

International Development Association (IDA)

International Development Association (IDA) offers concessional loans and grants to the world's poorest developing countries. The IDA is a member of the World Bank Group and is headquartered in Washington, D.C. in the United States. It was established in 1960 to complement the existing IBRD by lending to developing countries which suffer from the lowest gross national income, from troubled creditworthiness, or from the lowest per capita income. IDA was founded when the low-income developing countries began to realize that they could no longer afford to borrow capital and needed more-favorable lending terms than offered by the International Bank for Reconstruction and Development (IBRD). They demanded to create a development agency that would offer technical support and concessional financing, and demanded the creation of a new concessional financing mechanism for the poorest countries.

The International Development Association and International Bank for Reconstruction and Development are collectively generally known as the World Bank, and they follow the same executive leadership and operate with the same staff. The IDA along with IBRD is governed by the World Bank's Board of Governors chaired by the President of the World Bank Group

Role of IDA :

IDA shares the World Bank's mission of reducing poverty and aims to provide affordable development financing to countries whose credit risk is so prohibitive that they cannot afford to borrow commercially or from the Bank's other programs. The IDA's stated aim is to assist the poorest nations in growing more quickly, equitably, and sustainably to reduce poverty. To be eligible for support from the IDA, countries are assessed by their poverty and their lack of creditworthiness for commercial and IBRD borrowing. The association assesses countries based on their per capita income, lack of access to private capital markets, and policy performance in implementing pro-growth and anti-poverty economic or social reforms. To borrow from the IDA's concessional lending

programs, a country's gross national income (GNI) per capita must not exceed \$1,145 in 2019 dollars.

The IDA lends to 75 borrowing countries, over half of which (39) are in Africa. Throughout its lifetime, 44 borrowing countries have lifted themselves from IDA eligibility to IBRD eligibility, although 9 of these countries have relapsed . Development economists, such as William Easterly, have conducted research which ranked the IDA as featuring the most transparency and best practices among donors of development aid

The IDA is the single largest provider of funds to economic and human development projects in the world's poorest nations. The IDA has issued a total US\$238 billion in loans and grants since its launch in 1960.

Funds :

The IDA , requires continuous replenishment of its resources as it caters to the poorest countries .Member countries replenish its funds through contributions in addition to supplementary funds provided by the IBRD and the International Finance Corporation (IFC). Whereas the IBRD acquires most of its funds by raising capital on international financial markets, the IDA heavily depends on contributions from its member states. Approximately half of the IDA's resources come from the 45 donating member countries. In its early years, the IDA received most of its replenishments from the United Kingdom and United States but later other developed nations began to step in and fill the economic gaps not met by these two countries. Every three years, member nations that provide funds to the IDA gather together to replenish the IDA's resources. The IDA's loans and grants are usually not paid in full to the borrower at the outset, but rather disbursed incrementally as needed by the project. Donors receive no return of funds and repayments from borrowers are again loaned to future projects such that donors won't need to commit those funds again in the future.

Lending :

The IDA lends to countries with the aim to finance projects that will develop infrastructure and improve education, healthcare, access to clean water and sanitation facilities, and environmental responsibility. It is considered to be the soft lending window of the World Bank, while the IBRD is considered to be the hard lending window. The association offers

grants and loans with maturities ranging from 25 to 40 years, grace periods of 5 to 10 years, and interest rates of 2.8% or 1.25% depending on whether the borrower is a blend country and to which degree it is eligible. Regular IDA-eligible borrowers may take advantage of no-interest loans. Financial resources are allocated to eligible countries based on their success at implementing pro-growth and a poverty-reducing domestic policies. The IDA uses the World Bank's Country Policy and Institutional Assessment (CPIA) development indicator to determine each country's place in a resource allocation index. It then prioritizes its lending to those countries which are indicated to be most promising in terms of favorable policies and aid effectiveness. The IDA adopted the Crisis Response Window in 2007 to enable the rapid provision of emergency financing in response to crises. The association adopted the Immediate Response Mechanism in 2011 to provide IDA borrowers with immediate access to withdraw undisbursed portions of their loans, should a crisis arise that meets the mechanism's criteria.

Beneficiaries:

African countries face some of the most severe poverty and underdevelopment, and 39 of those countries are the IDA's poorest member states. IDA allocates approximately half of the IDA's resources toward financing projects in those countries. Although the positive outcomes of the IDA's efforts in Africa had been historically slow, the large allocation of funding to African countries led to positive outcomes particularly within agriculture and infrastructure development efforts.

The IDA's efforts in Asia have benefitted 20 countries including the Philippines, China, South Korea, and Thailand AND India. India since 2014, has now graduated above IDA's income limit. The association's efforts in South Asia have focused primarily on projects for education, healthcare, transportation, agriculture, and energy.