions to an "FY84 Account" and to be subject to the terms and conditions set forth in Section D of this Resolution;
- (f) Other members wish to make such special contributions to a special fund administered by the Association, and the Association is prepared to establish and administer such a special fund on the terms and conditions set forth in Section E of this Resolution; and
- (g) Members considering the arrangements for such special contributions set forth in this Resolution as an appropriate basis for recommendation to legislatures, intend to request, where necessary, their legislatures to approve such arrangements with a view to obtaining approval to make such special contributions, it being understood that no commitment by a member government can be made until such approval has, where necessary, been obtained from its legislature;

2. NOW THEREFORE it is hereby resolved as follows:

Section B. Definitions

3. Whenever used in this Resolution:

- (a) "Association" means International Development Association;
- (b) "Sixth Replenishment" means the replenishment of the Association's resources authorized by Resolution No. 117 of the Board of Governors of the Association, adopted on March 26, 1980;
- (c) "Special Drawing Right" or "SDR" means a special drawing right as valued from time to time by the International Monetary Fund in accordance with its Articles of Agreement;
- (d) "freely convertible currency" means a currency as defined in Article II, Section 2(f) of the Articles of Agreement of the Association;
- (e) "Special Contribution" means any contribution, either to the FY84 Account or the Special Fund, notified in accordance with paragraph 5(a) of this Resolution;
- (f) "FY84 Account" means the resources accepted by the Association pursuant to Section D of this Resolution;
- (g) "Special Fund" means the special fund established pursuant to Section E of this Resolution;
- (h) "SF Contribution" means a Special Contribution to the Special Fund;
- (i) "Special Fund Credit" means a credit made by the Administrator out of the resources of the Special Fund;
- (j) "Administrator" means the Association acting in its capacity as Administrator of the Special Fund; and
- (k) "SF Contributor" means a member of the Association which has notified an SF Contribution.

Section C. General Provisions Regarding Special Contributions

4. The total Special Contribution of each member of the Association participating in the arrangements provided for in this Resolution shall be

an amount which, together with such member's total subscription and contribution to the Sixth Replenishment (valued on the basis of the unit of obligation of such subscription and contribution and exchange rates as of August 31, 1982), is at least equal to four-thirds of: (i) such total subscription and contribution (in terms of either the unit of obligation of such subscription and contribution or, at such member's option, the national currency equivalent of such subscription and contribution as of October 5, 1979, if such subscription and contribution is expressed in a unit of obligation other than the national currency of such member); or (ii) the amount representing such member's share in the Sixth Replenishment agreed upon by the contributors to the Sixth Replenishment as the basis for initial drawings on such subscription and contribution.

5. Special Contributions shall be made in the following manner:

- (a) Each member of the Association desiring to make a Special Contribution shall deposit with the Association one or more formal notifications, in form and substance satisfactory to the Association, whereby such member shall obligate itself to make a Special Contribution in a specified amount in accordance with the terms of this Resolution. Such notifications shall indicate whether a Special Contribution is made to the FY84 Account or to the Special Fund and may be deposited until March 31, 1984, or such later date as the Executive Directors of the Association may determine.
- (b) Special Contributions shall be expressed in terms of: (i) Special Drawing Rights; or (ii) the currency of the member making such Special Contribution or of another member of the Association, provided, in either case, that such currency is a freely convertible currency.
- (c) The full amount of each Special Contribution notified in accordance with paragraph 5(a) of this Resolution shall be payable within 90 days after the deposit of such notification, or in such other installments and on such other date(s) as shall be agreed between the Association and the member making such Special Contribution; provided, however, that: (i) the total amount paid from time to time by each such member shall at least be equal to the amount estimated by the Association to be required from that member for purposes of disbursements on credits made from the FY84 Account or on Special Fund Credits, as the case may be; and (ii) no payment shall be postponed by more than one year from the date specified above.
- (d) Payments on account of any Special Contribution shall be made in the currency in which the Special Contribution is expressed or any currency which the Association determines to be adequately convertible, or otherwise usable, for purposes of the operations

to be financed with the resources contributed pursuant to this Resolution.

6. (a) Until June 30, 1983, or such later date as the Executive Directors of the Association may determine, any member which has made a Special Contribution may notify the Association that the balance (if any) of such Special Contribution, as reasonably determined by the Association, which is not expected to be needed for disbursement on credits of the Association or Special Fund Credits already negotiated by the Association, is to be converted: (i) into an SF Contribution, if said Special Contribution was made to the FY84 Account; or (ii) into a Special Contribution to the FY84 Account, if said Special Contribution was an SF Contribution.
- (b) Upon such notification, such balance, if any, shall be deemed to be an SF Contribution instead of a Special Contribution to the FY84 Account, or a Special Contribution to the FY84 Account instead of an SF Contribution, as the case may be.

7. Members are entitled to request that their Special Contributions be taken into account in the next general replenishment of the Association's resources, and any such request shall be considered in the course of the negotiations of such replenishment. It is understood that Special Contributions are to be regarded as without prejudice to any arrangements in connection with subsequent replenishments.

Section D. The FY84 Account

8. The Association is authorized to accept Special Contributions, as provided for in Section C of this Resolution, as additional contributions to the Association's regular resources.

9. The rights and obligations of the Association and the members of the Association in regard to the Special Contributions made by such members pursuant to this Section shall be the same (except as otherwise provided in this Resolution) as those which govern the ninety percent portion of the initial subscriptions of original members payable under Article II, Section 2(d) of the Articles of Agreement by members listed in Part I of Schedule A of the Articles; provided, however, that (i) notes or similar obligations may also be substituted, as provided in Article II, Section 2(e) of the Articles of Agreement, in respect of any such Special Contribution of a member payable in a currency other than the currency of that member; (ii) the proviso of Article IV, Section 1(e) and the provisions of Article IV, Section 2 of the Articles of Agreement shall not be applicable to such Special Contributions; and (iii) any voting rights to be accorded to the members making such Special Contributions on account

thereof are to be granted through the authorization of additional subscriptions for such members by the Association's Board of Governors.

