



ABCs of the IFIs: Understanding the World Bank's IDA21 Replenishment

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What is IDA?

The International Development Association (IDA)—the World Bank's arm that works in low- and lower-middle-income countries—is one of the largest sources of development assistance for the world's poorest countries. It is also a crucial tool for resource-constrained governments to borrow on affordable terms compared to other creditors, including Chinese entities.

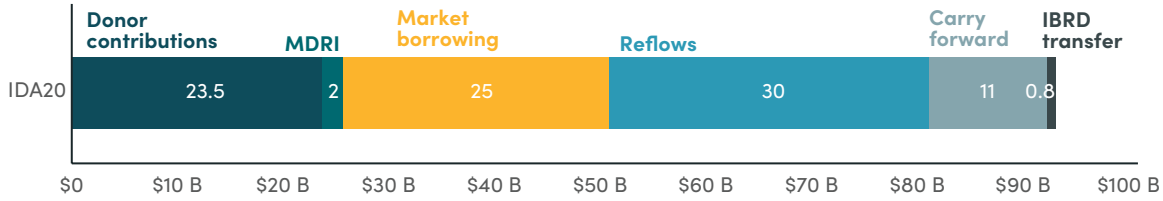
IDA supports eligible countries whose annual per capita incomes fall below an established line (currently \$1,315 in FY2024). Because IDA provides grants and highly subsidized loans to its client countries, its funds need to be replenished by donors every three years. Replenishments are year-long negotiations where the World Bank's shareholding countries, of which the US is the largest, negotiate a policy and financing package for the next three-year cycle. This year, 2024, is an IDA replenishment year for the institution's twenty-first round of funding ("IDA21"), culminating with a pledging session in December to finalize IDA21's financing envelope.

How is IDA funded?

IDA gets its funding through a range of sources, including direct contributions from World Bank donor countries, borrowing on international capital markets, repayments from past IDA loans that are recycled to support future lending, resources carried forward from previous IDA replenishments, and profit transfers from the World Bank's non-concessional lending arm, the International Bank for Reconstruction and Development.¹ In 2018, IDA first introduced the hybrid financing model. By borrowing from international capital markets, the institution can generate larger replenishments while relying less on donor contributions.

The most recent IDA replenishment (IDA20), which occurred in 2021,² was the institution's largest replenishment ever, with \$23.5 billion in contributions from donor countries supporting a total replenishment of \$93 billion to cover the three years from mid-2022 to mid-2025.

FIGURE 1 IDA20 sources of finance (estimated \$ billions)



Source: IDA20 Deputies Report, [GAO analysis](#), CGD staff estimates. Note: IDA’s financing includes a Multilateral Debt Relief Initiative (MDRI) contribution from donors, which is set at \$2 billion for IDA 21.

Chart: Center for Global Development

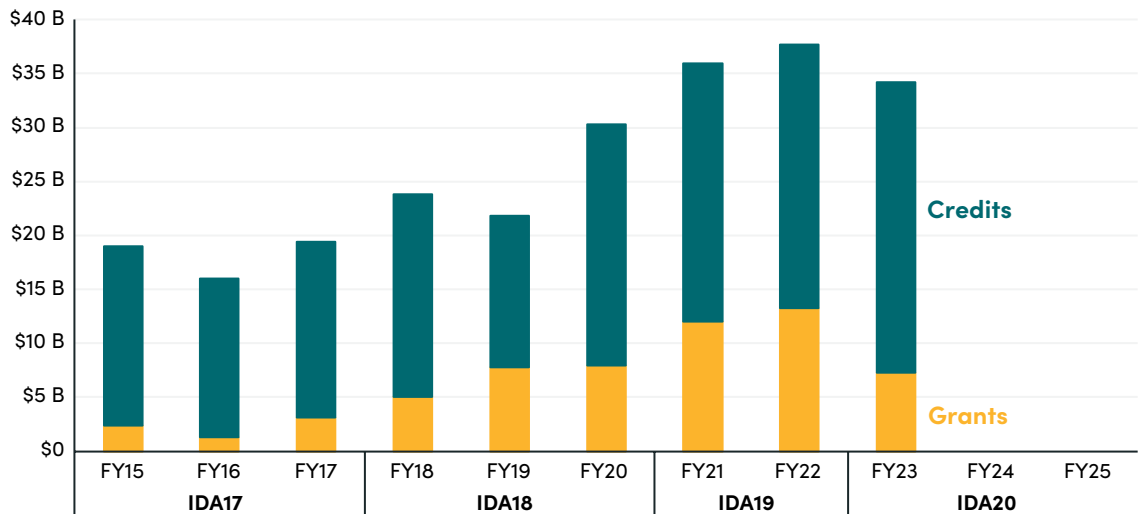
How does IDA deliver its financing?

