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B.A Economics
Part -1
Paper- II
Topic : International Development Association
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International Development Association

Formation : 1960; 61 years ago

Purpose : Development assistance, Poverty reduction

Headquarters : Washington, D.C., U.S.

Membership : 173 countries

Chief Executive Officer : **Kristalina Georgieva**

Parent organization : World Bank Group

Introduction

The International Development Association (IDA) is the part of the World Bank that helps the world's poorest countries. Overseen by 173 shareholder nations, IDA aims to reduce poverty by providing **zero to low-interest loans** (called "credits") and grants for programs that boost **economic growth, reduce inequalities, and improve people's living conditions.**

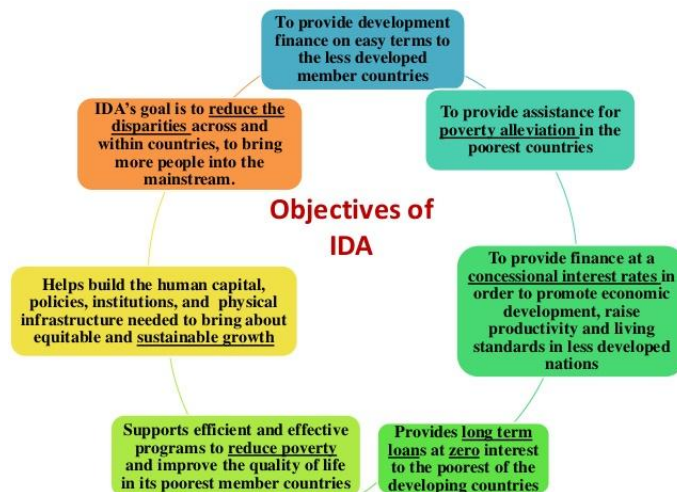
IDA complements the World Bank's original lending arm—the International Bank for Reconstruction and Development (IBRD). IBRD was established to function as a self-sustaining business and provides loans and advice to middle-income and credit-worthy poor countries. IBRD and IDA share the same staff and headquarters and evaluate projects with the same rigorous standards.

IDA is one of the largest sources of assistance for the world's 74 poorest countries and is the single largest source of donor funds for basic social services in these countries. IDA lends money on concessional terms. **This means that IDA credits have a zero or very low interest**

charge and repayments are stretched over 30 to 40 years, including a 5- to 10-year grace period. IDA also provides grants to countries at risk of debt distress.

In addition to concessional loans and grants, IDA provides significant levels of debt relief through the **Heavily Indebted Poor Countries (HIPC) Initiative** and the **Multilateral Debt Relief Initiative (MDRI)**.

Objectives of IDA



The financial assistance of the IDA has some special features:

(a) The credit is interest free. Only a small service charge of 3/4% per annum, is payable on the amount withdrawn and outstanding to cover administration expenses.

(b) Repayment period is long-extending over 50 years. There is an initial moratorium for 10 years and the amount borrowed is repayable in the next 40 years.

(c) IDA finances not only the foreign exchange component but also a part of the domestic cost.

(d) The credit can also be repaid in the local currencies of borrowing countries. Thus, the repayment of loan does not burden the balance of payments of the country.

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Some facts about IDA :

- The International Development Association established on 24 September 1960.
- The International Development Association (IDA) provides the loan to the 75 poorest countries. 39 countries are included in these poorest countries from Africa only.
- IDA is getting fund by its member countries. All donors meet once every three years.
- IDA comprises by the board of governors of all 173 countries.
- IDA lends the highest number of countries in Africa which is 81.
- The International Development Association is ranked as one of the top 5 most transparent development aid organization.