

## International Development Association (IDA) - UPSC Notes

The International Development Association (IDA) is a multinational financial institution providing aid to poor countries in the form of loans. This article talks about the IDA and its importance for the [IAS Exam](#).

International organisations and groupings are an important part of the **International Relations** section of the General Studies paper-2 in the [UPSC Syllabus](#). It is also relevant for the **UPSC Economy** section of General Studies paper-3. Students preparing for UPSC 2020 and other [Government Exams](#) must be aware of the topic.

### International Development Association (IDA)

The International Development Association (IDA) is a part of the World Bank Group that helps the world's poorest countries.

- The main objective of the IDA is to provide grants and concessional loans to the world's poorest countries.
- It lends to developing countries with the lowest Gross National Income (GNI), having troubled creditworthiness, & having very low per capita income.
- The IDA seeks to complement the work done by the International Bank for Reconstruction and Development.
  - Collectively IBRD and IDA are known as the World Bank.

### UPSC PRELIMS FACTS : (*WORLD BANK'S IDA*)



**Name:** World Bank's International Development Association

**Year of Formation:** 1960

**Headquarters:** Washington D.C

**Sector:** Economy

**Is India a member:** Yes

*IDA aims to reduce poverty by providing loans and grants for programs that boost economic growth, reduce inequalities, and improve people's living conditions.*

Some of the important information regarding IDA are mentioned below.

1. IDA was established with the signing of agreements between 15 countries.
2. 173 countries are its members.
3. Around 52 nations are donor countries.
4. IDA lends to 75 countries, out of which 39 countries are located in Africa.
5. IDA replenishes its resources every 3 years.

## International Development Association – Donor Countries

Since the funds of the IDA get eroded, they need to be replenished periodically. The replenishment is provided by different countries. Some important statistics regarding the categorization of donor countries of the IDA are given below.

1. G-7 countries dominate donor contributions. Their contribution comprises 69% of the total funds donated.
2. 26% of the total funds are donated by 11 mid-sized traditional donor countries.
3. 5% of the total funds are donated by 34 small-donor nations.

Click on the link to know more about the [G-7 Countries](#).

## International Development Association – Resource Allocation

The resource allocation by the International Development Association is done after evaluating various metrics which are given below.

1. Only countries meeting the IDA eligibility criteria are allowed to receive funds from it.
2. Allocation of funds is done annually through Performance-Based Allocation (PBA) System.
3. The performance of a country is measured through Annual Country Policy and Institutional Assessment (CPIA).
4. Gross National Income (GNI) per capita.
5. The population of the country.
6. Terms of IDA assistance are determined by the country's risk of debt distress.
7. Special allocations to post-conflict and re-engaging countries.

## International Development Association – Financial Instruments

There are 3 financial instruments under the International Development Association (IDA) which are given below.

1. Investment Operations – It is used to finance a wide range of physical and social infrastructure necessary to reduce poverty and create sustainable development.
2. Development Policy Operations – This focuses on financial policies and institutional actions that are consistent with the country's economic policies.
3. IDA Guarantees – This comes into picture when the default is caused by the Government failure. Here it mobilizes private sector finance.

## International Development Association and India

India is one of the founding members of the International Development Association.

- India got its first investment from IDA for a highway construction project in 1961.
- In the following decade, the IDA accounted for nearly three-fourths of all WB lending to India.

- By 1970, India was the largest recipient of IDA funds, accounting for more than two-fifths of all its lending.
- India is also a donor to the IDA classified as a Part II Donor.
- In 1980, China joined the World Bank which significantly dropped India's share in IDA.
  - China's claim to limiting the IDA resources also worsened Africa's economic fortunes.
- Now, India is classified as a *Blend* Country and is creditworthy for funding from both IBRD and IDA.
  - Blend Country or Blend Borrower can be defined as one in the transition from lower-middle-income to middle-income.

