



# The ABCs of the IFIs: IDA21 Update

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## What is IDA?

The International Development Association (IDA), the World Bank’s concessional window, plays a central role in financing development in low- and lower-middle-income countries. As one of the largest sources of development finance for the world’s poorest nations, IDA provides financing that is much cheaper than what countries could otherwise access from the market. Countries use IDA grants and loans to finance infrastructure, social services, and human development, contributing to long-term economic growth and self-reliance.

Countries qualify for IDA financing if their per-capita income is below an established threshold (currently \$1,325), or if they lack access to international capital markets (often the case for small island states). Because IDA offers grants and highly subsidized loans, its financial model is not self-sustaining; to continue support for IDA countries, the World Bank must host a “replenishment” every three years, in which donors contribute funds to top up IDA’s resources.

In December 2024, IDA completed its 21st replenishment (IDA21), mobilizing a historic **\$100 billion** for World Bank FY26-FY28, with donor pledges accounting for \$23 billion. IDA used its own

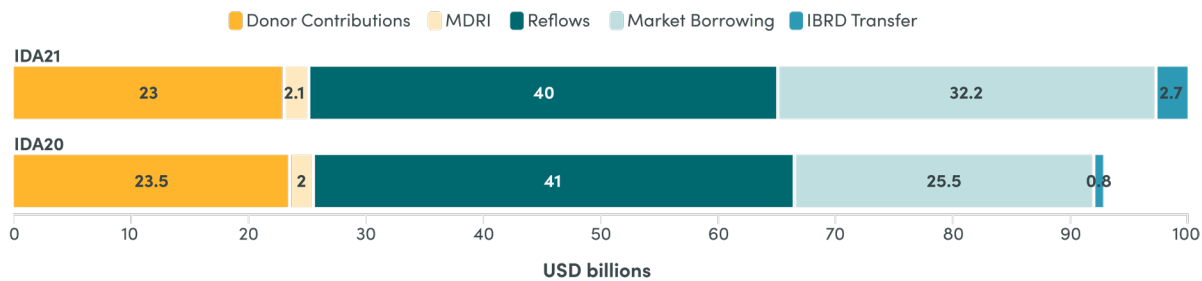
internal resources, including reflows from loans and market borrowing, to fund three-quarters of the replenishment.

The United States has long played a leading role at IDA, ensuring it is well-managed, adequately resourced, and delivers on US foreign policy priorities. In May 2025, the Trump administration announced it would pledge \$3.2 billion to IDA21 over the next three years. This is comparable to the replenishment commitment made during the first Trump administration but lower than the \$4 billion the Biden administration initially pledged to IDA21 before leaving office.

