

# International Development Association





# WHO WE ARE

The International Development Association (IDA) is the part of the World Bank that helps the world's poorest countries. Established in 1960, IDA aims to reduce poverty by providing 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 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 75 poorest countries, 39 of which are in Africa, 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. Recipients with a high risk of debt distress receive 100 percent of their financial assistance in the form of grants and those with a medium risk of debt distress receive 50

percent in the form of grants. Other recipients receive IDA credits on regular or blend terms with 38-year and 30-year maturities respectively.

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).

In the fiscal year ending June 30, 2018, IDA commitments totaled \$24 billion, of which 21 percent was provided on grant terms. New commitments in fiscal year 2018 comprised 206 new operations. Since 1960, IDA has provided \$369 billion for investments in 113 countries. Annual commitments have increased steadily and averaged about \$20 billion over the last three years.

## By the Numbers

Key IDA achievements from FY2011-2018



**8.5** MILLION

Teachers were recruited and/or trained



**274** MILLION

Children were immunized



**657** MILLION

People received essential health services



**By the Numbers**  
Key IDA achievements



**44** MILLION

People connected to new or improved electricity service (FY2015–2018)



**86** MILLION

People received access to better water services (FY2011–2018)

# WHAT WE DO

The world's poorest countries are often unable to attract sufficient capital to support their urgent development needs and therefore rely on support from multilateral institutions and donor governments as a critical source of funding.

IDA is a multi-issue institution, supporting a range of development activities, such as primary education, basic health services, clean water and sanitation, agriculture, business climate improvements, infrastructure, and institutional reforms. These interventions pave the way toward equality, economic growth, job creation, higher incomes, and better living conditions. For the period July 1, 2017–June 30, 2020 (IDA18), IDA operations are placing a special emphasis on five thematic areas: climate change, gender and development, fragility, conflict and violence, jobs and economic transformation, and governance and institutions.

IDA18 financing is expected to provide, among other things, essential health and nutrition services for up to 400 million people, immunizations for 130-180 million children, and safe childbirth for up to 20 million women through the provision of skilled health personnel. Some 45 million people will benefit from access to clean water and more than 300 million children are expected to benefit from the training of 9-10 million teachers.

Many of the issues developing countries face do not respect borders. By helping address these problems, IDA supports security, environmental and health concerns, and works to prevent these threats from becoming global issues.

For contributing partners, IDA provides an efficient channel for directing development assistance to the poorest countries. Because contributions to IDA are pooled together with repayments from former and current IDA recipients, IDA provides a substantial and stable source of funding that IDA countries can rely on to fund their development priorities.

IDA is also a key partner during crises and emergencies through tools like its Crisis Response Window (CRW). The CRW supported countries undergoing severe crises, such as the famine in East Africa and Yemen, Haiti in the aftermath of the 2010 earthquake, West African countries affected by the Ebola outbreak, and Nepal after the 2015 earthquake. Since its introduction in IDA16, the CRW has provided \$3 billion to respond to crises and emergencies in 26 IDA countries across five regions. CRW funds were provided in addition to the countries' regular IDA allocation.

IDA's operational work is complemented by analytical studies that support the design of policies to reduce poverty. IDA advises governments on ways to broaden the base of economic growth and protect the poor from economic shocks.

IDA also coordinates donor assistance to provide relief for poor countries that cannot manage their

debt-service burden, and has a system for allocating grants based on countries' risk of debt distress, designed to help countries ensure debt sustainability.

IDA places a premium on development impact and is regarded as a transparent, cost-effective platform for achieving results. (Read about results measurement below.) For example, from fiscal years 2011-18, IDA financing immunized 274 million children; provided access to better water services for 86 million people; and recruited and/or trained 8.5 million teachers.

Visit us online to learn more about what we do and see what donors and others say about us at [ida.worldbank.org](http://ida.worldbank.org), [www.facebook.com/ida.wbg](https://www.facebook.com/ida.wbg), [www.twitter.com/WBG\\_Fin4Dev](https://www.twitter.com/WBG_Fin4Dev) and [www.youtube.com/worldbank](https://www.youtube.com/worldbank).

From 1960-2018,  
IDA provided  
\$369 billion for  
investments in  
113 countries.  
**#EndPoverty**  
**#IDAWorks**



## HOW DOES IDA 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 (see box on IDA contributors). 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 most recent replenishment of IDA’s resources—the 18th replenishment (IDA18)—was finalized in December 2016, resulting in a record replenishment

of \$75 billion to finance projects over the three-year period ending June 30, 2020. IDA18 introduced the most radical transformation of IDA’s financial model since its inception in 1960. For the first time, IDA will leverage its equity by blending donor contributions with IDA’s own resources and funds raised through debt markets.

