



**NADAR MAHAJANA SANGAM
SERMATHAI VASAN COLLEGE FOR WOMEN,
AVANIYAPURAM, MADURAI - 12
DEPARTMENT OF COMMERCE**

&

**BANKING
MATERIALS**

**CLASS: III B.COM (BANKING)
SUBJECT: INTERNATIONAL BANKING**

Subject: INTERNATIONAL BANKING

Subject Code: CBKJC53

Unit – 1

International Monetary Fund (IMF) objective – capital and organization of IMF – functions – India and IMF International liquidity – Special Drawing Rights – working of IMF – Evaluation.

Unit – 2

International Bank for Reconstruction and Development – IBRD or World Bank – objectives – membership – organization – lending procedure – Evaluation of the working of IBRD – India and IBRD.

Unit – 3

International Finance Corporation membership – organization – capital resource – objective – investment criteria – financial procedure – review of workings of the IFC.

Unit – 4

International Development Association – Membership – capital organization of IDA – nature of the IDA assistance – working in IDA.

Unit – 5

Asian Development Bank – objectives – membership – capital structure – organization of IDA – nature of the IDA assistance – working of IDA.

Books Recommended

1. Money Banking and International Trade – M.L. Seth.
2. Money Banking and International Trade – K.P.M. Sundaram

UNIT – 1

IMF (International Monetary Fund):

The International Monetary Fund, or IMF,

*promotes international financial stability

*monetary cooperation.

*It also facilitates international trade,

*promotes employment

*sustainable economic growth,

*And helps to reduce global poverty.

The IMF is governed by and accountable to its 190 member countries.

Fast Facts About the IMF

1944 Year the IMF was established

\$1 trillion Total amount the IMF is able to lend to its member countries

190 Member countries

29 Current lending arrangements

150 Nationalities represented by staff

80 Countries that received emergency financing as of January 29

24 Executive Directors representing 190 member countries

0% Interest rate on loans to low-income countries

\$303 million For hands-on technical advice, policy-oriented training, and peer learning

*1,000,000 a **million**, 1,000,000,000 a **billion**,
1,000,000,000,000 a **trillion**.

Founding and mission:

The IMF was conceived in July 1944 at the United Nations Bretton Woods Conference in New Hampshire, United States. The 44 countries in attendance sought to build a framework for international economic cooperation and avoid repeating the competitive currency devaluations that contributed to the Great Depression of the 1930s. The IMF's primary mission is to ensure the stability of the international monetary system—the system of exchange rates and international payments that enables countries and their citizens to transact with each other.

Surveillance:

In order to maintain stability and prevent crises in the international monetary system, the IMF monitors member country policies as well as national, regional, and global economic and financial developments through a formal system known as **surveillance**. The

IMF provides advice to member countries and promotes policies designed to foster economic stability, reduce vulnerability to economic and financial crises, and raise living standards. It also provides periodic assessments of global prospects in its *World Economic Outlook*, of financial markets in its *Global Financial Stability Report*, of public finance developments in its *Fiscal Monitor*, and of external positions of the largest economies in its *External Sector Report*, in addition to a series of regional economic outlooks.

Financial assistance:

Providing loans to member countries that are experiencing actual or potential balance-of-payments problems is a core responsibility of the IMF. Individual country adjustment programs are designed in close cooperation with the IMF and are supported by IMF financing, and ongoing financial support is dependent

on effective implementation of these adjustments. In response to the global economic crisis, in April 2009 the IMF strengthened its lending capacity and approved a **major overhaul** of its financial support mechanisms, with additional reforms adopted in subsequent years. These changes enhanced the IMF's crisis-prevention toolkit, bolstering its ability to mitigate contagion during systemic crises and allowing it to better tailor instruments to meet the needs of individual member countries.

In response to the Covid-19 pandemic, the IMF temporarily increased the access limits under emergency financing instruments and the annual limit on overall access under no concessional resources. The IMF also established the Short-term Liquidity Line (SLL) to provide a backstop to members with very strong policies and fundamentals.

Loan resources available to low-income countries (LICs) were sharply increased in 2009 and more recently since March 2020 in response to unprecedented demand for concessional financing from the COVID-19 pandemic. Average limits under the IMF's concessional loan facilities were doubled in 2009, reviewed and increased in 2016, when the effectiveness conditions for the 14th Review were met and increased again by one third in 2019 to avoid access erosion and preserve the potential financing contribution of Fund programs. Annual access limits for the PRGT were temporarily increased in response to the COVID-19 pandemic through April 6, 2021. In addition, zero interest rates on concessional loans were extended through end-June 2021, and the interest rate on emergency financing is permanently set at zero. The Catastrophe Containment and Relief Trust (CCRT) was modified to provide debt service relief to

the poorest and most vulnerable members. Finally, effective and pledged additional loan resources in the amount of SDR 16.9 billion were secured in response to significant demand for concessional financing driven by the COVID-19 pandemic and ensuing economic shocks. Together with previously available resources, loans to the PRGT are expected to cover commitments under current policies until 2024.

