S&P Global
Ratings

Research

# International Development Association

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Primary contact

**Alexander Ekbom**
Stockholm
46-84-40-5911
alexander.ekbom
@spglobal.com

Additional contact

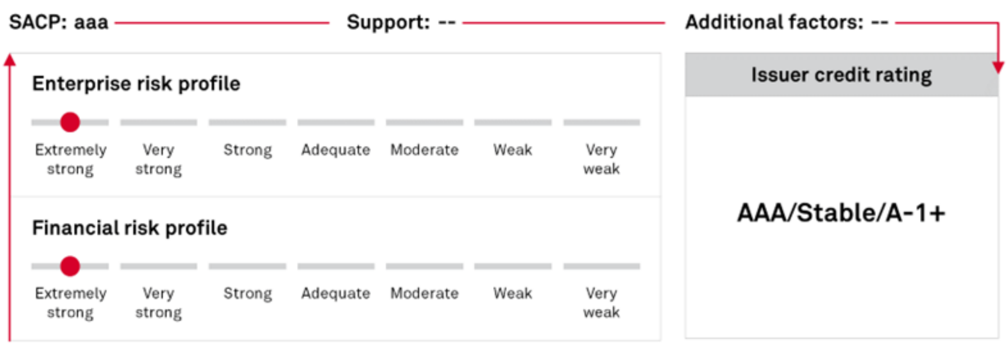
**Lisa M Schineller, PhD**
New York
1-212-438-7352
lisa.schineller
@spglobal.com

Research contributor

**Sanchita Khanna**
CRISIL Global Analytical Center,
an S&P Global Ratings affiliate
Pune


This report does not constitute a rating action.

## Ratings Score Snapshot




SACP--Stand-alone credit profile.

**Overview**

| Enterprise risk profile | Financial risk profile |
|---|---|
| Strong record of fulfilling its development-focused role | Extremely strong capitalization, supported by ongoing replenishments, underpins an extremely strong financial risk profile |
| --Concessional lending and support to low-income countries, not easily replaceable by other MLIs or the private sector. | --Significant equity buffer and preferred creditor treatment offsets the lower average credit quality of its diversified loan exposures. |
| --Long track record of member support, and lending throughout economic cycles, underpin the strong enterprise profile very well. | -- Building presence in capital markets and solid funding ratios. |
| --Diverse group of government members and robust risk-management practices. | --Well-managed policies support a strong liquidity buffer. |

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**In our view, IDA's shareholder support is unparalleled, reflected by consistent donor replenishments that support its unique role in providing financing to lower-income countries on concessional terms.** IDA20 replenishments were launched one year earlier than planned, in the 2023 financial year, and the IDA 19 frontloaded and shortened to two years (financials 2021-2022) its IDA19 implementation period. It did this to augment its response to overlapping challenges from the pandemic, the food and fuel crisis, and the war in Ukraine. Each replenishment cycle will translate into at least $23.5 billion in donor contributions, with IDA20 reflecting a historic financing package of $93 billion.

**We believe IDA will continue to manage its capital prudently, which, combined with large equity buffers and robust donor support, counterbalances somewhat higher risk in its lending book.** IDA's risk-adjusted capital (RAC) ratio of 62.6% is one of the highest in the sector. While IDA introduced market debt into its funding mix during its IDA18 replenishment, we expect this will complement and not substitute its development-focused financing to lower income countries on more flexible terms, largely financed by donor contributions.

**IDA continues to focus on African countries.** IDA's loans to countries in Africa represent 50% of loans outstanding and 68% of loan commitments and guarantees made in the first quarter of financial 2023. Based on the level of economic development, these countries tend to have higher environmental risks and social needs.

# Outlook

The stable outlook on IDA signals that we do not see risks to its credit quality that represent a greater than one-in-three chance we would lower our rating in the next two years. We expect IDA to continue delivering on its mandate while maintaining one of the strongest capital ratios among multilateral lending institutions (MLIs).

## Downside scenario

We could lower the rating if IDA takes on liabilities that would lower its RAC ratio after adjustments to below 23%. Additionally, we could consider a downgrade amid an unexpected deterioration in its liquidity and funding, or if delays in payments of donor replenishments increase materially. We continue to assume that IDA will execute its policy mandate through grants and concessional lending, and that members do not have the appetite for a multilateral debt-relief program for borrowers that does not compensate IDA, which could otherwise weigh on the rating.