IDA’s resources are delivered through a combination of grants, which do not need to be repaid, and highly concessional loans with interest rates well below market value and generous grace and repayment periods. IDA allocates funding to countries using a performance-based allocation system (“PBA”) based on the country’s population, GNI per capita, and a quantified assessment of the quality 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: Countries at low levels of debt distress get concessional loans at 38-year maturities; countries at moderate levels receive concessional loans with 50-year maturities; and countries at high levels of debt distress receive grants.

That meant that as debt dynamics worsened during the pandemic, IDA increased the share of finance provided as grants. In IDA20, donors modified the grant framework to primarily target countries at high risk of debt distress and small island states. Still, if debt distress levels continue to deteriorate, IDA’s share of grant funding could go up.

FIGURE 2 Historical IDA lending allocation, grants vs. credits



Source: World Bank Group Finances, [IDA Summary](#)

Chart: Center for Global Development

In addition to the PBA system, countries may receive additional financing through a variety of other mechanisms: the Fragility, Conflict and Violence envelope, and through lending windows for other priorities, including the Regional Window, the Window for Host Communities and Refugees, the Crisis Response Window, the Scale-up Window, and the Private Sector Window. Roughly a third of IDA20’s resources are set to be delivered through one of these five windows.³

Who gets IDA funding?

There are currently 75 countries eligible for IDA financing. While IDA-borrowing countries can be found in nearly all regions, the largest share of IDA-eligible countries are in sub-Saharan Africa. In fiscal year 2023, nearly 75 percent of IDA’s financing went to countries in sub-Saharan Africa.

Graduation from IDA occurs when a country’s per capita income rises above the operational cut-off, and it is credit-worthy enough to receive non-concessional financing from the IBRD. Within the past decade, ten countries have graduated from IDA, including fast-growing economies in Asia like India and Vietnam. Only one recent IDA graduate is in sub-Saharan Africa.⁴

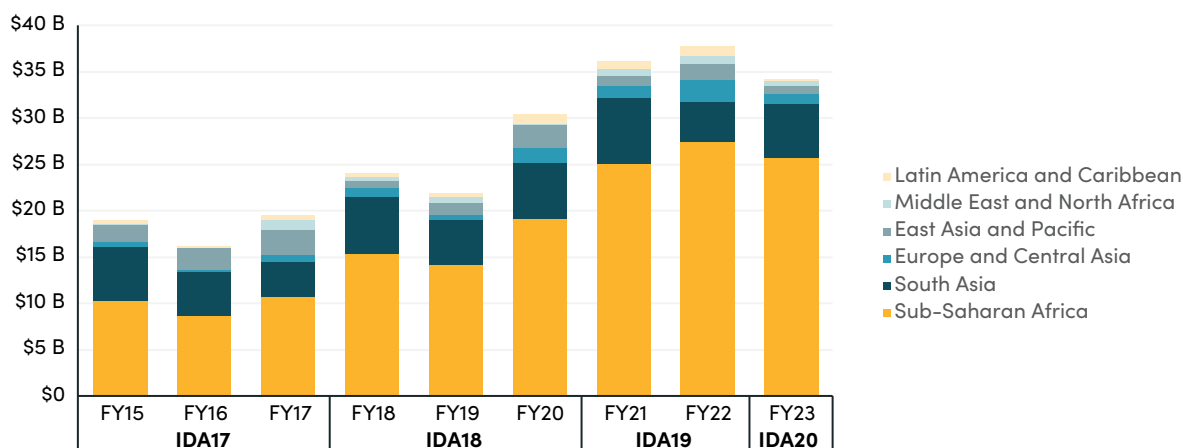
Twenty-one of the 75 IDA-eligible countries borrow on “blend” terms—while still generous, these are the least concessional terms IDA offers. This typically occurs either because a country is above the IDA GNI/capita threshold but lacks the creditworthiness to borrow from IBRD (a “gap” country) or because the country is IDA-eligible due to low GNI/capita levels but sufficiently creditworthy for IBRD borrowing (a “blend” country). Exceptions are made for a number of small economies, consisting mainly of small island states, which fall into one of these categories but retain access to more favorable lending terms.⁵

What projects does IDA finance?