Capacity development:

The IMF provides technical assistance and training to help member countries build better economic institutions and strengthen related human capacities. This includes, for example, designing and implementing more effective policies for taxation and administration, expenditure management, monetary and exchange rate policies, banking and financial system supervision and regulation, legislative frameworks, and economic statistics.

SDRs:

The IMF issues an international reserve asset known as **Special Drawing Rights**, or SDRs, that can supplement the official reserves of member countries participating in the SDR Department (currently all members of the IMF). A general allocation of SDRs must be consistent with the objective of meeting the long-term global need for reserve assets and requires Board of Governors approval by an 85 percent majority of the total voting power. Once agreed, the allocation is distributed to member countries in proportion to their quota shares at the Fund. Total global allocations are currently about SDR 204.2 billion (some \$293 billion). IMF members can voluntarily exchange SDRs for currencies among themselves.

Resources:

Member quotas are the primary source of IMF financial resources. A member's quota broadly reflects its size and position in the world economy. The IMF regularly conducts general reviews of quotas. The 14th Review, which was concluded in 2010 and became effective in 2016, doubled quota resources to SDR 477 billion (about US\$687 billion). The 15th Review was concluded in 2020 with no increase in quota.

In addition to quota resources, [credit arrangements](#) between the IMF and a group of members and institutions provide supplementary resources. These arrangements, called New Arrangements to Borrow (NAB) are the main backstop to quotas. On January 16, 2020, the Executive Board agreed on amendments to the NAB, including a doubling of its size to SDR 365 billion (\$526 billion),

for a new period from 2021 to 2025. This reform entered into force on January 1, 2021.

Defense, member countries have also committed resources to the IMF through **bilateral borrowing** agreements (BBAs). On March 30, 2020, the Executive Board approved a borrowing framework for a new round of BBAs. Of these, agreements for about SDR 128 (\$183) have become effective as of February 5, 2021.

Governance and organization:

The IMF is accountable to its member country governments. At the top of its **organizational structure** is the **Board of Governors**, consisting of one governor and one alternate governor from each member country, usually the top officials from the central bank or finance ministry. The Board of Governors meets once a year at the **IMF–World Bank Annual Meetings**. Twenty-four of the governors serve

on the International Monetary and Financial Committee, or IMFC, which advises the IMF's Executive Board on the supervision and management of the international monetary and financial system. The day-to-day work of the IMF is overseen by its 24-member **Executive Board**, which represents the entire membership and supported by IMF staff. The Managing Director is the head of the **IMF staff** and Chair of the Executive Board and is assisted by four Deputy Managing Directors.

Fast Facts

- **Membership:** 190 countries
- **Headquarters:** Washington, D.C.
- **Executive Board:** 24 Directors each representing a single country or groups of countries
- **Staff:** Approximately 2,700 from 150 countries
- **Total quotas:** SDR 477 billion (US\$687 billion)
- **Borrowed resources envelope:** SDR 492 billion (US\$708 billion)
- **Committed amounts under lending arrangements:** SDR 200 billion (US\$288 billion), of which SDR 94 billion (US\$136 billion) has not been drawn.
- **The largest borrowers:** Argentina, Egypt, Ukraine, Pakistan
- **The largest precautionary loans:** Mexico, Chile, Colombia

- **Capacity development spending:** US\$303 million in FY2020, nearly a third of the IMF's total budget

Primary aims:

- Promote international monetary cooperation;
- Facilitate the expansion and balanced growth of international trade;
- Promote exchange stability;
- Assist in the establishment of a multilateral system of payments; and
- Make resources available (with adequate safeguards) to members experiencing balance-of-payments difficulties.

IMF Objectives

- I. To promote international monetary cooperation
- II. To facilitate the expansion and balanced growth of International Trade
- III. To promote exchange rate stability
- IV. To make its resources available to its members who are experiencing BOP problems
- V. To establish a multilateral system of payments
- VI. IMF lends to its member countries, ensuring that, members are pursuing policies that will improve external payment problems.
- VII. Commitment to implement corrective measures
- VIII. To repay in a timely manner.

IMF Membership

To become a member, a country must apply and then be accepted by a majority of the existing members.

Upon joining, each member of the IMF is assigned a quota, based broadly on its relative size in the world economy.

IMF Subscriptions

A member's quota subscription determines the maximum amount of financial resources the member is obliged to provide to the IMF. A member must pay its subscription in full upon joining the IMF: up to 25 percent must be paid in the IMF's own currency, called Special Drawing Rights (SDRs) or widely accepted currencies (such as the **dollar, the euro, the yen, or pound sterling**), while the rest is paid in the member's own currency.

Organization structure

Board of Governors

The Board of Governors is the highest decision-making body of the IMF.

It consists of one governor and one alternate governor for each member country.

The Executive Board

The IMF's 24-member Executive Board takes care of the daily business of the IMF.

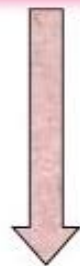
Together, these 24 board members represent all 186 countries.

Ministerial Committees

The IMF Board of Governors is advised by two ministerial committees, the International Monetary and Financial Committee (IMFC) and the Development Committee.