# Enterprise Risk Profile

**Policy importance: directs activities toward borrowers who are not serviced by private-sector entities or the main lending window of most MLIs.** Although IDA is not the only concessional window in the MLI asset class, it exceeds the next-size windows by a considerable multiple. Other institutions could not easily replicate IDA's activities. IDA's product offerings differ from those of its sister institution, IBRD. Seventy-four member countries are eligible for funds. Aside from concessional loans, IDA extends some non-concessional loans at rates similar to IBRD; such loans are only given to members IDA deems fiscally sustainable.

**IDA-only countries that are at risk of becoming fiscally distressed are eligible for partial or full grant funding depending on the World Bank-IMF analysis of their debt sustainability risks.** Under the IDA20 replenishment cycle, countries with moderate risk of debt distress, with the exception of small states, will receive highly concessional loans with zero interest charge and a 50-year maturity in lieu of a partial grant, thereby maintaining the same level of concessionality while balancing a more efficient capital utilization.

Eligibility to borrow from IDA on the most favorable terms is based, among other factors, on a sovereign:

- Having gross national income per capita below an established threshold. This is updated annually (set at US$1,315 for fiscal year 2024), and
- Not being able to access IBRD funding.

**Frequent capital replenishments reflect solid membership support for IDA.** Capital replenishments generally happen on a three-year cycle. IDA has had 24 replenishments over 60 years, of which 19 have been on a regular three-year cycle. The number of commitments in every cycle is closely linked to the amount of resources made available to it within a given replenishment. Disbursements are, on average, made on a nine-year cycle. Growth in replenishments has been steady, averaging 10% per year over the past 50 years, although not every donor has contributed at every replenishment stage. We believe these recurring capital injections, which by far outweigh any other MLI, are a sign of strong member commitment. The new president of the World Bank Group has called for a significant step-up from the latest replenishment, IDA20, as needs are acute in low-income countries. We expect IDA's unique nature to continue offering an attractive developmental proposition for further injections.

**IDA's board approved the historic IDA20 replenishment package of $93 billion in March 2022.** This financing package covering financial years 2023-2025 is to help low-income countries respond to the pandemic and address climate change issues. IDA aims to direct around 70% of the funding to Africa. It advanced the IDA20 replenishment by one year and frontloaded the previous IDA19 replenishment and reduced it to a two-year cycle.

**The institution has a considerable lending book, with an over $56 billion policy package to support members during the pandemic.** Outstanding loans increased by 8%, reaching $188 billion for financial 2023. The increase was mainly due to net loan disbursements during the year. Disbursements remained high in 2023 at $28 billion. During 2021 and 2022 disbursements were $23 billion and $21 billion, respectively, largely reflecting IDA's pandemic response.

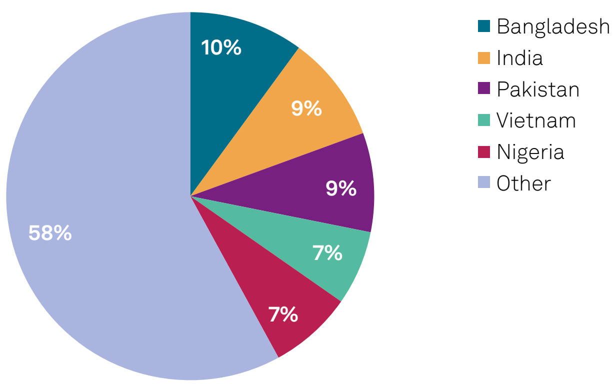
**IDA supports private sector catalyzation in IDA-only countries, with a focus on fragile and conflict-affected states, which we believe supports its unique role.** IDA continues to build on capital market funding and also on its private-sector window (PSW)--which was introduced in IDA18--through which IDA will enhance collaboration with World Bank Group members, International Finance Corp. (IFC) and Multilateral Investment Guarantee Agency. This collaboration is expected to deploy $2.5 billion to support private-sector investment in IDA countries over the IDA20 period. As of end-September 2023, $1.4 billion had already been utilized. We expect IDA's main products will remain its concessional lending products to sovereign members.