IDA’s country-led model means that recipient countries determine how IDA financing can support their own priorities. Overall, IDA lending is generally used for activities supporting economic growth.

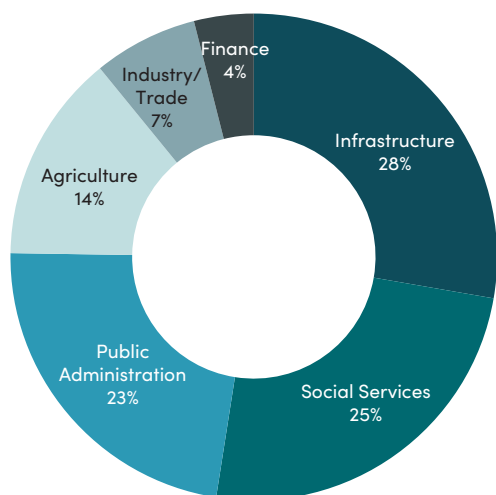
In World Bank FY2023, infrastructure was the leading sector for IDA lending, followed closely by lending for social services, which covers investments in health and education systems, and then public administration, which funds projects to improve government capacity.

FIGURE 3 Historical IDA commitments by region



Source: World Bank, Historical IDA Commitments FY15–FY23
 Chart: Center for Global Development

FIGURE 4 FY23 IDA lending by sector



Source: IDA Financing
Chart: Center for Global Development

What is the financing outlook for IDA21?

In December 2023, IDA launched its 21st replenishment negotiation. World Bank President Ajay Banga **declared** his ambition to make this replenishment the largest of all time, eventually unveiling a target figure of \$100 billion. Meeting that target would require an **estimated \$28–30 billion** in donor contributions over the three-year cycle, with the rest coming from borrowing, loan repayments, and other sources (as described above).

To hit the mark, donor countries from across the globe will need to step up their contributions by as much as 15 to 30 percent. Leading donors will be critical in spearheading any effort to increase IDA's resources. IDA benefits from the support of over 50 donors but its top 15 donors account for around 90 percent of its total contributions. Notably, the G7 countries provide just over 60 percent of total contributions.

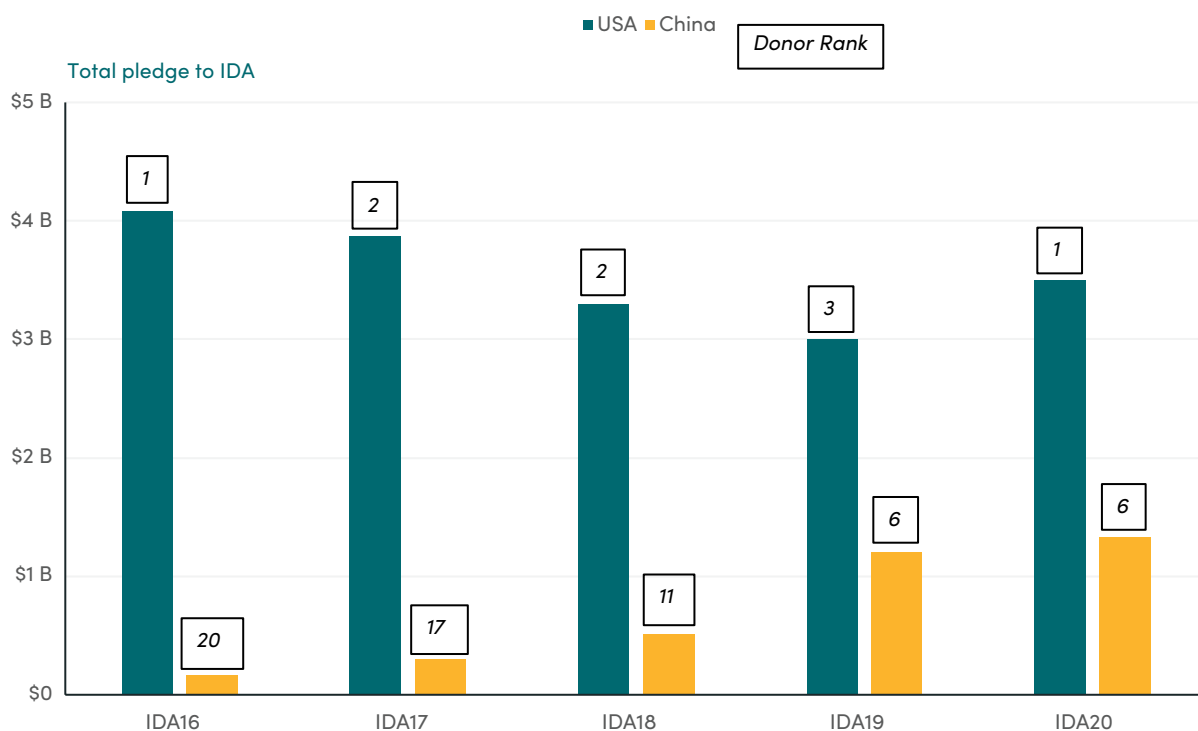
What role does the United States play in supporting IDA?