## How is IDA funded?

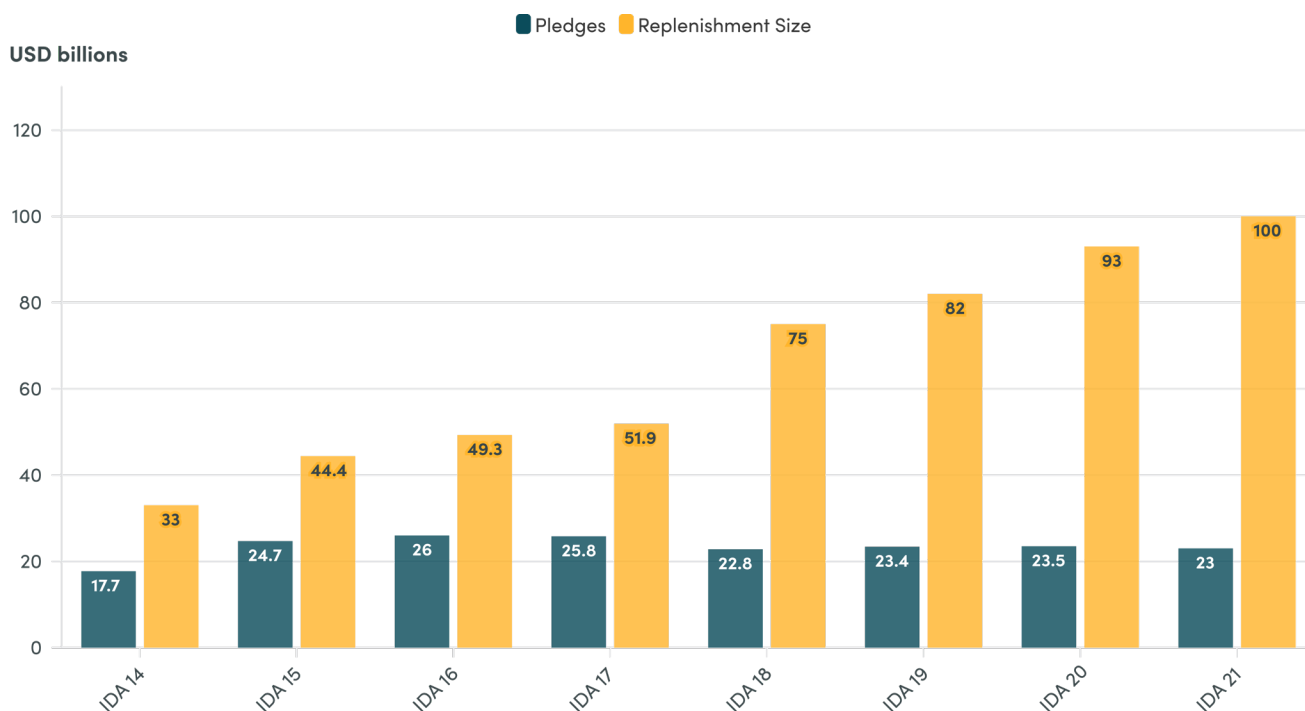
In addition to donor contributions, IDA draws on a mix of resources, including reflows from outstanding loans, transfers from the World Bank’s non-concessional lending arm, the International Bank for Reconstruction and Development (IBRD), and carryover funds from previous replenishments. A major shift in the institution’s lending power came in 2018, when IDA entered international capital markets with its first bond issuance. Since then, market borrowing has emerged as a major

**FIGURE 1** IDA’s record replenishment is driven by increases in market borrowing  
*Estimated sources of funding for IDA20 and IDA21, in billions USD*



Source: IDA20 and IDA21 Deputies Reports, CGD staff estimates

**FIGURE 2** Donor pledges represent a declining share of overall IDA funding  
*IDA14–21 donor pledges vs. total replenishment size, in USD billions*



Source: IDA Deputies Reports.

funding source for IDA. As of September 2025, IDA has issued **\$52.3 billion** in bonds, significantly boosting its lending capacity. This diversified funding model allows IDA to multiply donor contributions by a ratio of about 4 to 1. In IDA21, for every dollar that donors contribute, the World Bank will mobilize more than four dollars to alleviate poverty and promote economic development in the poorest countries.