**IDA's two debt write-off programs are fully donor funded.** Within a broader context of international debt relief initiatives, IDA engages in the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI). MDRI was funded by a dedicated dollar-for-dollar equity replenishment outside the three-year cycle, while HIPC is funded within the cycles. The write-offs were conditional on program criteria. To be eligible for relief, borrowers must be in good standing with respect to all eligible debt repayments. The write-offs were significant, cumulatively representing almost one-quarter of IDA's total exposures. To address the risk that sovereigns could see similar debt problems re-emerging, they receive their assistance wholly or mainly in the form of grants if they are deemed at risk of fiscal distress. Grants, like debt write-offs, are funded by new IDA donor contributions.

**We calculate IDA's arrears ratio at 1.78%, using financial information as of June 2023, consistent with strong preferred creditor treatment (PCT).** To derive the 1.78% arrears ratio, we removed Myanmar, which cleared its overdue balances in January 2013, and added Niger to the existing arrears as of June 2023. Niger recently entered into arrears with IDA amid a turbulent political situation, with the country now led by the military. Together with Mali and Burkina Faso, Niger also sent a formal notice of withdrawal for its long-standing membership of ECOWAS and is contemplating introducing a new currency. We understand that the sanctions levied on Niger by ECOWAS has led to complications for the country to repay their debt to IDA and that discussions to find solutions are taking place. On Feb. 24, 2024, ECOWAS announced the lifting of economic sanctions on Niger that could ease progress toward a solution. Borrowers currently in nonaccrual with IDA include Eritrea, Syria, and Zimbabwe.

### IDA's purpose-related exposures--The five largest countries

As a share of gross purpose-related assets plus guarantees




Footnote. S&P Global Ratings



**Governance and management expertise: Sound governance and risk management balance higher credit risk than peers given its mandate.** IDA shares its governance and management with IBRD to a significant extent with a structure we believe has very high standards and will underpin sound decision-making. The top-five member countries account for 34.1% of the total voting power:

- The U.S. (9.7%)
- Japan (8.4%)
- The U.K. (6.9%)
- Germany (5.3%)
- France (3.9%).

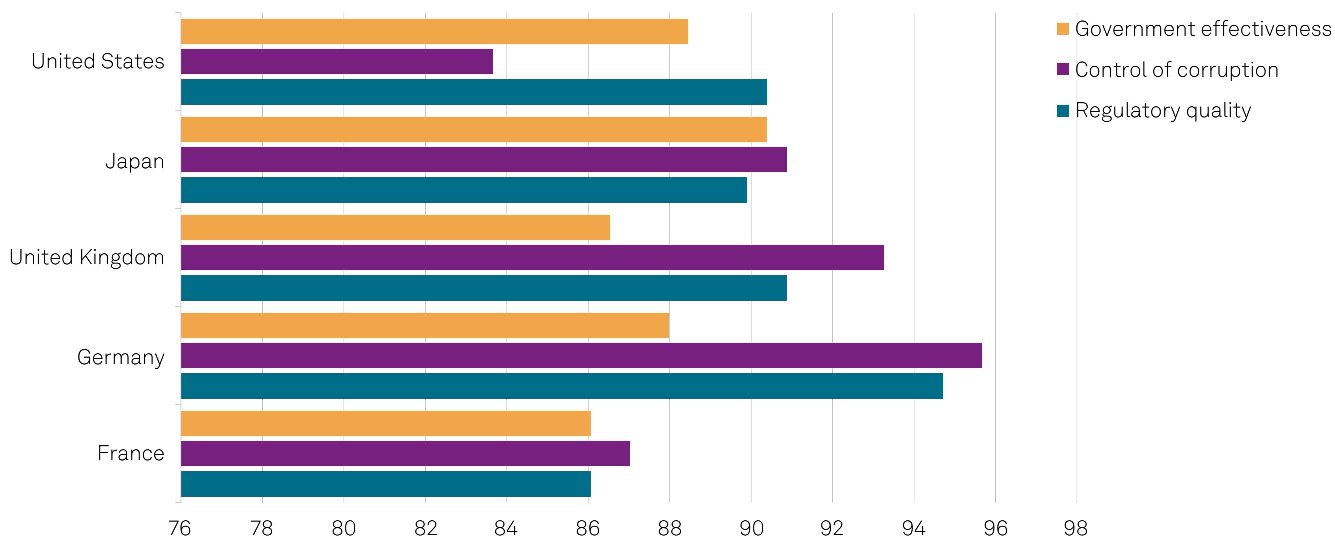
The U.S. has less voting power than it has in IBRD (15.8% at the end of June 2023). As with other World Bank Group institutions, IDA has an article of agreement that we view as equivalent to a treaty, and IDA enjoys the same tax exemptions as IBRD. No members have withdrawn from IDA, and members' payments of replenishments have generally been timely and in full.

