

**CREDIT OPINION**

23 February 2024

Update


**RATINGS**

IDA	Rating	Outlook
Long-term Issuer	Aaa	STA
Short-term Issuer	P-1	--

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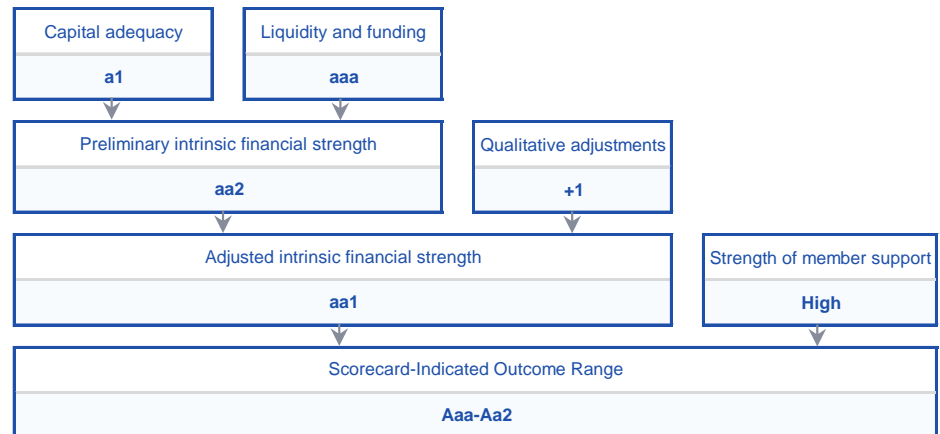
# International Development Association (IDA) – Aaa Stable

Update following rating affirmation, outlook unchanged

**Summary**

The credit profile of [International Development Association \(IDA\)](#) — a World Bank Group (WBG) institution that specializes in concessional lending and grant-making to low-income countries — reflects its very high intrinsic financial strength and strong member support. IDA's credit challenges stem from its development mandate, which requires it to lend to riskier sovereigns, some of which have very limited or no access to capital markets.

Exhibit 1

**IDA's credit profile is determined by three factors**


Source: Moody's Investors Service

**Credit strengths**

- » Very high and stable capital adequacy
- » Robust liquidity and very high quality of funding
- » High shareholder support

**Credit challenges**

- » Development mandate that requires lending to riskier sovereigns

## Rating outlook

The stable outlook on the rating reflects our expectation that any weakening in capital adequacy as a result of IDA's expansion of future operations and increase in leverage will be modest and that, as this happens, IDA will continue to benefit from regular capital replenishments and strong risk management that will continue to support its very high intrinsic financial strength, consistent with its Aaa credit profile.

## Factors that could lead to a downgrade

Although IDA's credit metrics are likely to remain very strong relative to peers even as its operations expand and it increases its leverage, downward rating pressure could emerge if: (1) one or more of its largest borrowers were in default and unwilling or unable to meet their obligations, leading to a deterioration in IDA's capital adequacy; and/or (2) if its key donor countries were to forgo or significantly downsize their contribution to regular replenishments. We consider these to be very unlikely scenarios.

## Key indicators

Exhibit 2

IDA	2018	2019	2020	2021	2022	2023
Total Assets (USD million)	184,666.0	188,553.0	199,472.0	219,324.0	220,014.0	227,482.0
Development-related Assets (DRA) / Usable Equity [1]	91.5	96.1	98.3	100.3	99.7	103.2
Non-Performing Assets / DRA	1.7	1.6	1.3	0.5	0.5	0.5
Return on Average Assets	-2.7	-3.6	-0.6	-0.2	0.0	-1.5
Liquid Assets / ST Debt + CMLTD [2]	1,439.2	1,714.9	605.2	801.7	713.6	1,050.1
Liquid Assets / Total Assets	19.8	17.5	17.7	17.3	18.4	14.4
Callable Capital / Gross Debt	0.0	0.0	0.0	0.0	0.0	0.0

[1] Usable equity is total shareholder's equity and excludes callable capital

[2] Short-term debt and currently-maturing long-term debt

Source: Moody's Investors Service

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

## Profile

International Development Association (IDA) specializes in concessional lending, non-concessional lending and grant-making to the world's poorest countries, based on country performance and per capita income. Founded in 1960, IDA was created to supplement the activities and objectives of the [International Bank for Reconstruction and Development](#) (IBRD, Aaa stable), another key WBG institution, by providing development financing to lower-income countries on more flexible terms.

IDA is one of the largest sources of assistance for the world's 75 poorest countries, 39 of which are in Africa. It is the single largest source of donor funds for basic social services in these countries. IDA lends money and provides guarantees on differentiated terms based on the countries' income and debt sustainability, from highly concessional terms with little or no interest and repayment periods of up to 50 years, to more market-based loans. IDA also provides grants to countries at risk of debt distress, and has provided significant levels of debt relief through the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI) with compensation by donors.