## What role does the United States play in supporting IDA?

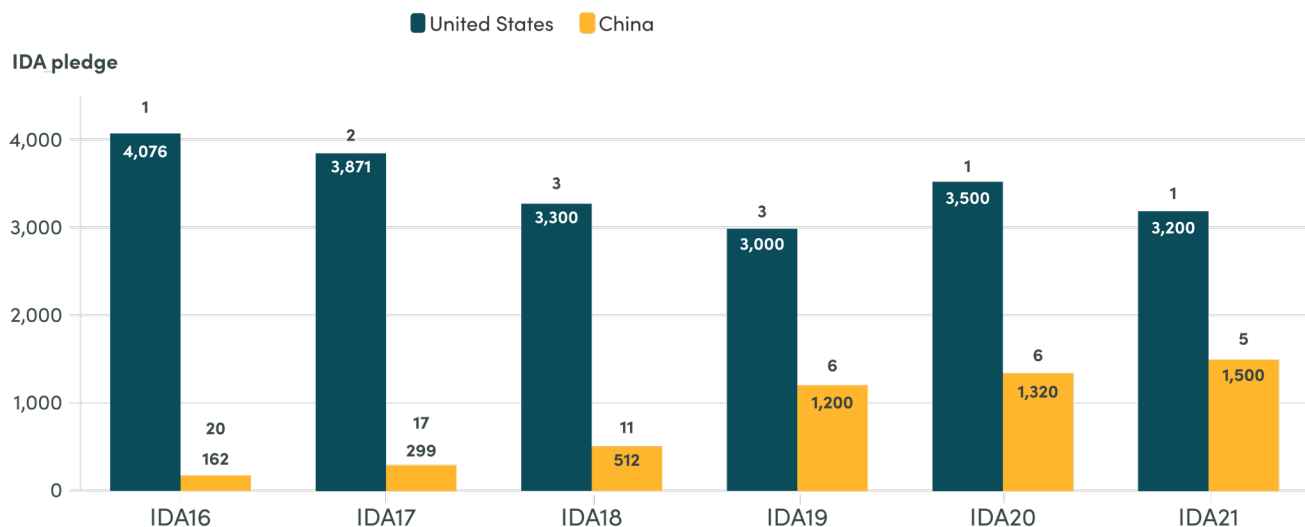
US contributions to IDA require congressional authorization and annual appropriations. Typically, US pledges are disbursed in three equal annual installments. Currently, the US has more than **\$209 million** in unpaid commitments to IDA, as well as more than **\$2.75 billion** in unpaid commitments to IDA's Multilateral Debt Relief Initiative (MDRI).<sup>1</sup> The US has been the

<sup>1</sup> The **Multilateral Debt Relief Initiative (MDRI)** provides 100 percent cancellation of debt owed to the IMF, World Bank, and African Development Bank by low-income countries that have completed the Heavily Indebted Poor Countries (HIPC) process.

largest donor over the past two replenishment cycles, reclaiming the spot from the UK, which had been IDA's largest donor during much of the 2010s. However, US contributions have fallen since their peak in IDA16 (FY11-FY13), when they exceeded \$4 billion. Meanwhile, IDA has received growing support from non-G7 donors, notably China, South Korea, and Saudi Arabia. In particular, China has risen from the 20th largest donor in IDA16 to the 5th largest in IDA21. Other historically large donors include Japan, the UK, Germany, France, and Canada.

Beyond its funding, the US plays a significant role in shaping IDA's policy agenda and remains a central force in shaping IDA's programs and policies, including through the Treasury's technical expertise and recommendations for institutional reforms. The US was an important force in reshaping IDA's results measurement framework in 2024, to more closely align IDA's system of impact measurement with the rest of the World Bank, focusing on poverty reduction, infrastructure development, education and human capital, fragile and conflict-affected states, and crisis response.

**FIGURE 3** Since IDA16, China has risen to become IDA’s fifth largest donor  
*US and Chinese pledges to IDA16 through IDA21, in USD millions. Numbers above the bars indicate rank among donors.*



Source: IDA Deputies Reports. The Biden Administration originally pledged \$4 billion to IDA21 in November 2024. This figure was reduced to \$3.2 billion under the Trump Administration.

## Who gets IDA funding?

Seventy-eight countries are eligible for IDA in FY26 (July 2025–June 2026). Of these, just under half are in sub-Saharan Africa (SSA). In FY24, about 70 percent of IDA’s financing went to countries in SSA, while countries in South Asia received 20 percent. Ethiopia, Bangladesh, and Nigeria received the most IDA financing that year.