Section E. The Special Fund

10. There is hereby established a special fund (the Special Fund) constituted by the Special Contributions (the SF Contributions) which shall from time to time be contributed thereto, as provided in Section C of this Resolution, and any other assets and receipts of the Special Fund, to be held in trust, managed and used in accordance with the provisions of this Section by the Association, acting as Administrator of the Special Fund.

11. In addition to Section C of this Resolution, the following provisions shall govern the payment of SF Contributions:

- (a) Payment may be made in the form of cash or through deposit of non-interest bearing notes of the SF Contributor payable on demand and to the order of the Association, as Administrator of the Special Fund. Such notes shall be deposited in the depository of the respective SF Contributor for the Association.
- (b) To the extent feasible, the Administrator shall draw on the SF Contributions on an approximately pro rata basis in accordance with the Association's normal procedures in order to meet disbursements on Special Fund Credits.

12. Pending disbursement on Special Fund Credits, the Administrator may invest funds held by the Special Fund. The income from such investments shall become part of the resources of the Special Fund.

13. The resources of the Special Fund shall be used by the Administrator for making credits (Special Fund Credits) to members of the Association in accordance with the following principles and procedures:

- (a) Each Special Fund Credit shall be made for the purpose of financing a specific development project or program. The policies, practices and procedures governing the allocation of Special Fund resources, the selection and appraisal of projects or programs to be financed out of such resources and the approval and administration of Special Fund Credits, including the terms and conditions thereof, shall be the same as those applicable with respect to development credits made out of the Association's regular resources, except as otherwise specifically provided in this Resolution.
- (b) Each Special Fund Credit shall be evidenced by a separate agreement between the borrower and the Administrator, indicating

in particular that resources made available under such Credit are provided from the Special Fund.

- (c) Special Fund Credits may be denominated in one or more of the currencies in which SF Contributions are expressed or the SDR, and shall be repayable in terms of any of those currencies or the SDR.
- (d) The proceeds of Special Fund Credits may be used to finance expenditures for goods produced in, or services supplied from, any of the following countries: (i) any Part II member of the Association; and (ii) any Part I member of the Association (A) which has notified, or has advised the Administrator in writing that it intends to make, an SF Contribution in a minimum amount conforming with paragraph 4 of this Resolution, or (B) which has notified, or has advised the Association in writing that it intends to make, a Special Contribution in such minimum amount to the FY84 Account and has advised the Association in writing that such Special Contribution is to be treated in the same manner as an SF Contribution for purposes of any future adjustment of the voting rights of the members of the Association.
- (e) The charges payable by borrowers under Special Fund Credits shall be paid directly to the Association, in any currency acceptable to the Association, and shall be retained by the Association in order to compensate it for its services as Administrator.
- (f) The principal repayments of Special Fund Credits shall become part of the Association's general resources and shall be subject to the same terms and conditions as funds derived from the subscriptions and contributions to the Sixth Replenishment.

14. The administration of the Special Fund shall be governed by the following provisions:

- (a) The Administrator shall have the authority to perform such acts and enter into such contracts as may be necessary for the accomplishment of the purposes of the Special Fund consistent with this Resolution and the Articles of Agreement of the Association.
- (b) The Special Fund shall be kept separate and apart from all other accounts and assets of the Association. For this purpose, the Administrator shall establish and maintain appropriate records and accounts to identify the SF Contributions and any other resources of the Special Fund, the Special Fund Credits, and the receipt and disbursement of funds relating to the operations of the Special Fund.

- (c) The Administrator shall report on the operation of the Special Fund in the annual report of the Executive Directors to the Board of Governors of the Association and shall include in that report the financial statements and the opinion of the auditors referred to in paragraph 14(d) of this Resolution.
- (d) The Administrator shall prepare, as soon as practicable after the end of each fiscal year of the Association, detailed financial statements of the Special Fund (including statements of its assets and liabilities, the origin and application of its resources, and related statements), which shall be audited by the Association's own external auditors.

15. The Special Fund shall become effective and start operations on the date on which the first notification of an SF Contribution shall be deposited, provided such SF Contribution is in a minimum amount conforming with paragraph 4 of this Resolution or the member of the Association depositing such notification has advised the Administrator in writing that it intends to make an SF Contribution in such minimum amount.

16. The arrangements governing the Special Fund set forth in this Resolution may be amended by Resolution of the Executive Directors of the Association, provided that, before any such proposed amendment is presented to the Executive Directors for consideration, at least two-thirds of all SF Contributors whose SF Contributions represent not less than three-quarters of the aggregate SF Contributions must have notified the Administrator that they agree to such amendment.

17. The functions of the Association as Administrator of the Special Fund shall terminate upon a decision to that effect by the Executive Directors of the Association, taken in accordance with the provisions of paragraph 16 of this Resolution. Upon such decision by the Executive Directors, the Administrator shall take all action necessary for winding up its activities as Administrator in an expeditious and orderly manner, in accordance with such decision. Unless otherwise provided in such decision, the Special Fund shall thereupon terminate and Special Fund Credits shall be treated as part of the Association's regular lending portfolio so that the Association shall continue to receive the charges payable on such Credits and principal repayments thereof, as provided in paragraph 13(e) and (f) of this Resolution.

26 October, 1982