The IMFC has 24 members, drawn from the pool of 186 governors.

Board of governors

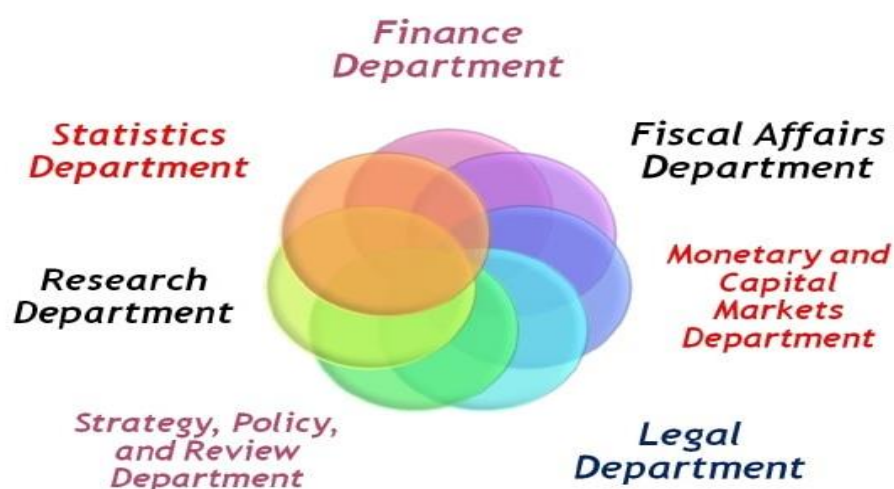


Advisory role



The Executive Board

Functional Departments Of IMF



Functional Departments Of IMF

Finance Department: Mobilizes, manages, and safeguards the IMF's financial resources.

Fiscal Affairs Department: Provides policy and technical advice on public finance issues to member countries.

- ◉ **Monetary and Capital Markets Department**: Monitors financial sectors and capital markets, and arrangements, and operations. Prepares the **GLOBAL FINANCIAL STABILITY REPORT**.
- ◉ **Legal Department**. Advises management, the Executive Board, and the staff on the applicable rules of law. Prepares decisions and other legal instruments and provides technical assistance to member countries.

Strategy, Policy, and Review

Department: Designs, implements, and evaluates IMF policies on surveillance and the use of its financial resources.

Research Department: Monitors the global economy and the economies and policies of member countries and undertakes research on issues relevant to the IMF. Prepares the World Economic Outlook.

Statistics Department: Develops internationally accepted methodologies and standards. Provides technical assistance and training to promote best practices in the dissemination of economic and financial statistics.

INDIA AND THE IMF

India signed the agreement for original membership with an initial subscription of US \$300 million and became a full fledged member when the fund began its operations in March 1947.

Several times India has been able to obtain financial facilities from the IMF.

The first being a loan of US \$100 million during 1948-49.

Benefits To India

Tiding over temporary balance of payment difficulties.

Financing economic development.

Availing of expert of advice on various aspects of the economy from the experts of the Fund.

The IMF's Organizational Structure

Figure 1 shows the organizational structure of the IMF (as of March 2004). The Board of Governors (BOG) is the highest authority in the IMF. All countries are represented on the BOG (usually at the Finance Minister Level or equivalent). The BOG usually meets annually in the fall. A committee of the BOG, the International Monetary and Financial Committee (IMFC) meets twice annually to consider major policy issues affecting the international monetary system and make recommendations to the BOG. The Development Committee, a joint committee of the Boards of Governors of the IMF and World Bank, also meets at the same time to consider development policy issues and other matters affecting developing countries. The two committees generally issue communiqués at the close of their meetings, summarizing their findings and recommendations. These often serve as policy guidance to the IMF and