**We view IDA's financial and risk management policies as robust and conservative.** It revised key policies following the shift in its funding model during IDA18. This included updating its capital adequacy framework and liquidity policy, as well as introducing single borrowing limits in its lending activities.

**We believe the association's operational activities are supported by the depth of experience of its management and long track record.** Over the last few years, the World Bank Group has seen a change of leadership. Ajay Banga was appointed president of the group effective June 2, 2023. Jorge Familiar was appointed the new vice president and treasurer on Jan. 1, 2022, and in July 2019, Anshula Kant was appointed the new managing director and CFO. All three have held numerous senior management positions in various capacities outside of the World Bank, accumulating a wealth of knowledge in the fields of finance and economic development. The World Bank benefits from their management and expertise.

**IDA's Five largest shareholders**

Selected World Bank Governance Indicators




Footnote. S&P Global Ratings. Ranking as of end-Dec 2022



# Financial Risk Profile

**Capital adequacy: Capitalization is supported by ongoing replenishments.** As of fiscal 2023, IDA's RAC ratio after adjustments was 62.6%--extremely high compared with banks and other MLIs. The RAC calculation incorporates all parameters as of Feb. 13, 2024. The main adjustment for IDA's RAC is its single-name exposure, which is essentially offset by benefits accruing from PCT. Capitalization is supported by very high equity, as IDA still has very little debt and receives regular equity replenishments. In fiscal 2023, the RAC ratio was lower than in fiscal 2022, despite a 4% increase in TAC, due to a 13% increase in risk-weighted assets.

**While IDA has exposure to borrowers with lower credit quality, it has comparatively low nonaccruals.** The bulk of IDA's exposures is to sovereigns within purpose-related or treasury portfolios. The association lends largely in Africa, which accounts for 50% of its outstanding loans, followed by South Asia (32%), and East Asia and Pacific (10%). Europe and Central Asia, Latin America and the Caribbean, and the Middle East and North Africa account for the remainder.

**IDA strives to ensure its own basic financial sustainability**. Concessional loans and grant disbursements are funded by equity increases, concessional loans from members, IBRD transfer, and loan reflows. Any distributions that are accounted for as expenses (debt write-offs and grants) are matched by increases in equity, rather than income, which partly explains the consistent accounting net losses. Revenues from guarantee fees and service and interest charges are intended to cover operating expenses and can be raised if they do not. IDA reported a net loss of $3,262 million in fiscal 2023, compared to net income of $12 million in 2022. The losses in 2023 were primarily driven by the increase in development grant expenses, lower unrealized mark-to-market gains on non-trading portfolios, and higher borrowing expenses. However, the entity generated net income of $62 million in the first quarter of fiscal 2024.

Table 1

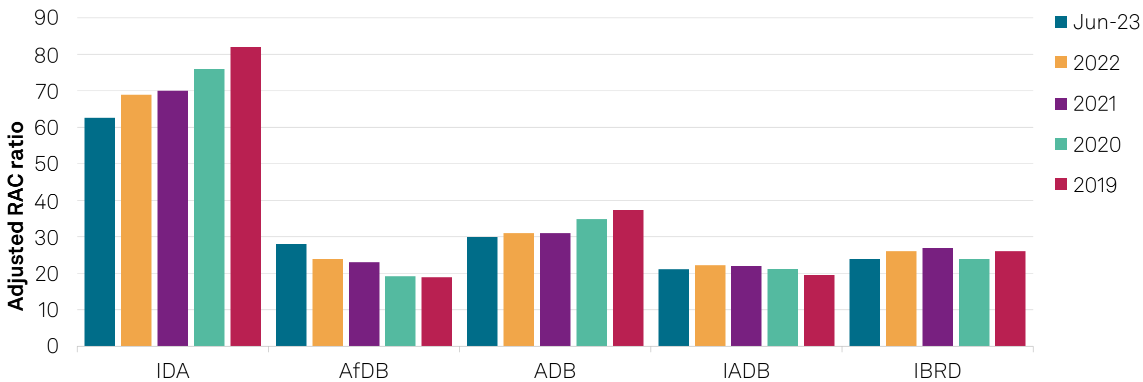
**The International Development Association--Risk-Adjusted Capital Framework Data: June 2023**