The United States plays a significant role in shaping the policy agenda for IDA and has helped ensure IDA is well-resourced. The US made the largest pledge to IDA's most recent past replenishment, reclaiming the mantle of top IDA donor for the first time since the IDA16 cycle (2011–2014).⁶ While the United States is IDA's single largest historical donor, US pledges to IDA have decreased since their peak over a decade ago. In contrast, donors outside of the G7 have scaled up their contributions, most notably China, South Korea, and Saudi Arabia.

The US Congress holds a pivotal responsibility in directing US engagement with IDA. While US pledges to IDA are coordinated by the Treasury Department, any contribution requires congressional appropriations and participation in new replenishments requires authorization. Typically US pledges are paid in equal installments over three years. Due to the early IDA20 replenishment during the COVID-19 pandemic, the administration decided to backload payments toward the US IDA20 pledge in FY24 and FY25.⁷ In FY24, Congress appropriated \$1.38 billion for the second US contribution to IDA20—\$50 million short of the amount requested to keep the US on track to fulfill its pledge.

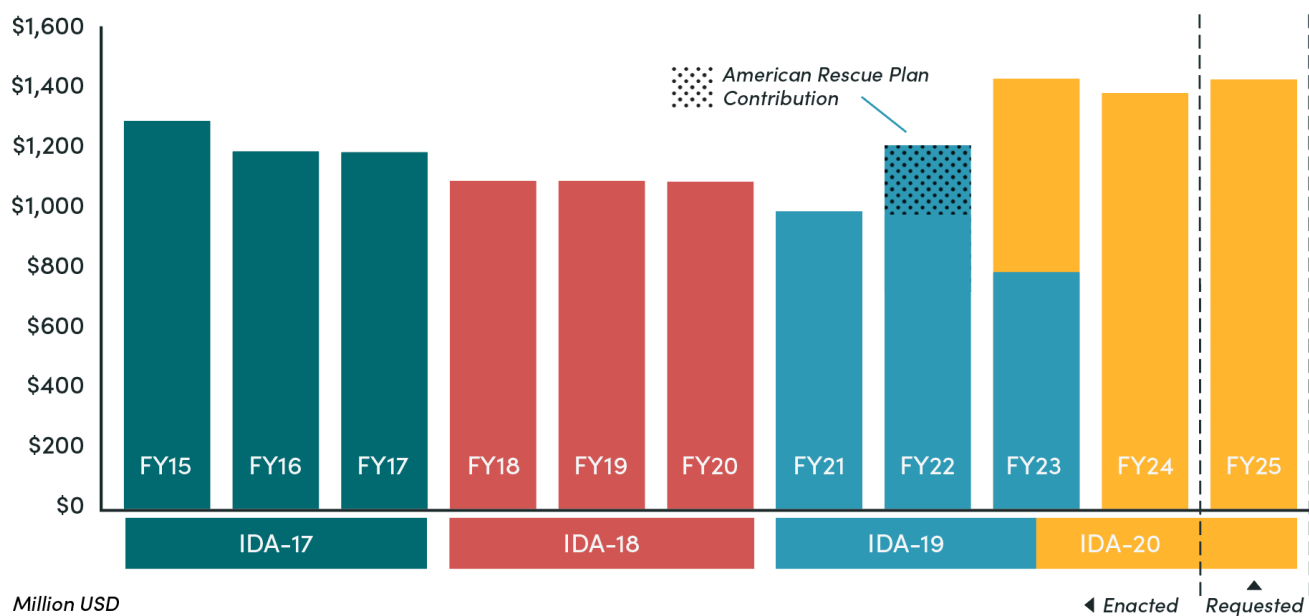
The Biden administration is expected to make a three-year financial pledge to IDA21 in December, regardless of the outcome of the US presidential election in November. Still, should the election results yield a presidential transition, it would be left to the incoming administration to deliver. This is not without precedent: In December 2016, the Obama administration made a \$3.87 billion pledge to IDA18. When President Trump took office in January 2017, his administration revised the pledge down to \$3.3 billion.