In addition, IDA supports countries with disaster risk financing and insurance against natural disasters and health-related crises, facilitates financing through trust fund partnerships, and provides technical assistance and policy advice.

## Detailed credit considerations

Our determination of a supranational's rating is based on three rating factors: capital adequacy, liquidity and funding, and strength of member support. For multilateral development banks (MDBs), the first two factors combine to form the assessment of intrinsic financial strength, as the cover page graphic shows. Additional factors can affect the intrinsic financial strength, such as risks stemming from the operating environment or the quality of management. The strength of member support is then incorporated to yield a rating range. For more information, see our [Supranational Rating Methodology](#).

### Factor 1: Capital adequacy score: a1

We score IDA's capital adequacy at "a1," which combines our assessment of "aa2" for capital position, "baa" for development asset credit quality (DACQ) and "aa3" for asset performance.

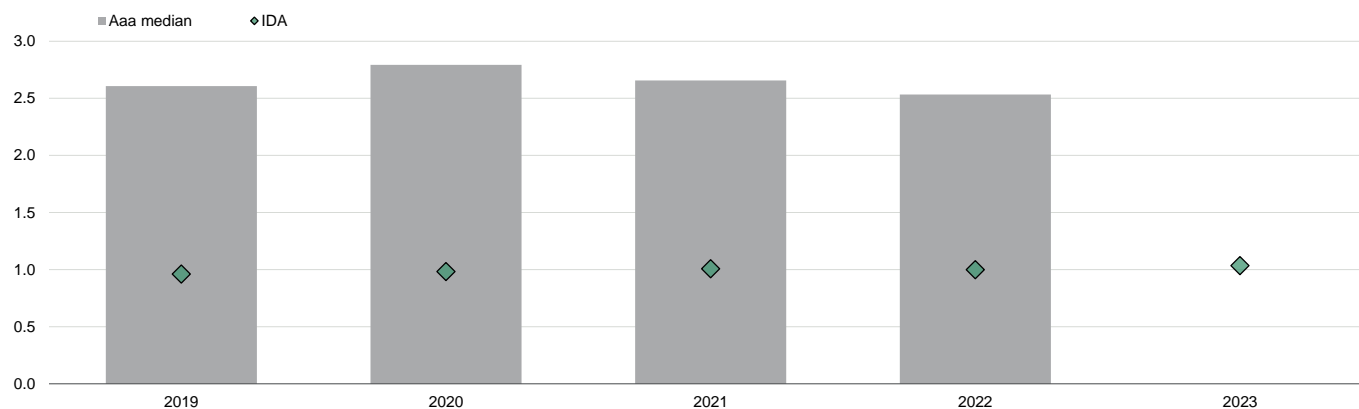
#### Very strong capital position is underpinned by low leverage

Our primary measure of capital adequacy is the leverage ratio (calculated as development-related assets and liquid assets rated A3 or lower divided by usable equity). IDA's leverage is very low, underpinning its very strong capital position score of "aa2." We set IDA's adjusted capital position score one notch below the initial score of "aa1" to reflect our expectation of a gradual trend rise in the leverage ratio in future fiscal years, in line with IDA's development mandate from shareholders. As of the fiscal year that ended June 2023 (fiscal 2023), IDA's leverage ratio was 1.04x, significantly lower than the 2.5x median ratio for Aaa-rated MDB peers (see Exhibit 3). While we expect leverage to increase as IDA gradually expands the borrowing program that was established under IDA18, we expect its overall capital adequacy to remain very strong.

Exhibit 3

**IDA's leverage compares favorably with that of Aaa-rated MDB peers**

Leverage ratio (development-related assets and liquid assets rated A3 or lower divided by usable equity)



Note: The Aaa median is unavailable for 2023 because of differing fiscal year reporting dates of MDBs.

Sources: Audited financial statements and Moody's Investors Service

IDA has built up a robust equity capital base over the last six decades through contributions from shareholder members, also known as development partners. These contributions come regularly through capital replenishment cycles, which usually occur triannually, and allow IDA to carry out its developmental operations. As of fiscal 2023, IDA's equity base was \$186 billion.

In addition to receiving triannual capital replenishments from shareholders, IDA has historically received monetary transfers and grants from the IBRD and [International Finance Corporation](#) (IFC, Aaa stable) on an annual basis. Since IDA18, the transfer from IBRD is calculated according to an income formula-based approach, such that the amount of income transferred from IBRD to IDA is determined relative to IBRD's allocable income.<sup>1</sup> This approach was implemented to ensure that most of IBRD's allocable income is used to support the bank's own financial reserves. This was done under IDA18, in tandem with the board's decision to allow IDA to issue its own debt in the international capital markets to gradually expand its own sources of funding and grow its balance sheet.

Before IDA18, the institution did not significantly use debt instruments for funding. However, it did use repurchase agreements (repos) and a small amount of concessional loans from its donors, which are accounted for as debt on the balance sheet. This has resulted in extremely low leverage for IDA over the years. In 2018, IDA issued for the first time \$1.5 billion of debt in international capital markets, and as of 30 June 2023, total outstanding market borrowings were \$25.4 billion across different currencies and tenors.