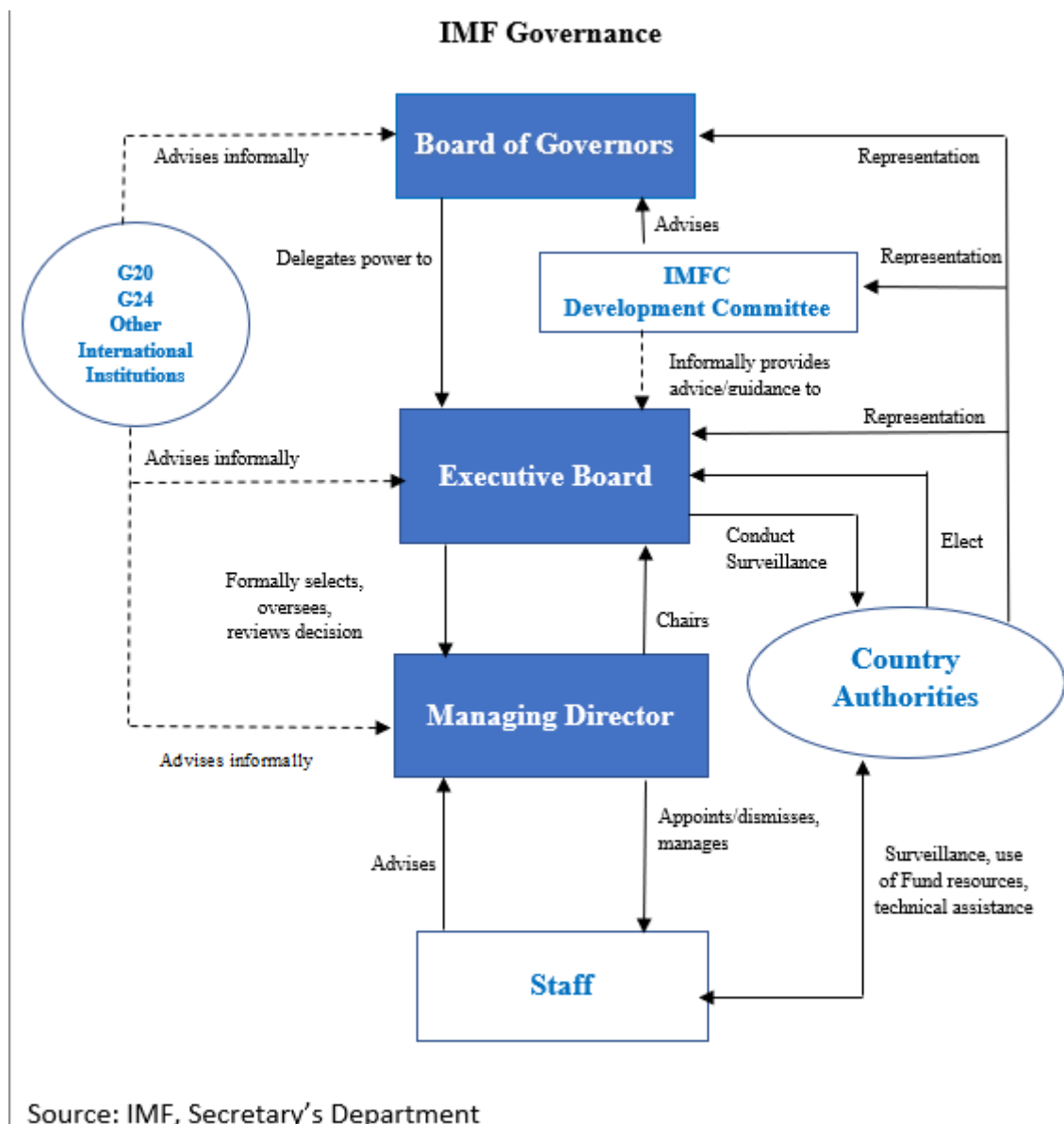
Bank, pending final action by the BOG, and as a means for airing views and for coordinating or harmonizing country policies on issues of international concern.

Day-to-day authority over operational policy, lending, and other matters is vested in the Board of Executive Directors (BED), a 24 member body that meets three or more times a week to oversee and supervise the activities of the IMF. The five largest shareholders are the United States, Japan, Germany, Britain and France; all appoint their own representatives on the Board. The remaining members are elected (for two year terms) by groups of countries, generally on the basis of geographical or historical affinity. A few countries — Saudi Arabia, China and Russia — have enough votes to elect their own executive directors (EDs). Most countries are represented on the BED, however, by EDs who also represent five to twenty other countries. The EDs each have voting

authority equal in size to the combined vote of the member countries that appointed or elected them. They must cast their votes as a unit. The executive board has several committees which examine policy and budget issues and other important matters.

The IMF executive board selects the Managing Director of the IMF, who serves as its chairman and as chief executive officer of the IMF.¹ The Managing Director manages the ongoing operations of the Fund (under the policy direction of the executive board), supervises some 2,800 staff members, and oversees the preparation of policy papers, loan proposals, and other documents which go before the executive board for its approval. Most of the material which comes to the executive board is prepared by IMF management or staff. However, some documents and recommendations are prepared by executive directors themselves or by the governments they represent. The

Managing Director is elected for a five-year renewable term of office. The executive board also approves the selection of the Managing Director's principal assistants, the First Deputy Managing Director and two other Deputy Managing Directors. By tradition, the European countries have the right to nominate persons who might be elected as IMF Managing Director. (The U.S. has a similar prerogative at the World Bank.) The First Deputy Managing Director of the IMF is typically a U.S. citizen. Recent controversies have prompted the board to consider possible ways the Managing Director might be selected on the basis of merit, rather than by geography or political connections.



The IMF's Main Functions and Activities

The IMF has three principal functions and activities:

(1) Surveillance of financial and monetary conditions in its member countries and of the world economy,

(2) Financial assistance to help countries overcome major balance of payments problems, and

(3) Technical assistance and advisory services to member countries.

SPECIAL DRAWING RIGHTS (SDR)

The SDR is an international reserve asset created by the IMF to supplement the official reserves of its member countries.

The SDR is not a currency. It is a potential claim on the freely usable currencies of IMF members. As such, SDRs can provide a country with liquidity.