| Mil. USD | Exposure | S&P Global Ratings RWA | Average S&P Global Ratings RW (%) |
|---|---|---|---|
| **Credit risk** | | | |
| Government and central banks | 253,998 | 320,922 | 126 |
| Institutions | 14,582 | 2,985 | 20 |
| Corporate | 705 | 722 | 102 |
| **Retail** | | | |
| Securitization | 105 | 21 | 20 |
| Other assets | 110 | 174 | 158 |
| Total credit risk | 269,500 | 324,824 | 121 |
| **Market risk** | | | |
| Equity in the banking book | | | |
| **Trading book market risk** | | | |
| Total market risk | 95 | 152 | 160 |
| **Operational risk** | | | |
| Total operational risk | | 6,347 | |
| **Risk transfer mechanisms** | | | |
| Risk transfer mechanisms RWA | | | |
| RWA before MLI Adjustments | | 331,323 | 100 |
| **MLI adjustments** | | | |
| Single name (on corporate exposures) | | 7,834 | 1,085 |
| Sector (on corporate portfolio) | | 257 | 3 |
| Geographic | | -22,510 | -7 |
| Preferred creditor treatment (on sovereign exposures) | | -127,701 | -40 |
| Preferential treatment (on FI and corporate exposures) | | -160 | -4 |
| Single name (on sovereign exposures) | | 107,144 | 33 |
| Total MLI adjustments | | -35,137 | -11 |
| RWA after MLI adjustments | | 296,186 | 89 |

| | Total adjusted capital | S&P Global Ratings RAC Ratio (%) |
|---|---|---|
| Capital ratio before adjustments | 185,461 | 56.0 |
| Capital ratio after adjustments | 185,461 | 62.6 |

MLI--Multilateral lending institutions. RW--Risk weight. RWA--Risk-weighted assets.

### IDA--Risk-adjusted capital ratio versus peers




Source. S&P Global Ratings. IDA- -International Development Association, AfDB- -African Development Bank, ADB- -Asian Development Bank, IADB- -Inter-American Development Bank, IBRD- -International Bank for Reconstruction and Development.