On 31 March 2022, IDA's 20th replenishment (IDA20) was approved by the board of governors. In April 2021, members agreed to launch IDA20 one year early, commencing in fiscal 2023, and to shorten IDA19's implementation period to two years. The IDA20 operational and financing framework will continue to leverage IDA's strong equity base to help low-income countries respond to the pandemic and build a greener, more resilient and inclusive future. Members agreed to a financing envelope of \$93 billion over the three-year replenishment period, from July 2022 through June 2025, supported by \$23.5 billion of member equity contributions and \$66.9 billion of combined financial reflows, carry-over and borrowings.

We do not expect the additional market debt to significantly detract from IDA's intrinsic financial strength because the pace of issuance will be gradual and partially offset by shareholder capital contributions.

**IDA's moderate DACQ score is consistent with its development mandate**

Our assessment of capital adequacy also incorporates the DACQ of IDA's loan portfolio. IDA's focus on lending to least developed countries results in a very low weighted average borrower rating of Caa1 and a relatively moderate overall assessment of its DACQ, which reflects various risk mitigants, at "baa." Although we expect this to trend lower over time, as higher-rated borrowers graduate from new borrowings from IDA (due to rising per capita income levels) and IDA's operations increasingly focus on lower rated borrowers, the process will be gradual, given the long tenor of IDA's loans (up to 50 years). IDA's preferred creditor status and highly diversified portfolio help to mitigate credit risks and provide further support to our assessment of its DACQ.

Some of IDA's largest exposures are to [Bangladesh](#) (B1 stable), [India](#) (Baa3 stable), [Pakistan](#) (Caa3 stable), [Nigeria](#) (Caa1 positive), [Vietnam](#) (Ba2 stable) and [Ethiopia](#) (Caa3 stable). However, India, which is IDA's second largest exposure, currently provides positive support to the DACQ given its investment-grade rating, which helps keep IDA's overall DACQ aligned with the Aaa-rated MDB median of "baa." Nevertheless, as IDA gradually reduces its legacy exposure to India, [China](#) (A1 negative) and other IDA graduate countries over the medium term, its DACQ will likely decline.

#### Asset performance was very strong in fiscal 2023 but will likely deteriorate in 2024 as IDA places Niger's loans into non-accrual status

IDA's robust risk management framework is demonstrated by its strong asset performance which is assessed at "aa3." This is reflected through a consistently low ratio of nonperforming assets (NPAs) to total development-related assets, which stood at around 0.50% in fiscal 2023<sup>2</sup>. Overall, the NPA ratio has remained below 3% since 2011. Concessional features of IDA's loans, combined with its preferred creditor status, have resulted in the vast majority of governments staying current on their payments even through deep and lasting recessions.

As of fiscal 2023, only three countries were in non-accrual status — Eritrea, Syria and Zimbabwe. However, in February 2024, IDA placed its outstanding loans to [Niger](#) (Caa3 stable) into nonaccrual status. Our "aa3" assessment of asset performance includes a -3 trend adjustment from the initial score of "aaa" to reflect our expectation that IDA's NPA ratio will increase materially during the current fiscal year because loans to Niger have become non-performing. Niger accounts for around 1.24% of IDA's outstanding loan portfolio and the NPA ratio will consequently increase significantly, assuming that the total loan exposure to Niger is moved to non-accrual status.

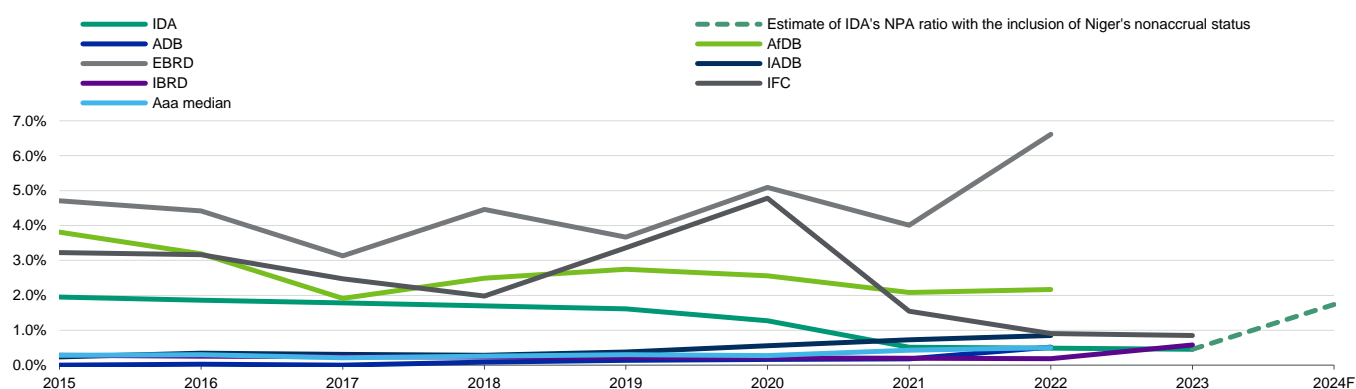
Typically, long-term non-accruals tend to be uncorrelated and relate primarily to idiosyncratic political risk factors, such as wars and adverse regime changes. IDA does not write off loans, apart from coordinated debt-reduction initiatives (HIPC and MDRI) where donors have committed to compensate IDA for the debt relief provided.