A basket of currencies defines the SDR: the US dollar, Euro, Chinese Yuan, Japanese Yen, and the British Pound.

Special Drawing Rights (SDRs) are an asset, though not money in the classic sense because they can't be used to buy things. The value of an SDR is based on a basket of

the world's five leading currencies – the US dollar, euro, yuan, yen and the UK pound. The SDR is an **accounting unit** for IMF transactions with member countries – and a stable asset in countries' international reserves.

7 Things You Need to Know About SDR Allocations

Let's start from the beginning – What is an SDR? Is it money? Special Drawing Rights (SDRs) are an asset, though not money in the classic sense because they can't be used to buy things. The value of an SDR is based on a basket of the world's five leading currencies – the US dollar, euro, yuan, yen and the UK pound. The SDR is an **accounting unit** for IMF transactions with member countries – and a stable asset in countries' international reserves.

Why are SDRs important for reserves? International reserves are like large national savings accounts in foreign currencies— typically managed by the central bank—that ensure that a country has the foreign currencies it needs to trade with the world (e.g., to pay for imports). Adding SDRs to a country’s international reserves makes it more resilient financially. In times of crisis, a country can dip into its savings for urgent needs (e.g., to pay for importing vaccines).

So, how will a new SDR allocation help countries? The world is going through the worst economic crisis in peacetime since the Great Depression. In around 150 countries, income per capita this year will be lower than

in 2019. Many countries are less able to pay for vaccines or invest in their recovery – and are more indebted.

This is where a new SDR allocation comes in. It supplements countries' reserves, using the collective strength of the Fund's membership to make all 190 member countries a little stronger. It would provide liquidity support to many developing and low-income countries that are struggling, allowing them to pay for healthcare and support vulnerable people. All countries will benefit from a quick eradication of the virus. It is important to make sure they all have the financial resources to do that.

If SDRs are not money, how can countries use them? Countries can exchange their SDRs for hard

currencies with other IMF members. This has historically been done on a voluntary basis, with countries in a stronger financial position agreeing to help others when needed. They can also use their SDRs in a range of operations with other countries or to settle financial obligations to the Fund. Many member countries that don't need the support have used SDRs to support concessional financing to low-income countries.

So, how much are we talking about? SDR allocations are distributed in proportion to countries' participation in the IMF capital, which in turn closely relate to the size of their economies. Of a possible US\$650 billion SDR allocation, \$274 billion would go to emerging and developing countries, a 10% boost to their international

reserves, and in some cases, doubling them. Low-income countries would receive about \$21 billion, in some cases more than 6% of their GDP.

Since the start of the pandemic, the IMF has already mobilized \$15 billion in SDRs voluntarily pledged by some members that can be lent to low-income countries at zero interest rate. While this might not sound like much to the largest economies, it can be very significant for the poorest countries in the world, particularly during a devastating crisis.

Has a general SDR allocation been done before? Yes.

There have been three prior general allocations. The most recent was in 2009, during the Global Financial Crisis, when the IMF allocated the equivalent of \$250 billion in

new SDRs to its membership. It is widely seen as having contributed to stabilizing financial conditions around the world.

Is there a cost to allocating SDRs? An SDR allocation is cost free. Allocating SDRs does not require contributions from donor countries' budgets. SDRs are a reserve asset, not foreign aid. Most importantly, an SDR allocation does not add to any country's public debt burden.

SDR allocations: what are they and how are they used?

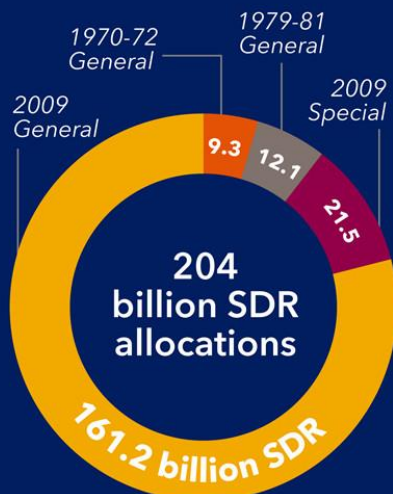


What is an SDR?

Special Drawing Rights (SDRs) are international reserve assets created by the IMF to supplement the official reserves of member countries. The value of an SDR is based on a basket of five currencies.

How are SDRs used?

SDRs are allocated to IMF member countries in proportion to their relative share in the IMF. Countries can exchange SDRs for hard currencies with other IMF members.



When are SDRs used?

SDRs are typically allocated in times of crisis. For example, the IMF distributed \$250 billion worth of SDRs to its membership in 2009 during the Global Financial Crisis.