IDA doubled its funding for fragile and conflict-affected countries in IDA18.

**#Fragility**  
**#PostConflict**



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.

**How IDA funds are allocated.**

IDA borrowers have very significant needs for concessional funds. But the amount of funds available, which is fixed once contributions are pledged by donor governments, is below what countries need.

IDA must therefore make decisions about how to allocate scarce resources among eligible countries. (See box on borrowers.) Allocation decisions are based on several criteria, including countries' income levels and performance record in managing their economies and ongoing IDA projects.

To be eligible for funds, countries must first meet the following criteria:

- Relative poverty defined as GNI per capita must be below an established threshold (updated annually). In fiscal year 2018, this was \$1,165.
- Lack creditworthiness to borrow on market terms and therefore have a need for concessional resources to finance the country's development program.

Countries are then assessed to determine how well they implement policies that promote economic growth and poverty reduction. This is done through the Country Policy and Institutional Assessment.

This assessment and portfolio performance together constitute the IDA Country Performance Rating. In addition to the rating, population and per capita income also determine IDA allocations. These ratings are disclosed on IDA's website: <http://ida.worldbank.org/financing/resource-management>.

**Lending terms.** IDA offers a range of financing products—from grants to loans on IBRD terms—that take into account the variations in economic and social development of IDA countries. The latest lending terms can be found at <http://ida.worldbank.org/financing/ida-lending-terms>.

IDA placed in the highest category in the Aid Transparency Index every year since the index was first published in 2010. **#OpenDev #AidEffectiveness**



## IDA Borrowers

Seventy-five countries are currently eligible to receive IDA resources. Eligibility for IDA support depends first and foremost on a country's relative poverty, defined as gross national income (GNI) per capita below an established threshold.

IDA also supports a number of countries, including several small island economies, which are above the operational cutoff but lack the

creditworthiness needed to borrow from IBRD.

Some countries, such as Nigeria and Pakistan, are IDA-eligible based on per capita income levels, but are also creditworthy for some IBRD borrowing. They are referred to as "blend" countries.

See the list of IDA borrowers at <http://ida.worldbank.org/about/borrowing-countries>.

## IDA Contributors

Despite difficult circumstances in many countries, the global community agreed in December 2016 to accelerate the fight to end extreme poverty through a record financing commitment. This is testament to our development partners' belief that an investment in the future of the poorest countries is an investment in the future of all countries.

The record outcome reflects the substantial joint efforts of more than 50 traditional, emerging, and new partners to stretch their contributions (as of March 2017), as well as the endorsement of IDA's new hybrid financial model. G7 countries accounted for 69 percent of grant equivalent contributions. Contributions from first-time contributors

and from former IDA borrowing countries provided a welcome addition to the overall financing pool. These contributions underscore the increasing role emerging economies are playing in the development of poorer countries.

As in past replenishments, the World Bank Group contributed its own resources to IDA, with IBRD and IFC providing more than \$600 million. The replenishment also included contributions by IDA client countries and graduates through credit reflows, hardening of terms, and credit repayment accelerations.

See the list of IDA contributors at <http://ida.worldbank.org/about/contributor-countries>.

# HOW DO WE KNOW IDA WORKS?

Since 2002, IDA has been measuring its role in helping countries grow and reduce poverty and informing donors about the effectiveness of their contributions. The Results Measurement System (RMS) uses an integrated results and performance framework to show aggregated results across IDA countries. It also shows whether IDA is managing its operations and services effectively and is functioning efficiently.

The RMS framework groups indicators into four tiers. The first two tiers track aggregate country development results and IDA's contribution to these results.

The other two capture elements of performance against agreed performance standards. The four tiers are: (1) IDA Countries' Progress; (2) IDA-Supported Development Results; (3) IDA Operational Effectiveness; and (4) IDA Organizational Effectiveness.

The RMS supplements the more-detailed project, country, and sector results data previously available and complements qualitative overviews conducted at the country, sector, thematic, and project levels.