Over the last decade, IDA's low NPA levels have typically been below those of IFC and [European Bank for Reconstruction and Development](#) (EBRD, Aaa stable), who both lend to the private sector, and the [African Development Bank](#) (AfDB, Aaa stable). However, we expect this trend to end this year as the NPA ratio rises to reflect the addition of Niger (see Exhibit 4). Nonetheless, we expect IDA's asset performance to remain strong, supported by its preferred creditor status and the debt relief granted by donors to IDA's most indebted borrowers.

Exhibit 4

#### IDA's asset performance will likely deteriorate with the addition of Niger NPA, but remain strong overall

Nonperforming assets as a percentage of development-related assets



The Aaa median is unavailable for 2023 because of differing fiscal year reporting dates of MDBs

Sources: Audited financial statements and Moody's Investors Service

#### High geographic diversification helps offset high concentration among top 10 borrowers

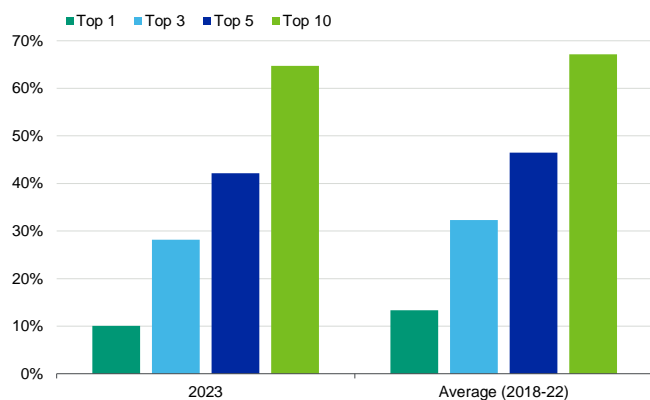
IDA's top 10 country exposures have consistently amounted to around 67% of its total development portfolio over the past five years and totaled 64% in fiscal 2023 (see Exhibit 5).

Portfolio concentration is a key risk management consideration for IDA and is monitored through its single borrower limit (SBL), which caps the exposure to any single borrowing country to a maximum of 25% of equity. For the current fiscal year, fiscal 2024, the SBL has been set at \$46 billion (25% of \$185.8 billion of equity as of 30 June 2023). However, the SBL is not a constraining factor for IDA's operations, because the maximum country exposure levels compatible with IDA's overall capital adequacy target are lower than the SBL for all IDA-borrowing countries. IDA's largest single borrower exposure is \$19.3 billion in loans outstanding to Bangladesh (see Exhibit 6).

Exhibit 5

### IDA's exposure to its largest borrowing countries has been relatively constant

As a percentage of total exposure



Sources: IDA audited financial statements and Moody's Investors Service

Exhibit 6

### Top five IDA borrowers with the largest outstanding balance

In \$ millions, unless otherwise indicated, as of 30 June 2023

Country	Eligibility	Value of loans outstanding	Share of loans outstanding
Bangladesh	IDA only	\$19,250	10%
India	IBRD	\$17,913	9%
Pakistan	Blend	\$16,676	9%
Nigeria	Blend	\$14,081	7%
Vietnam	IBRD	\$12,576	7%
Others		\$111,188	58%
Total		\$191,684	100%

Sources: IDA audited financial statements and Moody's Investors Service

We expect this concentration to gradually decline over time as some of IDA's large legacy operations, in countries like India and Vietnam, are phased out.

IDA is highly diversified across all other dimensions of its loan portfolio, particularly in terms of country concentration. However, it does demonstrate some regional concentration with around 50% of its loan exposure in Africa (excluding North Africa), followed by South Asia with a concentration of 32% (see Exhibit 7).

Exhibit 7

### IDA's globally diversified portfolio helps minimize its vulnerability to regional crises

In \$ millions, unless otherwise indicated, as of 30 June 2023

	Value of loans outstanding	Share of loans outstanding
South Asia	\$62,121	32%
Eastern and Southern Africa	\$54,291	28%
Western and Central Africa	\$41,920	22%
East Asia and Pacific	\$18,734	10%
Europe and Central Asia	\$9,014	5%
Latin America and the Caribbean	\$3,418	2%
Middle East and North Africa	\$2,084	1%
Others	\$102	0%
Total	\$191,684	100%

Sources: IDA audited financial statements and Moody's Investors Service

## Factor 2: Liquidity and funding score: aaa

IDA's "aaa" liquidity and funding score is underpinned by its "aa2" liquid resources and "aaa" quality of funding scores.