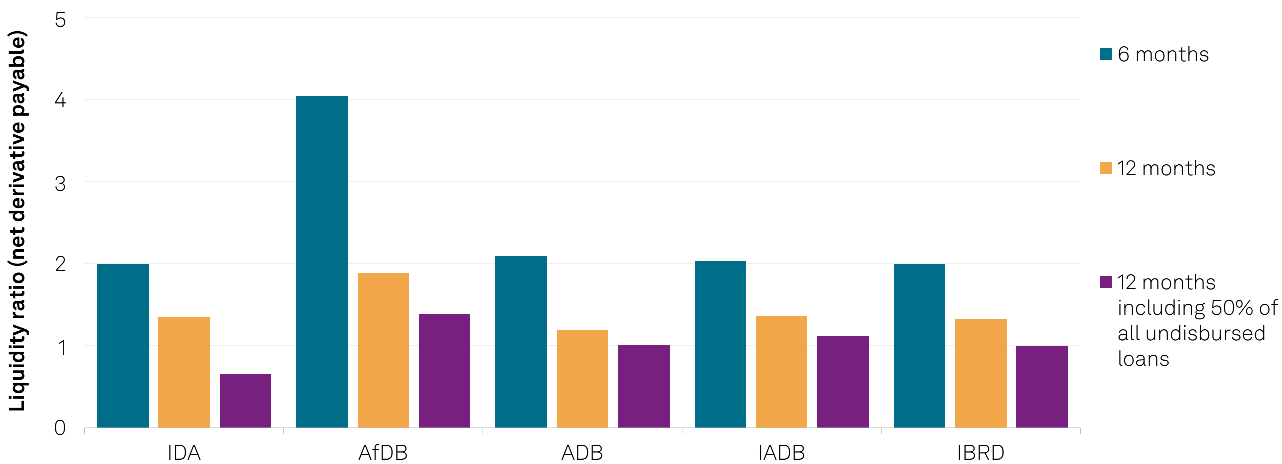


## Funding and liquidity

***Funding: IDA is building a capital market presence.*** IDA introduced the hybrid financing model as a part of IDA18, under which it included market debt along with capital contributions from its members. In April 2018, it issued its inaugural U.S. dollar-denominated global bond; the $1.5 billion five-year fixed-rate bond was well received. IDA also established its short-term bills program in 2019. In January 2024, IDA issued a €1.75 billion Sustainable Development Bond with a 20-year maturity date of 2044. This was IDA's second 20-year benchmark in euros. Additionally, IDA generated €600 million by pricing a 30-year Sustainable Development Bond, its first euro transaction of 2023. With this transaction, IDA's euro benchmark curve is extended to 30 years and becomes its longest maturity bond in any currency. As of end-September 2023, market borrowings marginally increased to $26.3 billion ($25.4 billion as of June 30, 2023) primarily due to net issuances during the period. Our calculated funding ratios indicate that IDA does not have a funding gap below the one-year horizon, and its assets exceed its liabilities at all horizons up to five years.

**Liquidity: Ample liquidity is comfortably covering six- and 12-month liabilities.** IDA's liquidity policy is to hold minimum liquidity equal to 80% of projected outflows over the coming 24 months. Our calculation of its liquidity incorporates stressed market conditions and assumes no market access. Under these conditions, we conclude that IDA's liquid assets are sufficient to service its limited borrowing and maintain operations through the next year without slowing the pace of planned disbursements. According to our calculations, IDA's liquidity ratio, assuming scheduled disbursements, was 2.00x at the six-month horizon and 1.35x at the one-year horizon as of June 30, 2023. However, under this same stress scenario, IDA may need to spread out an unforeseen increase in potential disbursements while meeting other obligations.

**IDA--Liquidity stress test ratios versus peers**




Source. S&P Global Ratings. IDA- -International Development Association, AfDB- -African Development Bank, ADB- -Asian Development Bank, IADB- -Inter-American Development Bank, IBRD- -International Bank for Reconstruction and Development.



# Extraordinary Shareholder Support

IDA has no callable capital, so the long-term issuer credit rating reflects our assessment of IDA's stand-alone credit profile at 'aaa'.

Table 2

**The International Development Association--Selected Indicators**

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| **ENTERPRISE PROFILE** | | | | | |
| **Policy importance** | | | | | |
| Total purpose-related exposure (loans, equity, etc.) (mil. USD)* | 194,220 | 180,580 | 184,010 | 167,743 | 158,759 |
| Public-sector (including sovereign-guaranteed) loans/purpose-related exposure (%) | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Private-sector loans/purpose-related exposures (%) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Gross loan growth (%) | 7.6 | -1.9 | 9.7 | 5.6 | 4.3 |
| Preferred creditor treatment ratio (%) | 1.8 | 0.8 | 0.8 | 1.6 | 1.9 |
| **Governance and management expertise** | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Share of votes controlled by eligible borrower member countries (%) | 15 | 14.7 | 15 | 15.4 | 28 |
| Concentration of top two shareholders (%) | 18.0 | 18.2 | 18.4 | 18.6 | 18.5 |
| Eligible callable capital (mil. USD) | N.A. | N.A. | N.A. | N.A. | N.A. |
| **FINANCIAL RISK PROFILE** | | | | | |
| **Capital and earnings** | | | | | |
| RAC ratio (%) | 62.6 | 68.8 | 70.0 | 76.0 | 81.7 |
| Net interest income/average net loans (%) | 1.3 | 1.1 | 1.2 | 1.2 | 1.1 |
| Net income/average shareholders' equity (%) | -1.8 | 0 | -0.2 | -0.7 | -4.1 |
| Impaired loans and advances/total loans (%) | 0.5 | 0.5 | 0.5 | 1.3 | 1.6 |
| **Liquidity ratios** | | | | | |
| Liquid assets/adjusted total assets (%) | 14.4 | 18.4 | 17.3 | 17.7 | 17.5 |
| Liquid assets/gross debt (%) | 100.3 | 123.1 | 133.8 | 178.8 | 322.6 |
| **Liquidity coverage ratio (with planned disbursements):** | | | | | |
| Six months (net derivate payables) (x) | 2.0 | 2.4 | 2.7 | 2.2 | 3.0 |
| 12 months (net derivate payables) (x) | 1.3 | 1.6 | 1.7 | 1.6 | 2.0 |
| 12 months (net derivate payables) including 50% of all undisbursed loans (x) | 0.7 | 0.8 | 0.8 | 0.9 | 0.9 |
| **Funding ratios** | | | | | |
| Gross debt/adjusted total assets (%) | 14.3 | 15.0 | 12.9 | 9.9 | 5.4 |
| Short-term debt (by remaining maturity)/gross debt (%) | 9.6 | 17.3 | 16.7 | 29.6 | 18.8 |
| **Static funding gap (with planned disbursements)** | | | | | |
| 12 months (net derivate payables) (x) | 2.7 | 2.7 | 2.4 | 2.7 | 2.6 |
| **Summary balance sheet** | | | | | |
| Total assets (mil. USD) | 227,482 | 220,014 | 219,324 | 199,472 | 188,553 |
| Total liabilities (mil. USD) | 41,700 | 41,346 | 38,448 | 31,301 | 25,571 |
| Shareholders' equity (mil. USD) | 185,782 | 178,668 | 180,876 | 168,171 | 162,982 |