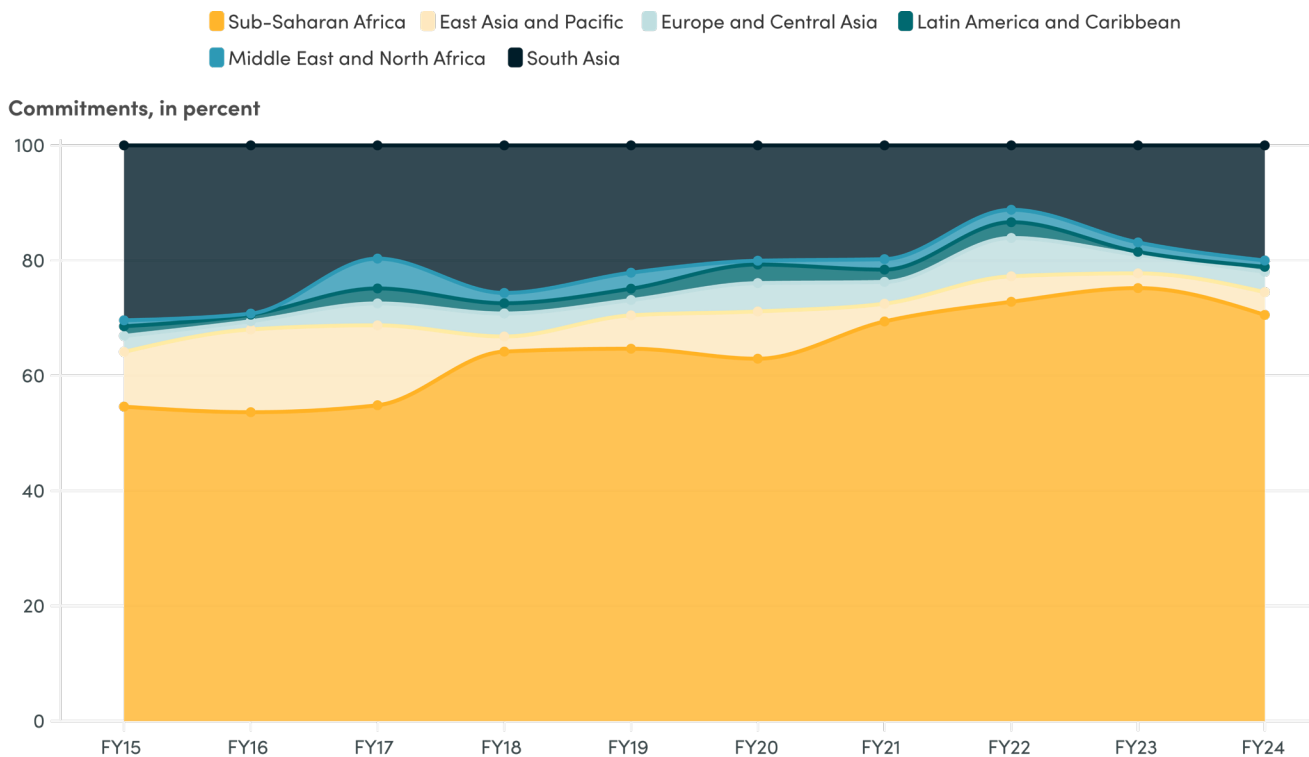
IDA serves an essential function for small countries, particularly small island developing states, which lack affordable access to international capital markets. Although IDA’s disbursements to these countries are modest, they are vital for under-resourced governments to make investments in long-term economic growth.

IDA’s model involves a phased approach to transition countries to more market-based finance. A country “graduates” from IDA when its per capita income rises above the IDA income

threshold, and it is creditworthy enough to receive non-concessional financing from the IBRD. To maximize the impact of limited concessional resources, 32 of the 78 IDA-eligible countries borrow on “blend” terms, the least generous of IDA’s lending packages. A country is categorized as a “blend country” when it is below IDA’s income threshold but sufficiently creditworthy to borrow from the IBRD.