### IDA's strong liquidity position supports its overall credit profile

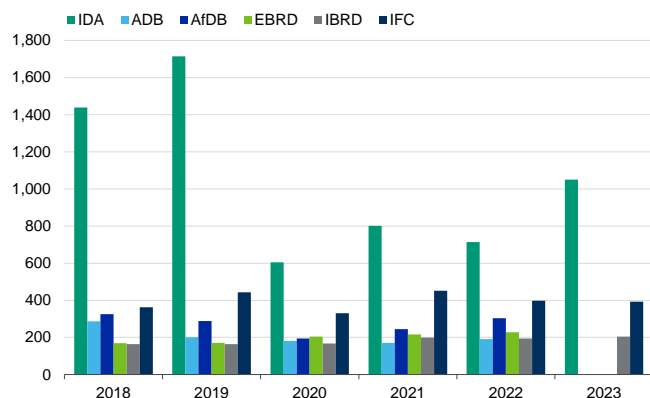
IDA's strong liquidity position is reflected in our "aa2" assessment of liquid resources. We measure the availability of liquid resources as the percentage of liquid assets of estimated net cash outflows over the next 18 months. With a ratio of about 160% as of fiscal 2023, IDA's liquid resources are very high. We expect them to remain ample despite future gradual increases in leverage, supported by triannual capital replenishments and reflows from borrowers.

We also monitor two other ratios to complement our liquidity analysis: liquid assets/short-term and currently maturing long-term debt (ST+CMLTD), and liquid assets/total assets. After IDA's liquid assets/ST+CMLTD progressively increased over fiscal 2017-19, it dropped in fiscal 2020 as IDA's use of short-term capital market borrowing resulted in the beginning of an increase in the MDBs' ST+CMLTD level (see Exhibit 8). In fiscal 2023, the ratio increased because of lower ST+CMLTD levels, offset by a decline in liquid assets. Meanwhile, liquid assets/total assets declined from its fiscal 2022 level as IDA made an effort to reduce the liquidity that it maintained in prior fiscal years as a result of prefunding (see Exhibit 9). Compared with select MDB peers, IDA's liquid assets/ST+CMLTD is stronger, but its liquid assets/total assets is lower.

Exhibit 8

### IDA has ample debt-service coverage compared with that of select Aaa-rated peers ...

Liquid assets to short-term debt and currently maturing long-term debt, in percentage terms



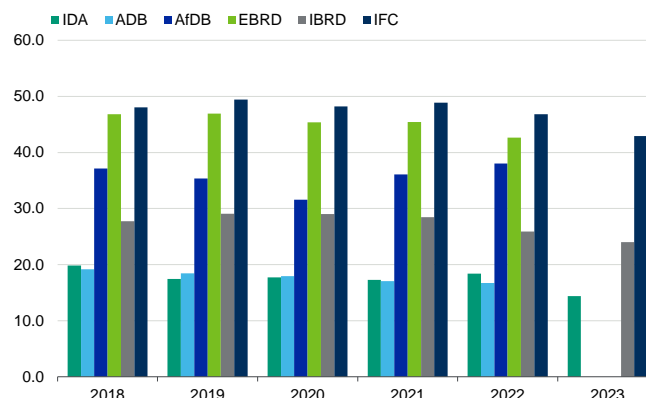
Many peer comparisons for 2023 are unavailable because of differing MDB fiscal year dates.

Sources: Audited financial statements and Moody's Investors Service

Exhibit 9

### ... but liquid assets as a percentage of total assets is generally lower

Liquid assets to total assets, in percentage terms



Many peer comparisons for 2023 are unavailable because of differing MDB fiscal year dates.

Sources: Audited financial statements and Moody's Investors Service

We expect IDA's liquidity policies to continue to underpin its strong liquidity. IDA's institutional links with the IBRD support this assessment because they include a strong culture of risk management and shared framework that is organized and implemented by the same group of professionals that run IBRD's risk management functions. We expect IDA's liquidity policies to remain as strong as those of the IBRD, or potentially even more conservative given IDA's lack of callable capital.

### IDA's recent track record in the international capital markets demonstrates its strong access to funding

Our overall assessment of IDA's quality of funding is "aaa." Since it began to issue debt in international capital markets in 2018, IDA has established a strong track record of market access, which Moody's considers to be consistent with that of the other main WBG entities: IBRD and IFC. IDA issues in various currencies and formats, and similar to the other WBG entities, relies on long-term buy-and-hold investors as its main investor base. It has also established itself as a recognized issuer of sustainable bonds. Outstanding market borrowings amounted to around \$25.4 billion as of the end of FY2023.

