

International Development Association

THE WORLD BANK'S FUND FOR THE POOREST



IDA

The World Bank's
Fund for the Poorest
WORLD BANK GROUP



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 77¹ 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 and repayments are stretched over 25 to 38 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).

In the fiscal year ending June 30, 2015, IDA commitments totaled \$19 billion, of which 13 percent was provided on grant terms. New commitments in fiscal year 2015 comprised 191 new operations. Since 1960, IDA has provided \$312 billion for investments in 112 countries. Annual commitments have increased steadily and averaged about \$19 billion over the last three years.

By the Numbers

Key IDA achievements from 2011-2015



5.1 MILLION

Teachers recruited and/or trained over a four-year period



205 MILLION


Children were immunized



17 MILLION

Pregnant women received prenatal care from a health provider

¹ India graduated from IDA at the end of fiscal years 2014 but will receive transitional support on an exceptional basis through the IDA17 period (fiscal year 2015-17).



By the Numbers

Key IDA achievements from 2011-2015



50 MILLION

People received access to an improved water source. For every \$1 invested in water and sanitation, \$4 is returned



413 MILLION

People received access to essential health services

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 official aid flows 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, 2014–June 30, 2017 (IDA17), IDA operations are placing a special emphasis on four thematic areas: climate change, fragile and conflict-affected countries, gender equality, and inclusive growth.

IDA17 financing is expected to provide, among other things, electricity for an estimated 15-20 million people, life-saving vaccines for 200 million children, microfinance loans for more than 1 million women, and basic health services for 65 million people. Some 32 million people will benefit from access to clean water and another 5.6 million from better sanitation facilities.

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 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 \$1.8 billion to respond to crises and emergencies in 18 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 2011-15, IDA financing immunized 205 million children; provided access to better water services for 50 million people; and recruited and/or trained more than 5 million teachers.

Visit us online to learn more about what we do and see what donors and others say about us at www.worldbank.org/ida, www.facebook.com/ida.wbg, and www.youtube.com/worldbank.

From 2005-15, IDA provided \$158 billion in financing for 2,114 projects in IDA countries.

#EndPoverty

#IDA



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.

While the IBRD raises most of its funds on the world's financial markets, IDA is 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 most recent

replenishment of IDA's resources—the 17th replenishment (IDA17)—was finalized in December 2013, resulting in a record replenishment of \$52.1 billion to finance projects over the three-year period ending June 30, 2017. The \$52.1 billion includes \$4.5 billion for the Multilateral Debt Relief Initiative, and more than \$4 billion in concessional partner loans, a critical innovation developed in the course of the replenishment discussions.

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.

In 2014, IDA placed in the highest category in the 2014 Aid Transparency Index for the first time.

#OpenDev
#AidEffectiveness
#EndPoverty



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 2015, this was \$1,215.
- 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: www.worldbank.org/ida.

IDA donors and the World Bank also recommended in the IDA17 Agreement that countries in sub-Saharan Africa remain a priority

and receive at least 50 percent of IDA funds, as warranted by their performance.

Lending terms. Terms of lending vary for the different members of IDA, reflecting their income levels and debt status. As a result of discussions and reviews conducted during IDA17, IDA adjusted the lending terms for IDA-only countries, resulting in a slight "hardening" of terms (shorter maturity and a straight line amortization schedule), while still maintaining a degree of concessionality.

IDA doubled its funding for fragile and conflict-affected countries in fiscal year 2015.

#Stability #PostConflict



IDA Borrowers

Seventy-seven countries (plus India) 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 creditwor-

thiness needed to borrow from IBRD.

Some countries, such as Vietnam 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 current IDA borrowers at www.worldbank.org/IDA/borrowers.



IDA Contributors

Despite difficult circumstances in many countries, the global community agreed in December 2013 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 nearly 51 traditional, emerging, and new partners to stretch their contributions (as of Jan. 19, 2016). G7 countries accounted for 68 percent of grant equivalent contributions. Con-

tributions 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 close to \$3 billion. The replenishment also included contributions by IDA client countries and graduates through credit reflows, hardening of terms, and credit repayment accelerations.

HOW DO WE KNOW IDA WORKS?

For more than a decade, 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.

THE FUTURE OF 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 (SDGs) 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 the maximum to meet the needs of developing countries, we are looking at ways to make IDA resources go further. As the main instrument for implementing the global goals in the poorest countries,

By the Numbers

Key IDA achievements



8 MILLION

Rural Tanzanians received water access from 2007-2015, a 75% increase



78 MILLION

Textbooks and teachers guides were developed, printed and distributed to all primary and secondary schools in Ethiopia, and more than 148 new textbook titles were developed from 2010-2013

IDA will need to shift toward increasingly innovative approaches to deliver transformative results.

IDA continues to undergo an extensive renewal in the face of these evolving challenges. 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 engaged in the global aspiration to end extreme poverty and to ensure that development funds are used as efficiently as possible.



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 2014 Aid Transparency Index for the first time—ranking 4th out of 17 multilateral organizations. IDA is among only six organizations that score more than 80 percent for project-level information.

- Equally, a 2014 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 2015 survey of policy makers from 126 low- and middle-income countries by AidData ranked the World Bank 1st 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.

In Nigeria, 55 million children were immunized against polio in 2015, a 98 percent increase over 2014.

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