FIGURE 5 Pledges to IDA by the United States and China



Source: IDA Replenishment Final Reports
 Chart: Center for Global Development

FIGURE 6 US contributions to IDA



Source: IDA Replenishment Final Reports
 Chart: Center for Global Development

What are the IDA21 priorities and agenda?

During each replenishment process, IDA collaborates with shareholders and civil society to develop a set of policy priorities attached to its financing package. Historically, the US has played a major role in shaping the agenda.

While negotiations will continue through much of 2024, there are early indications of how IDA21's final priorities are likely to shape up. Areas of emphasis may include the following:

- ▶ **Infrastructure.** Infrastructure makes up the greatest percentage of any sector of IDA lending. IDA is well-positioned to help low-income countries invest in infrastructure projects that align with their broader development agendas. IDA also provides funding through its Regional Window, which was scaled up in IDA20, for investments in cross-border regional infrastructure and economic integration.
- ▶ **Debt.** IDA works alongside borrower countries to analyze and manage country debt burdens. By adjusting the ratio of loans vs. grants based on a country's debt levels, IDA ensures that it does not contribute to worsening debt risks by overburdening its borrowers. IDA also plays a

convening role in enhancing coordination between creditors and borrowers to strengthen debt transparency and fiscal sustainability.

- ▶ **Human capital.** With setbacks to progress on human capital due to the COVID-19 pandemic, IDA has placed a renewed focus on restoring gains in health, education, and social protection. IDA's most recent replenishment introduced human capital as a special theme and committed to expanding access to early childhood services in countries with the lowest scores on the Human Capital Index.
- ▶ **Digitalization.** Under President Banga, the World Bank has embraced a greater emphasis on the role of digital technologies to advance poverty reduction. IDA21 is likely to focus on accelerating digitalization for government services, like identification systems and payment platforms, as well as working to close the gender digital divide.

Additional Reading on IDA21:

- ▶ **NOTE:** [Can IDA Break the 100-Billion-Dollar Mark?](#)
- ▶ **BLOG:** [Is IDA Equipped for Another Debt Shock?](#)
- ▶ **NOTE:** [IDA21 and the Private Sector Window](#)

Endnotes

- 1 The World Bank's private sector lending arm, the International Finance Corporation (IFC), previously transferred income to IDA, but in 2018, IFC transfers to IDA were suspended in favor of expanded IFC activities in IDA countries.
- 2 World Bank shareholders agreed to replenish IDA one year early to help ensure critical resources were available to support countries in responding to and recovering from the COVID-19 pandemic.
- 3 [IDA20—Building Back Better from the Crisis: Toward a Green, Resilient and Inclusive Future](#), Table 4.1
- 4 [IDA Graduates](#): Angola is the lone sub-Saharan African country to graduate in the past decade. Sri Lanka graduated in FY17, and is counted as one of the ten countries, but reentered IDA in FY23.
- 5 Countries borrowing on small economy terms include Bhutan, Cabo Verde, Comoros, Djibouti, Dominica, Fiji, Grenada, Guyana, Kiribati, Maldives, Marshall Islands, Micronesia, Samoa, Sao Tome and Principe, Solomon Islands, St. Lucia, St. Vincent, Timor-Leste, Tonga, Tuvalu, and Vanuatu.
- 6 The first US payment to IDA16 was requested in FY12 through the Treasury Department's International Programs budget.
- 7 The Biden administration requested \$639.6 million to contribute to IDA20 in FY23 and \$1.43 billion in FY24 and FY25. Source: Treasury International Programs Requests FY23–FY25

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