In April 2018, as part of its new [Global Debt Issuance Facility](#), IDA successfully launched its first debt issuance in the global capital markets, raising \$1.5 billion in five-year bonds with a fixed coupon of 2.75%. As a part of IDA's asset-liability management strategy, it entered into derivative transactions to convert the fixed-rate bond into a floating-rate instrument. Overall, the inaugural offering

captured very strong interest globally, with diversity across regions and investor types (both official and private sector institutional investors), which has been maintained consistently in subsequent issuances. In fiscal 2019, IDA followed up this issuance with its first short-term debt instrument issuance. IDA also issued its first euro-denominated benchmark bond in October 2019 for €1.25 billion at a maturity of seven years. In 2020, IDA continued to make historic issuances, including inaugural British sterling and Swedish krona issuances. In 2021, IDA marked its fifth issued currency, the Norwegian krone, demonstrating its strong market access. In 2022, IDA raised €2 billion through a 20-year sustainable development bond, which is IDA's longest maturity bond in any currency. More recently, in 2023, IDA raised \$2.5 billion and £800 million through a 5-year and 8-year sustainable development bond.

Our assessment of access to funding is also informed by IDA's non-market borrowings. Even as IDA has begun to access the capital markets for market funding, concessional loans from partners continue to be a source of funding as a part of IDA20. These loans can hold a maturity of 25 years with a five-year grace period or a maturity of 40 years or, beginning with IDA20, 50 years with a grace period of 10 years. These loans are extended on explicitly concessional terms by donor countries, and the interest rate is set in line with the concessional lending programs that they are intended to fund. The concessional component (difference between face value and carrying value of loans received) is capitalized and recognized as equity on the balance sheet. As of 30 June 2023, total outstanding concessional partner loans were about \$715 billion.

Looking ahead, we expect demand for IDA's debt to remain strong as it continues to expand its global issuances, supported by its strong capitalization and liquidity. IDA's high degree of creditworthiness, as denoted by its Aaa rating, is in line with that of other WBG entities. As it continues to access debt capital markets over the next decade and build a longer track record of issuance, we expect it to incur similar borrowing costs as the IBRD and IFC.

### Qualitative adjustments to intrinsic financial strength

#### Operating environment adjustment

Although IDA lends to countries with difficult operating environments, we do not expect any deterioration in the operating environments to lead to a broad and potentially severe deterioration in IDA's credit metrics, given IDA's unique operating model. The risks of these difficult environments are already captured in our subfactor scores for DACQ and asset performance.

#### Quality of management

We have applied a one-notch upward adjustment to IDA's "aa2" preliminary intrinsic financial strength on account of its strong quality of management, which consists of the same team that oversees IBRD. We apply the same adjustment to IBRD, which is consistent with assessments for other large, well-established MDBs, including the EBRD, [Inter-American Development Bank](#) (IADB, Aaa stable) and the [Asian Development Bank](#) (ADB, Aaa stable). The adjustment reflects IDA's comprehensive policy framework and strong risk management culture, including its adherence to its internal policy requirements.

### Factor 3: Strength of member support score: High

Our assessment of IDA's "aa1" adjusted intrinsic financial strength is complemented by our assessment of its strength of member support score, which is set at "High." This is above the scorecard-indicated outcome of "Medium," which reflects the particular importance assigned to the entity by its shareholders, and a very high assessment of non-contractual willingness to support from its diverse global membership.

#### Very high willingness to support helps balance absence of contractual support

Unlike most Aaa-rated MDBs, IDA does not have callable capital; instead, all subscribed capital is derived from past shareholder contributions, and transfers and grants from other WBG institutions.

However, at "aa3," IDA's weighted average shareholder rating (WASR) denotes its members' very strong ability to support the institution. IDA benefits from very high non-contractual support from its members, consistent with a demonstrated willingness to support the organization through regular capital replenishments. As of fiscal 2023, Aaa-rated members accounted for 48% of cumulative contributions, of which the [United States of America](#) (Aaa negative) represented around 19% (see Exhibit 10).