SDR Currency Basket

Currency	Weights determined in the 2015 Review	Fixed Number of Units of Currency for a 5-year period Starting Oct 1, 2016
U.S. Dollar	41.73	0.58252
Euro	30.93	0.38671
Chinese Yuan	10.92	1.0174
Japanese Yen	8.33	11.900
Pound Sterling	8.09	0.085946

UNIT – I

IMF (INTERNATIONAL MONETARY FUND)

MULTIPLE CHOICE QUESTIONS

1. The International Monetary Fund (IMF) was established by an international treaty in ____

- (A) 1942
- (B) 1943
- (C) 1944
- (D) 1945

Ans: D

2. The Headquarter of International Monetary Fund is in

- (A) Vienna (Austria)
- (B) Washington DC (USA)
- (C) Paris (France)
- (D) New York (USA)

Ans: B

3. The Executive board of IMF consists of ____ members.

- (A) 12
- (B) 24
- (C) 36
- (D) 48

Ans: B

4. the highest authority governing the IMF, is

- (A) Board of Governors
- (B) Executive Board
- (C) Managing Director
- (D) None of the above

Ans: A

5. The Board of Governors is represented by

- (A) 12 members
- (B) 24 members
- (C) 36 members

(D) All member countries

Ans: D

6. In December 1945, the IMF came into existence with the following number of countries signed its Articles of Agreement.

(A) 29

(B) 30

(C) 31

(D) 32

Ans: A

7. The Headquarter of International Monetary Fund is in

(A) Vienna (Austria)

(B) Washington DC (USA)

(C) Paris (France)

(D) New York (USA)

Ans: B

8. The International Monetary Fund (IMF) was established by an international treaty in ____

(A) 1942

(B) 1943

(C) 1944

(D) 1945

Ans: D

9. The value of Special Drawing Right (SDR) is determined by the basket ofcurrencies.

(a) 4

(b) 5

(c) 6

(d) 7

Ans. b

Explanation: The value of Special Drawing Right (SDR) is determined by the basket of 5 currencies. The currencies are, US Dollar, Japanese Yen, British Pound, Chinese Yuan and Euro.

10. Which of the following currency has largest weightage in the determination of the value of the SDR?

- (a) Japanese Yen
- (b) Euro
- (c) US Dollar
- (d) British Pound

Ans. c

Explanation: The IMF decided that the Renminbi (Chinese yuan) would be added to the SDR basket since October 1, 2016. Since then SDR basket consists of the following five currencies: U.S. dollar 41.73%, Euro 30.93%, Renminbi (Chinese yuan) 10.92%, Japanese yen 8.33%, British pound 8.09%.

11. Which of the following is known as the Paper Gold?

- (a) US Dollar
- (b) Pound
- (c) Demand draft
- (d) Special Drawing Right

Ans. d

Explanation: Special Drawing Right is known as the **Paper Gold**. The value of the SDR is based on a basket of key international currencies reviewed by IMF every five years. SDR was introduced in the 1969 by the IMF to solve the problem of International liquidity.

List of LIC DSAs for PRGT-Eligible Countries
As of June 30, 2021

Country	Per latest DSA publication			Latest DSA discussed by the Executive Board but not yet published 2/
	Latest publication date	Risk of debt distress 1/	Joint with the World Bank	
Afghanistan	6/28/21	High	Yes	...
Bangladesh	6/3/20	Low	Yes	...
Benin	1/19/21	Moderate	Yes	...
Bhutan	10/30/18	Moderate	Yes	...
Burkina Faso	11/18/20	Moderate	Yes	...
Burundi	4/1/15	High	Yes	...
Cambodia	12/23/19	Low	Yes	...
Cameroon 3/	11/9/20	High	No	...
Cabo Verde 3/	11/10/20	High	Yes	...
Central African Republic	2/1/21	High	Yes	...
Chad	8/5/20	High	Yes	...
Comoros	6/18/20	Moderate	Yes	...
Congo, Democratic Republic of	5/1/20	Moderate	Yes	...
Congo, Republic of 3/	1/27/20	In debt distress	Yes	...
Côte d'Ivoire	12/21/20	Moderate	Yes	...
Djibouti	5/12/20	High	Yes	...
Dominica 3/	9/5/18	High	Yes	4/28/20
Eritrea	7/22/19
Ethiopia	5/6/20	High	Yes	...
Gambia, The	1/28/21	High	Yes	...
Ghana	4/16/20	High	Yes	...
Grenada 3/	5/13/20	In debt distress	Yes	...
Guinea	12/14/20	Moderate	Yes	6/21/21
Guinea-Bissau	2/1/21	High	Yes	...
Guyana	9/17/19	Moderate	Yes	...
Haiti	4/20/20	High	Yes	...
Honduras	6/3/20	Low	Yes	...
Kenya	4/6/21	High	Yes	...
Kiribati	1/24/19	High	Yes	4/26/21
Kyrgyz Republic	3/27/20	Moderate	Yes	6/4/21
Lao P.D.R.	8/8/19	High	Yes	...
Lesotho	7/30/20	Moderate	Yes	...
Liberia	1/8/21	Moderate	Yes	...
Madagascar	4/9/21	Moderate	Yes	...
Malawi	10/21/20	Moderate	Yes	...
Maldives	4/23/20	High	Yes	...
Mali	3/30/21	Moderate	Yes	...
Marshall Islands	5/27/21	High	Yes	...
Mauritania	9/16/20	High	Yes	...
Micronesia	9/6/19	High	Yes	...
Moldova 3/	4/22/20	Low	Yes	...
Mozambique	4/29/20	In debt distress	Yes	...
Myanmar	1/28/21	Low	Yes	...
Nepal	5/11/20	Low	Yes	...
Nicaragua	11/20/20	Moderate	Yes	...
Niger	11/3/20	Moderate	Yes	...
Papua New Guinea 3/	6/26/20	High	Yes	...
Rwanda	1/4/21	Moderate	Yes	...
Samoa	3/19/21	High	Yes	...
São Tomé and Príncipe	3/3/21	In debt distress	Yes	...
Senegal	6/17/21	Moderate	Yes	...
Sierra Leone	3/23/21	High	Yes	...
Solomon Islands	6/4/20	Moderate	Yes	...
Somalia	11/30/20	In debt distress	Yes	...
South Sudan	4/2/21	High	yes	...
St. Lucia 3/ 4/	9/9/11	Moderate	No	10/17/11
St. Vincent and the Grenadines 3/	5/29/20	High	Yes	...
Sudan	10/23/20	In debt distress	Yes	6/28/21
Tajikistan	5/7/20	High	Yes	...
Tanzania	1/16/18	Low	Yes	3/18/19
Timor Leste 3/	5/7/19	Low	Yes	...
Togo	4/16/20	Moderate	Yes	...
Tonga	2/1/21	High	Yes	...
Tuvalu	7/5/18	High	Yes	...
Uganda	6/30/21	Moderate	Yes	...
Uzbekistan 3/	4/26/21	Low	Yes	...
Vanuatu	6/13/19	Moderate	Yes	...
Yemen, Republic of	9/24/14	Moderate	Yes	6/1/16
Zambia	8/2/19	High	Yes	...
Zimbabwe 3/	3/26/20	In debt distress	Yes	...