Thirty-five countries have graduated since IDA’s founding; one of IDA’s biggest success stories is South Korea, which graduated in 1973 and is now among IDA’s largest donors. A more recent success story is Georgia, which graduated in 2014 and made its first pledge to IDA last year. However, recent economic pressures have slowed the rate of graduations. Over the past decade, only five countries have graduated from IDA, while two countries, Syria and Sri Lanka, have “reverse graduated,” meaning they had previously graduated but have returned to IDA eligibility.

**FIGURE 4** Sub-Saharan Africa has received an increasing share of IDA financing since FY15  
*IDA historical commitments by regions, IDA17–IDA20*



Source: IDA Financing.

## How does IDA deliver its financing?

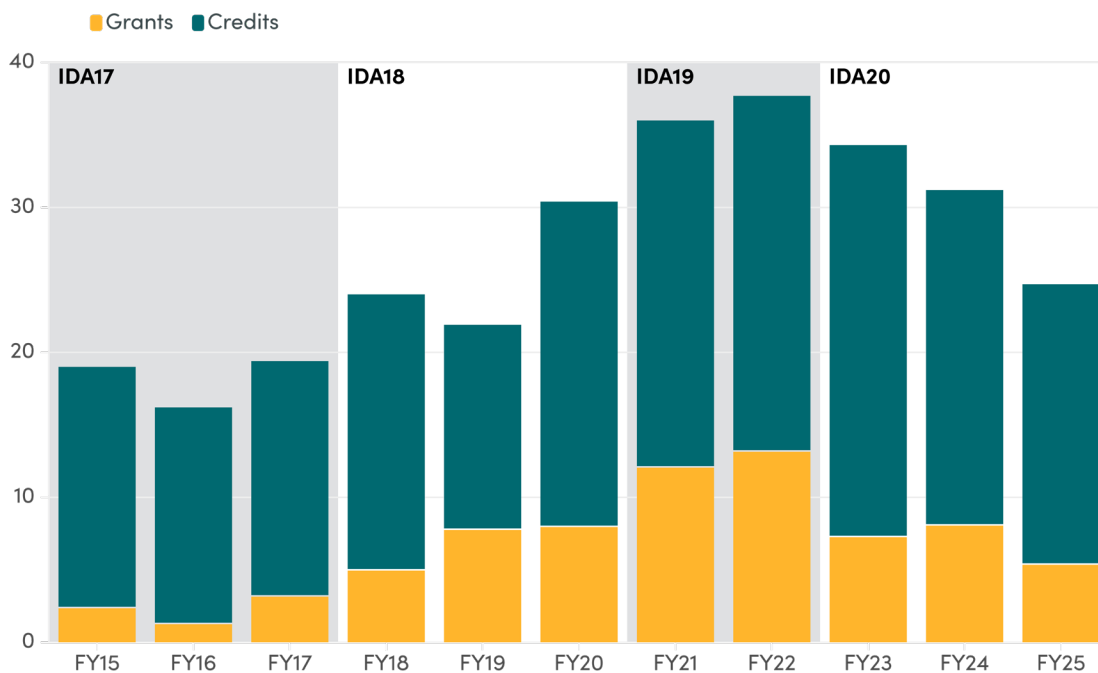
IDA delivers financing through grants and highly concessional loans with interest rates well below market value, generous grace periods, and long maturities. IDA allocates funding to countries based on need, prioritizing low-income countries and policy performance, using a performance-based allocation system (PBA). A country’s PBA is based on population, GNI per capita, and a quantified assessment of a country’s economic management policies and the strength of its institutions. IDA also adjusts the ratio of loans versus grants based on a country’s debt distress levels.