Exhibit 10

**IDA has received more funding from its key shareholder countries than other WBG institutions**

In \$ millions, unless otherwise indicated, as of 30 June 2023

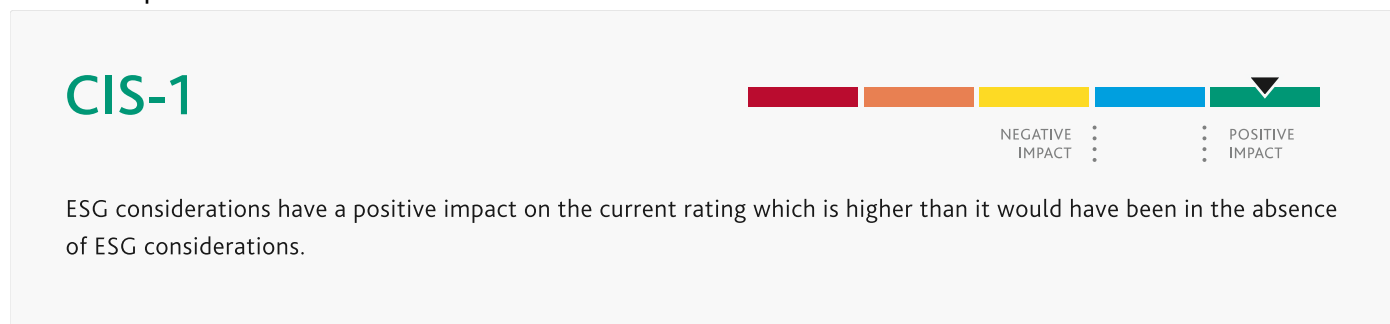
	Cumulative contributions to IDA	Share	Subscribed capital in IBRD	Subscribed capital in IFC
United States	59,756	19.2%	52,895	4,341
Japan	51,927	16.7%	24,113	1,800
United Kingdom	37,739	12.1%	13,102	1,080
Germany	30,625	9.9%	14,305	1,206
France	22,043	7.1%	13,102	1,080
Canada	14,471	4.7%	8,499	796
Italy	11,814	3.8%	8,298	726
Netherlands	11,471	3.7%	6,301	498
Sweden	10,454	3.4%	2,906	234.918
Switzerland	7,340	2.4%	4,933	387
<b>Top 10</b>	<b>257,639</b>	<b>82.9%</b>		
<b>Total</b>	<b>310,672</b>	<b>100.0%</b>		

Sources: IDA, IBRD and IFC audited financial statements, and Moody's Investors Service

We expect IDA's shareholders to be willing to recapitalize the institution in both systemic and idiosyncratic crisis scenarios. Given IDA's large grant-making operations and highly concessional lending terms, the organization is, by design, dependent on periodic replenishments. These replenishments have been regular, over a period of 20 replenishment cycles, and have increased in size, thereby supporting our assessment of very strong shareholder willingness to support.

**ESG considerations****International Development Association's ESG credit impact score is CIS-1**

Exhibit 11

**ESG credit impact score**

Source: Moody's Investors Service

IDA's **CIS-1** indicates that ESG considerations have a positive impact on the rating. For IDA, this reflects moderately negative exposure to environmental risk, positive exposure to social risk and very strong governance. IDA enjoys strong member support, which underpins its resilience to face ESG-related risks and is reflected in the particular importance assigned to the entity by large, highly-rated non-borrowing members, including the US.

Exhibit 12

**ESG issuer profile scores**

Source: Moody's Investors Service

**Environmental**

**E-3** IDA's exposure to environmental risks is driven by its exposure to physical climate risks from portfolio concentration among sovereign borrowers with relatively high exposure to environmental risk, particularly in Sub-Saharan Africa and South Asia. IDA's robust environmental safeguard policies and technical assistance capacities help to mitigate its exposure to environmental risk.

**Social**

**S-1** IDA's exposure to social risks reflects its exceptional responsible production and very strong focus on demographics and social trends. IDA's development mandate is to support the world's poorest countries. It aims to reduce poverty by providing low-interest loans and grants for programs that boost economic growth, reduce inequalities, and improve people's living conditions. IDA does not face any issues attracting highly skilled personnel and there are no health and safety considerations that would negatively or positively affect the issuer profile.

**Governance**

**G-1** IDA's very strong governance reflects its very high quality of management and very strong financial and risk management practices, which are performed by the IBRD. IBRD has one of the longest track records of strong and credible management among MDBs.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moody's.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

All of these considerations are further discussed in the "Detailed credit considerations" section above. Our approach to ESG is explained in our cross-sector methodology [General Principles for Assessing ESG Risks](#). Additional information about our rating approach is provided in our [Supranational Rating Methodology](#).

**Recent developments****Net commitments declined modestly as net disbursements increased in fiscal 2023**

IDA's net commitments in fiscal 2023 were \$34.2 billion, \$3.5 billion lower than in fiscal 2022. Out of the total net commitments, \$27 billion were loan commitments and \$7.3 billion were grant commitments. However, net disbursements increased to about \$20 billion in fiscal 2023 from around \$14.5 billion in fiscal 2022. IDA's net loans outstanding were \$187.7 billion in fiscal 2023 and equity was \$185.8 billion.

For fiscal 2023, IDA reported a net loss of \$3.3 billion, compared with a net gain of \$12 million in fiscal 2022. The decrease was primarily driven by higher grant expenses, lower unrealized mark-to-market gains on non-trading portfolios and higher borrowing expenses. IDA's management and board use adjusted net income (ANI) to monitor the economic results of IDA's operations. ANI is defined as reported net income adjusted to exclude such items as activities directly funded by contributions from members and unrealized mark-to-market gains/losses on non-trading portfolios. IDA's ANI was \$193 million in fiscal 2023, compared with \$260 million in fiscal 2022. The decrease was primarily because of higher borrowing expenses and higher provision expenses for losses on loans and other exposures, but only partially offset by higher net interest revenue on investments.