*/ While there is no binding minimum concessionality requirement in the absence of a Fund-supported program, concessional flows remain the most appropriate source of external finance for LICs, highlighting the need for continued efforts by the international community to improve the availability and predictability of concessional financing (PIN No. 06/136).

1/ As of June 30, 2021 and based on the most recently published data, 7 countries are in debt distress, 29 countries are at high risk, 24 countries are at moderate risk, and 9 countries are at low risk of debt distress.

2/ May reflect usual lags in the publication. Includes DSAs presented to the Executive Board on lapse of time basis.

3/ PRGT-eligible IDA-blend countries.

4/ A market-access countries (MACs) DSA has been completed and published within the past 24 months.

INTERNATIONAL BANKING

UNIT V

Asian Development Bank (ADB)

The Asian Development Bank (ADB) is a regional development bank established on 19 December 1966, which is headquartered in the Ortigas Center located in the city of Mandaluyong, Metro Manila, Philippines. The company also maintains 31 field offices around the world to promote social and

What Is the Asian Development Bank?

Founded in 1966, the Asian Development Bank's (ADB) headquarters are in Manila, Philippines. The Asian Development Bank's primary mission is to foster growth and cooperation among countries in the Asia-Pacific Region.

It has been responsible for a number of major projects in the region and raises capital through the international [bond markets](#). The ADB also relies on member contributions, retained earnings from lending, and the repayment of loans for funding of the organization.

Shareholders of the Asian Development Bank

The two largest shareholders of the Asian Development Bank are the United States and Japan. Although the majority of the Bank's members are from the Asia-Pacific region, the industrialized nations are also well-represented. Regional development banks usually work in harmony with both the [International Monetary Fund](#) (IMF) and the [World Bank](#) in their activities.

Functions of the Asian Development Bank

1. Economic and Social Advancement

This bank has a membership program under which there are various benefits available for the members' countries.

These benefits include providing loan and investment at a concessional rate. One of the functions of the ADB is to provide loans and equity investments for the economic and social upgrade of developing member countries.

2. Technical Assistance

Most of the countries require a lot of services like advisory services. Moreover, they while operating at the international level, most of the countries require technical support too.

One of the functions of the Asian Development Bank is to provide technical assistance for the preparation and implementation of development projects and advisory services.

3. Investment Promotion

Firstly, the Asian Development Bank provides a lot of services to the member countries in the form of investments. At the same time, they also provide some specific sort of investment facilities for development purposes.

4. Support in Policies and Plans

Plans and policies play an important role in any country. There are various domestic agencies providing help to the authorities while framing various policies.

But there is a need for some international agencies at the same time for the same function. One of the main functions of the ADB is to provide help to the member countries in framing policies and plans at the international level.

Objectives of the Asian Development Bank

1. Firstly, its objective is to help the member countries in countering poverty. Hence, it helps them in poverty reduction and country development.
2. If both the social as well as the economic aspects of a country is rising, then it leads to economic growth. One of the objectives is to help the countries to go towards economic growth.
3. Thirdly, their objective is to support human development.
4. Moreover, they believe in preserving and protecting the environment.
5. Lastly, they work and wish to continue working towards empowering women and improving their status in society.