The rising risk of debt distress among recipient countries is a pressing challenge for IDA. Since 2019, the number of IDA countries at high risk of debt distress has increased, driven by pressures such as the war in Ukraine, changes in Chinese lending, and the lingering effects of the COVID-19 pandemic. In IDA21, the organization plans to reduce grants to vulnerable and

under-resourced countries as donor contributions have stagnated, including via a new extra-concessional loan option for countries at high risk of debt distress. With global interest rates higher than in 2018–2021, IDA now faces steeper borrowing costs, increasing the need for donor support to avoid relying on expensive market financing. Cuts to grant funding would most affect countries in debt distress and small island developing states, which currently receive the largest share of IDA grants.

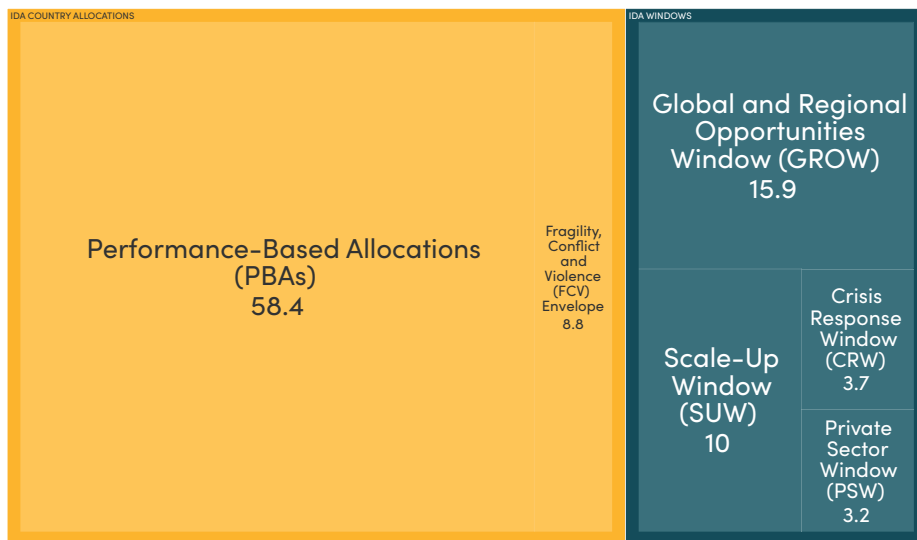
Alongside PBAs, countries can receive additional IDA financing through policy “windows,” which allocate resources based on specific policy challenges: the Global and Regional Opportunities Window (GROW), the Crisis Response Window, the Scale-Up Window, and the Private Sector Window. Fragile states also receive funding via the Fragility, Conflict, and Violence (FCV) Envelope. Within GROW, which funds regional projects, there is a sub-window for host communities and refugees. Around a third of funds will be delivered through IDA’s windows to address these specific policy challenges.

**FIGURE 5** IDA's grant allocation peaked in FY21 and FY22, during IDA19  
 IDA allocation of grants vs. credits, FY15–FY25 in billions USD



Source: IDA financial statements.

**FIGURE 6** How does IDA split funds between Country Allocations and Windows?  
 IDA21 funding for country allocations and windows, in billions USD



Source: IDA21 Deputies Report.