**IDA20 replenishment package is largest in history and high shareholder support is expected for IDA21**

IDA members agreed in April 2021 to launch the IDA20 replenishment cycle, which commenced one year earlier in fiscal 2023 (starting on 1 July 2022). The board of governors approved IDA20 in March 2022, which included a financing envelope of \$93 billion over three

years, the largest in IDA's history, with \$23.5 billion contributed by members. The remainder of IDA20's financing would come from the MDRI, capital markets financing, carry-over from IDA19, internal resources and IBRD transfers. As a result of the IDA19 implementation period being shortened to two years (fiscal 2021-22), \$11 billion of resources originally projected for use in fiscal 2023 were made available for IDA20 and other uses.

IDA20's main theme is "Building Back Better from the Crisis: Towards a Green, Resilient and Inclusive Future," which aims to help countries respond to the myriad challenges in a post-pandemic world and restore their trajectory toward achieving the 2030 sustainable development goals, reducing extreme poverty and improving shared prosperity. This will be supported by five special themes (Human Capital; Climate Change; Gender and Development; Fragility, Conflict, and Violence; and Jobs and Economic Transformation) and four crosscutting issues (Crisis Preparedness; Governance and Institutions; Debt; and Technology).

In view of the upcoming IDA21 replenishment, which will run from July 2025 to June 2028, we expect shareholders to strongly support IDA. Negotiations for IDA21 will take place through 2024 with the final replenishment package scheduled to be announced in December 2024. Given shareholders' strong focus on enhancing the development impact of MDBs through the G-20 Capital Adequacy Framework recommendations, and recent launch of the IBRD's evolution roadmap, we expect IDA21 to be ambitious.

## Rating methodology and scorecard factors: IDA - Aaa stable

Factor / Subfactor	Metric	Initial score	Adjusted score	Assigned score
<b>Factor 1: Capital adequacy (50%)</b>			<b>a1</b>	<b>a1</b>
<b>Capital position (20%)</b>			<b>aa2</b>	
	Leverage ratio	<b>aa1</b>		
	Trend	-1		
	Impact of profit and loss on leverage	0		
<b>Development asset credit quality (10%)</b>			<b>baa</b>	
	DACQ assessment	<b>baa</b>		
	Trend	0		
<b>Asset performance (20%)</b>			<b>aa3</b>	
	Non-performing assets	<b>aaa</b>		
	Trend	-3		
	Excessive development asset growth	0		
<b>Factor 2: Liquidity and funding (50%)</b>			<b>aaa</b>	<b>aaa</b>
<b>Liquid resources (10%)</b>			<b>aa2</b>	
	Availability of liquid resources	<b>aa2</b>		
	Trend in coverage outflow	0		
	Access to extraordinary liquidity	0		
<b>Quality of funding (40%)</b>			<b>aaa</b>	
<b>Preliminary intrinsic financial strength</b>				<b>aa2</b>
<b>Other adjustments</b>				<b>+1</b>
<b>Operating environment</b>		0		
<b>Quality of management</b>		+1		
<b>Adjusted intrinsic financial strength</b>				<b>aa1</b>
<b>Factor 3: Strength of member support (+3,+2,+1,0)</b>			<b>Medium</b>	<b>High</b>
<b>Ability to support (50%)</b>			<b>aa3</b>	
	Weighted average shareholder rating	<b>aa3</b>		
<b>Willingness to support (50%)</b>				
	Contractual support (25%)	<b>ca</b>	<b>ca</b>	
	Strong enforcement mechanism	0		
	Payment enhancements	0		
	Non-contractual support (25%)		<b>Very High</b>	
<b>Scorecard-Indicated Outcome Range</b>				<b>Aaa-Aa2</b>
<b>Rating Assigned</b>				<b>Aaa</b>

**Note:** Our ratings are forward-looking and reflect our expectations for future financial and operating performance. However, historical results are helpful in understanding patterns and trends of an issuer's performance as well as for peer comparisons. Additional considerations that may not be captured when historical metrics are used in the scorecard may be reflected in differences between the adjusted and assigned factor scores. Furthermore, in our ratings we often incorporate directional views of risks and mitigants in a qualitative way. For more information please see our Multilateral Development Banks and Other Supranational Entities rating methodology.

Source: Moody's Investors Service

## Related websites and information sources

- » [Moody's Supranational webpage](#)
- » [Moody's Sovereign and supranational rating list](#)
- » [The IDA website](#)

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## Endnotes

- 1 Allocable income is the IBRD's internal and preferred measurement of profitability. It is a non-GAAP financial measure and the metric the bank uses for making net income allocation decisions. Allocable income starts with reported net income and then includes several adjustments, such as unrealized mark-to-market losses/gains in non-trading portfolio positions and transfers to IDA, which are approved by the board at the end of every fiscal year.
- 2 NPA includes nonperforming loans, guarantees called and equity impairments, wherever applicable.

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