* Not including committed disbursements. PCT--Preferred creditor treatment. RAC--Risk-adjusted capital. N.A.--Not available.

Table 3

**The International Development Association--Peer Comparison**

| | The International Development Association | International Bank for Reconstruction and Development | African Development Bank | Asian Development Bank | Inter-American Development Bank |
|---|---|---|---|---|---|
| Issuer credit ratings | AAA/Stable/A-1+ | AAA/Stable/A-1+ | AAA/Stable/A-1+ | AAA/Stable/A-1+ | AAA/Stable/A-1+ |
| Total purpose-related exposure (mil. SDR) | 194,220 | 250,438 | 31,276 | 147,125 | 113,799 |

| | | | | | |
|---|---|---|---|---|---|
| Preferred creditor treatment ratio (%) | 1.78 | 0.6 | 1.8 | 29.9 | 1.8 |
| Risk adjusted capital ratio (%) | 62.6 | 23.7 | 27.9 | 31.1 | 21.3 |
| Liquidity ratio 12 months (net derivative payables; %) | 1.3 | 1.3 | 1.8 | 1.2 | 1.4 |
| Funding gap 12 months (net derivative payables; %) | 2.7 | 1.5 | 1.5 | 1.1 | 1.2 |

Source: S&P Global Ratings. For IDA and IBRD: all Data as of June 2023; For AfDB all data as of Dec 2022; For ADB and IADB: PRE and PCT ratio as of end-Dec 2022 and all other ratios as of end-June 2023;

# Rating Component Scores

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Enterprise Risk Profile** | **Extremely strong** | Very strong | Strong | Adequate | Moderate | Weak | Very weak |
| Policy Importance | **Very strong** | Strong | Adequate | Moderate | Weak | | |
| Governance and Management | **Strong** | Adequate | Weak | | | | |
| **Financial Risk Profile** | **Extremely strong** | Very strong | Strong | Adequate | Moderate | Weak | Very weak |
| Capital Adequacy | **Extremely strong** | Very strong | Strong | Adequate | Moderate | Weak | Very weak |
| Funding and Liquidity | Very strong | **Strong** | Adequate | Moderate | Weak | Very weak | |

# Related Criteria

- Criteria | Governments | General: Multilateral Lending Institutions And Other Supranational Institutions Ratings Methodology, Jan. 31, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011,

# Related Research

- Introduction To Supranationals Special Edition 2023, Oct. 11, 2023

- Supranationals Edition 2023: Comparative Data For Multilateral Lending Institutions, Oct. 12, 2023
- A Closer Look At The G-20 Expert Panel Review Of MLIs' Capital Adequacy Frameworks, Oct. 11, 2022
- ESG Industry Report Card: Supranationals, Feb. 11, 2020

## Ratings Detail (as of March 18, 2024)*

**International Development Association**

| | | |
|---|---|---|
| Issuer Credit Rating | | |
| *Foreign Currency* | | AAA/Stable/A-1+ |
| Commercial Paper | | |
| *Foreign Currency* | | A-1+ |
| Senior Unsecured | | A-1+ |
| Senior Unsecured | | AAA |
| **Issuer Credit Ratings History** | | |
| 21-Sep-2016 | *Foreign Currency* | AAA/Stable/A-1+ |

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings credit ratings on the global scale are comparable across countries. S&P Global Ratings credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.