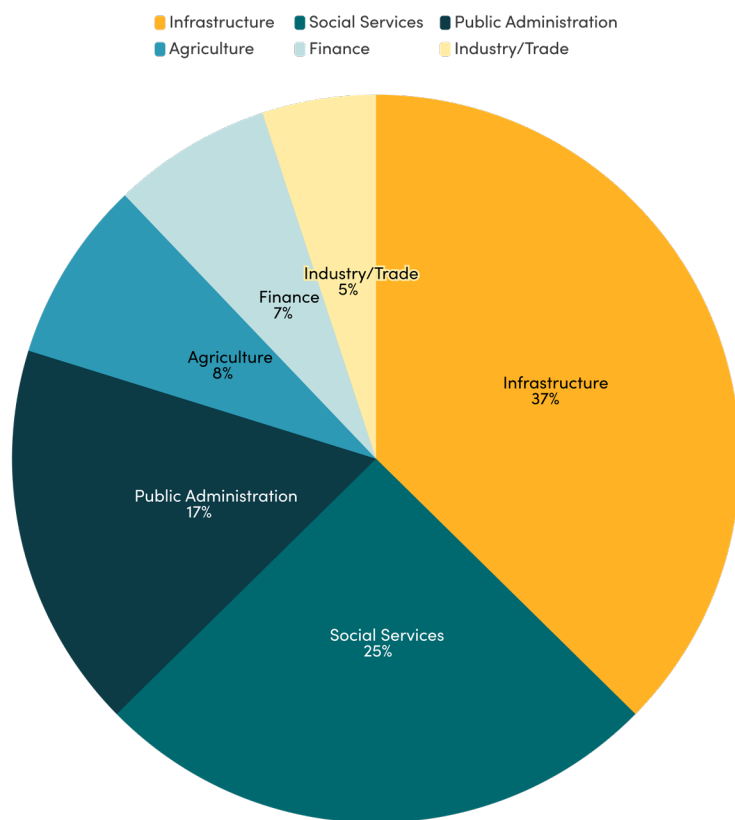
## Which sectors receive the most IDA financing?

IDA's country-led model means that recipient governments determine how IDA financing can support local economic priorities.

In FY25, infrastructure projects made up just under 40 percent of IDA financing. Infrastructure investments support economic activity and enable long-term development, such as an IDA-financed project in [Northeast Nigeria](#) that restored over 110 miles of roads and three bridges, improving mobility for over 100,000 people in conflict-affected areas. After infrastructure,

a quarter of IDA FY25 financing supported investments in social services, including funding for health and education systems. IDA resources also fund projects to improve government capacity and self-reliance through investments in public administration systems (17 percent of FY25 resources). For example, IDA funded the creation of a [digital procurement system](#) in Bangladesh, which facilitated fairer and more transparent bidding for government contracts. While sector allocations vary from year to year based on country demand, agriculture, finance, and industry/trade each made up less than 10 percent of IDA's FY25 financing.

**FIGURE 7** In FY25, IDA's biggest spending category was infrastructure  
*IDA financing by sector, FY25*



Source: IDA Financing.

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## What are the priorities and agenda for IDA21?

In IDA21, the organization adopted a new results measurement framework, designed to increase focus on outcomes versus volume-based targets, though it is too soon to assess success. Shareholders also agreed to the following priorities for IDA21.

- ▶ **Infrastructure:** Infrastructure remains the largest share of IDA financing. Through both country allocations and the GROW window, IDA supports investments in energy, transport, and cross-border integration that help low-income countries strengthen their economic foundations. For example, IDA20 financed [power interconnections across West Africa](#), expanding electricity access and supporting trade. These investments not only improve basic services but also create the conditions for private sector growth and employment.
- ▶ **Human Capital and Job Creation:** IDA's focus on human capital is closely linked to World Bank President Ajay Banga's call to put jobs at the center of development. Relevant IDA21 commitments include expanding access to early childhood services and improving education quality in countries with the lowest Human Capital Index scores.
- ▶ **Debt Sustainability and Transparency:** IDA is tailoring the balance of grants and concessional loans to a country's debt risk, helping borrowers avoid increased burdens while still accessing resources for development. It also provides policy assistance through initiatives like the [Sustainable Development Finance Policy](#). For example, IDA has supported [Mozambique](#) to improve debt reporting and management practices, helping to restore fiscal stability and preserve space for investments in growth and poverty reduction.
- ▶ **Digitalization:** IDA is increasingly emphasizing digitalization as a driver of economic growth. Its programs support governments in expanding digital ID systems, modernizing payment platforms, and strengthening digital infrastructure for development. For example, IDA20 financing helped [Nigeria](#) roll out digital ID systems that expanded access to financial services and social protection. These investments not only improve government service delivery but also create new pathways for entrepreneurship and employment.

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