## By the Numbers

Key IDA achievements from FY2011-2018



# 86 MILLION

People received access to an improved water source



# 657 MILLION

People received access to essential health services

## THE PATH AHEAD FOR IDA

Today's fiscal environment presents challenges for all those involved in development—from borrowing countries to donors to CSOs. While the new Sustainable Development Goals present a critical opportunity to end extreme poverty, the scope and complexity of the challenge bring to light the depth of commitment and financing needed to meet the goals. And while a number of countries are expected to exceed IDA's per capita income threshold in the next decade, it is also clear that these countries will continue to be home to millions of poor people who will still need extensive support, particularly during the transition period from concessional to harder lending terms.

While the development finance landscape has experienced significant changes, official development assistance will remain a key source of financing for IDA clients, and grant contributions will remain central to the IDA model. But making smarter use of this concessional finance is essential for catalyzing and leveraging much

more public and private sector capital in support of the SDGs.

As part of our efforts to stretch WBG resources to meet the needs of developing countries, IDA has adopted a new hybrid financial model. For the first time, IDA will leverage its equity by blending donor contributions with internal resources and funds raised through debt markets. The financing package will help the world's poorest countries grow, create opportunities for people, and make themselves more resilient to shocks and crises.

Underpinned by strong donor support, the new financing model is allowing IDA to increase financing for all eligible countries, double financing for countries affected by fragility and conflict (to more than \$14 billion), and provide \$2 billion for activities supporting refugees and their host communities. It will also provide additional resources for crisis preparedness and response, pandemic preparedness, and disaster risk management.

A new IDA18 IFC-MIGA Private Sector Window will leverage \$2.5 billion of IDA's capital to mobilize at least \$6-8 billion in additional private sector investments in the poorest and most fragile markets over the next three years. The "window" will de-risk investments typically considered too risky, but with a potentially strong development impact.

These innovations reflect IDA's efforts to evolve in the face of the ever-changing development finance landscape. We are continuously engaged with donor and borrower countries in exploring ways to address issues such as IDA's financial sustainability, country fragility, and other frontier development issues. The challenge is to keep the world, and increasingly the private sector, engaged in the global aspiration to end extreme poverty.



IDA helps countries transition from crisis and fragility to stability, pooling and scaling up donor efforts for impact. **#CrisisResponse**

# WHY IDA?

The International Bank for Reconstruction and Development, better known as the World Bank, was established in 1944 to help Europe recover from the devastation of World War II.

The success of that enterprise led the Bank, within a few years, to turn its attention to developing countries. By the 1950s, it became clear that the poorest developing countries needed softer terms than those that could be offered by the Bank, so they could afford to borrow the capital they needed to grow. This led to the creation of IDA in 1960.

Today, IDA is recognized as a global institution with a transformative effect that individual national donors cannot match.

- IDA provides leadership on global challenges. From its support for climate resilience to the creation of jobs to get former combatants back into society, IDA rallies others on tough issues for the common good and helps make the world more secure.
- IDA is transformational. IDA helps countries develop solutions that have literally reshaped the development landscape—from its history-changing agriculture solutions for millions of South Asians who faced starvation in the 1970s to its pioneering work in the areas of debt relief and the phase-out of leaded gasoline.
- IDA is there for the long haul. IDA stays in a country after the cameras leave, emphasizing long-term growth and capability to make sure results are sustained.
- When the poorest are ignored because they're not profitable, IDA delivers. IDA provides dignity and quality of life, bringing clean

water, electricity, and toilets to hundreds of millions of poor people.

- IDA makes the world a better place for girls and women. IDA works to reverse millennia of gender discrimination by getting girls to school, helping women access financing to start small businesses, and ultimately helping to improve the economic prospects of families and communities.
- Working with the World Bank Group, IDA brings an integrated approach to development. IDA helps create environments where change can flourish and where the private sector can jumpstart investment.
- IDA is also a global leader in transparency and undergoes the toughest independent evaluations of any international organization. For example, IDA placed in the highest category in the 2018 Aid Transparency Index every year since the index was first published in 2010—ranking highest among multilateral development banks.

- Equally, a 2018 assessment by the Center for Global Development and the Brookings Institution named IDA one of the international community's top performing providers of development assistance, citing IDA's low administrative costs, more predictable aid flows, and large project size relative to other donors.
- And a 2017 survey of policy makers from 126 low- and middle-income countries by AidData ranked the World Bank 2nd out of 56 bilateral donors and multilateral institutions on its agenda-setting influence in developing countries. The report cites the World Bank as "punching above its weight" on value for money.

In a climate where donor finances are stretched, there is even more need for donors to make greater and better use of multilateral channels. The leader among those channels is IDA.

From 2013 to 2016, 80,000 people benefited from community infrastructure projects in South Sudan, including the construction of clinics and schools. **#IDAWorks**

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