Members of Asian Development Bank

ADB has 68 members (as of 23 March 2019):

49 members from the Asian and Pacific Region,

19 members from Other Regions.¹

The year after a member's name indicates the year of membership. At the time a country ceases to be a member, the Bank shall arrange for the repurchase of such country's shares by the Bank as a part of the settlement of accounts with such country in accordance with the provisions of paragraphs 3 and 4 of Article 43.

Capital Structure Of Asian Development Bank

Each shareholder is represented on the Board of Governors, in which all of ADB's powers are vested. As of 31 December 2018, ADB's five largest shareholders are Japan and the United States (each with 15.6% of total shares), the People's Republic of China (6.4%), India (6.3%), and Australia (5.8%).

With a powerful balance sheet, backed by its 68 members, ADB's capital structure provides the greatest levels of security for fixed income investors.

Subscribed shareholder capital consists of paid-in capital and callable capital.

Paid-in capital constitutes the equity portion of capital available for ADB's OCR lending operations. This is supplemented by retained earnings and leveraged by the proceeds of ADB's borrowings.

Callable capital is available to protect ADB's creditors—mainly investors in ADB bonds and holders of ADB guarantees—in the unlikely event of a large-scale default by ADB's borrowers. ADB has never made a call on callable capital.

ADB's shareholders consist of 49 developing and developed countries in the Asia and Pacific region, and 19 countries from outside the region. Each shareholder is represented on the Board of Governors, in which all of ADB's powers are vested. As of 31 December 2018, ADB's five largest shareholders are Japan and the United States (each with 15.6% of total shares), the People's Republic of China (6.4%), India (6.3%), and Australia (5.8%).

Organization of IDA

The International Development Association is an international financial institution which 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. [Wikipedia](#)

Founded: 24 September 1960

Headquarters location: Washington, D.C., United States

Leader: Kristalina Georgieva

Parent organization: World Bank Group

Membership: 173 countries

Purposes: Development aid, Poverty reduction

NATURE AND FUNCTIONS OF IDA

- The International Development Association (IDA) is also a subsidiary of the **World Bank**. IDA is also known as the World Bank's "**Fund for the Poorest.**" It was established on 24 September 1960. The International Development Association is headquartered in Washington. **The number of its member countries is 173.**

- IDA provides concessional loans to the world's poorest countries. The primary Functions of International Development Association is to reduce poverty by providing easy loans to the poorest countries. 15 countries signed the articles of agreement in January 1960 with an initial budget of \$913 million. The member of countries increased to 51 within 8 months of its launch. Only that countries can be a member of IDA who is already the member of the World Bank.

The International Development Association is governed by the World Bank's board of governors only. The IDA's member countries (173) pay their contributions every three years. IDA lends only those countries whose gross national income (GNP) per capita should not exceed \$1175 (As of 2012). It lends the highest number of countries in Africa (81). African countries have the most severe poverty and underdevelopment.

Aim and Objective of the IDA

The **IDA's** stated aim is to **assist** the poorest nations in growing more quickly, equitably, and sustainably to reduce poverty. ... The **IDA** is the single largest provider of funds to economic and human development projects in the world's poorest nations.

Purpose: [Development assistance](#), Poverty re...

The Aim of IDA is to help the poorest countries in developing more quickly and to reduce poverty. The International Development Association's aim to provide development financing whose credit risk is in trouble and the gross national income and per capita income are the lowest. It's the largest loan provider institution for economic and human development projects in the poorest countries. Actually, these countries can't afford to borrow from the Banks or other commercial institutions.

The prime developmental area of IDA is infrastructural, Institutional development and technical support. IDA is also encouraging the donors to help the developing countries. IDA has supported more than 110 countries through grants, interest-free loans, and long-term loans.

The main objective of the establishment of the International Development Association is to provide credit to semi-developed and developing countries. The

institution provides loan on easy terms. The purpose of the loan is to improve the living standard by increasing the economic growth rate of these countries

HOW DOES IT WORK?

IDA is overseen by its 173 shareholder countries, which comprise the [Board of Governors](#). The day-to-day development work of IDA is managed by Bank operational staff, governments, and implementing agencies.

IDA has historically been funded largely by contributions from the governments of its member countries. Donors meet every three years to replenish IDA resources and review its policy framework. The replenishment process typically consists of four formal meetings held over the course of one year. In addition to officials from the now 50+ donor governments (known as “IDA Deputies”), representatives of borrowing member countries are invited to participate to help ensure that IDA’s policy and financing frameworks are responsive to country needs. Policy papers discussed during the replenishment negotiations are disclosed to the public, and the draft replenishment agreement is posted on the web for public comment prior to the last replenishment meeting. IDA staff also engages with civil society organizations (CSOs), foundations and think tanks around the world on an ongoing basis.

The financing package offers exceptional value for money—with every \$1 in partner contributions generating about \$3 in spending authority—and is one of the most concrete and significant commitments to date to scale up financing to achieve the Sustainable Development Goals.

A decorative floral border featuring a variety of blue and white flowers, including tulips and daisies, with green foliage, arranged in a vertical and diagonal pattern along the left and bottom edges of the page.

THANK YOU