



# **International Development Association Sustainable Development Bond Framework**

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# ABOUT THE INTERNATIONAL DEVELOPMENT ASSOCIATION

The International Development Association (IDA) was established in 1960 and is an international organization and global development institution owned by 173 member countries. As one of the largest sources of development finance to the less-development areas of the world, IDA supports the mission and strategy of the World Bank Group (WBG)<sup>1</sup> by providing concessional loans, guarantees, risk management products and advisory services to low-income countries. IDA issues bonds in the international capital markets to support the financing of its sustainable development activities.

## The World Bank Group Strategy

At the heart of the World Bank Group's strategy<sup>2</sup> are two goals endorsed by its Board of Governors in 2013:

- **End extreme poverty** by reducing the percentage of people living on less than US\$1.90 a day to three percent; and
- **Promote shared prosperity** by fostering income growth for the bottom 40 percent of the population in every developing country by 2030.

To deliver on the twin goals that are aligned with the UN Sustainable Development Goals (SDGs), the WBG's management and shareholders have agreed on three main priorities: (1) accelerate sustainable and inclusive growth, (2) invest in human capital, and (3) strengthen resilience.

This overarching strategic framework rests on four pillars: (1) serving all clients in low- and middle-income countries; (2) creating markets, mobilizing finance for development, and expanding the use of private sector solutions; (3) leading on global issues; and (4) improving the ways we do business to be agile, efficient, and closer to clients.

## Working Towards the Sustainable Development Goals

The WBG's goals, and the partnerships needed to achieve them, are aligned with the global community's efforts to reach the SDGs by 2030. Adopted in 2015, the SDGs are a historic global achievement. They encompass 17 targets, in areas such as health, gender equality, jobs, energy, environment, infrastructure, poverty reduction, and partnerships, all as part of a comprehensive global agenda to end poverty in a single generation. The SDGs were formulated with strong participation from the WBG and are fully consistent with its twin goals.

In designing its projects and programs, IDA works closely with its member governments to assess each country's trajectory for reaching the SDGs. This long-term dialogue and relationship produce a Country Partnership Framework identifying the country's priorities and the expertise that IDA can provide to support the country's efforts to improve performance in lagging sectors. The resulting process identifies IDA's activities to support the government's development priorities, applying IDA's comparative advantage in line with its development mission and the SDGs.

## Capital Markets Funding Supports Sustainable Development

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<sup>1</sup> For the purpose of this document, "IDA" refers to the "International Development Association". IDA is the issuer of IDA bonds. IDA and the International Bank for Reconstruction and Development (IBRD) are collectively known as the World Bank since they share developmental objectives and have the same management and staff. In the capital markets, "World Bank" refers to the International Bank for Reconstruction and Development (IBRD) and World Bank bonds refer to bonds issued by IBRD. IBRD and IDA are legally separate entities. The "World Bank Group" is the unofficial name that is used to collectively refer to five entirely independent international organizations: International Bank for Reconstruction and Development, International Development Association, International Finance Corporation, Multilateral Investment Guarantee Agency and International Centre for Settlement of Investment Disputes. Each organization is legally and financially independent from IDA, with separate assets and liabilities, and IDA is not liable for their obligations.

<sup>2</sup> "A Stronger, Connected, Solutions World Bank Group: An Overview of the World Bank Group Strategy", October 2013, <https://openknowledge.worldbank.org/handle/10986/16093>

IDA issued its first bond in 2018. All IDA bonds fund sustainable development activities designed to achieve positive environmental and social impact. IDA raises funds in the world’s financial markets through its Global Debt Issuance Facility and its Bills Program.

## SUSTAINABLE DEVELOPMENT BOND PROCESS

IDA’s Sustainable Development Bonds are consistent with the Sustainability Bond Guidelines<sup>3</sup>, coordinated by the International Capital Market Association. IDA’s Sustainable Development Bond Framework is designed to provide investors with information on how all IDA bonds support the financing of sustainable development, including examples of the types of projects and programs (Operations) that IDA bond proceeds support through the financing of loans to member countries. This Framework specifically outlines how IDA bonds and processes align to the four pillars of the Sustainability Bond Guidelines as noted below:

1. Use of proceeds
2. Process for evaluation and selection of eligible operations
3. Management of proceeds
4. Reporting

## USE OF PROCEEDS

All IDA bonds support the financing of a combination of green and social, i.e. “sustainable development”, projects, programs and activities in IDA member countries. Each project is designed intentionally to achieve both positive social and environmental impacts and outcomes in line with the WBG’s twin goals of eliminating extreme poverty and promoting shared prosperity.

IDA is a multi-issue institution, supporting a range of development activities that foster equality, economic growth, job creation, higher incomes, and better living conditions. IDA’s work covers primary education, basic health services, clean water and sanitation, agriculture, business climate improvements, infrastructure, and institutional reforms. The list below provides examples of projects that meet the eligibility criteria to be supported by IDA’s Sustainable Development Bonds and we have classified projects as social or green to show alignment with the Sustainability Bond Guidelines.

### Target Populations

IDA projects aim to protect and empower vulnerable groups, including women and girls, the poor, disabled people, and youth to reduce poverty, improve living standards, and raise income and productivity.

Examples of projects, programs and activities, which can be classified as “social projects” include, but are not limited to, those which aim to:

- Improve health care, nutrition, and childhood development
- Improve equitable access to education, raise students’ retention and completion rates, improve learning conditions in schools, train teachers and improve their foundational skills
- Advance food security
- Strengthen social security, pension, and legal systems
- Improve access for individuals and businesses to affordable financial products and services such as transactions and payment services, savings, credit, and insurance
- Support and improve access to affordable housing through regulatory and policy reform and improving access to finance
- Create more and higher-quality jobs, and connect disadvantaged people to jobs by eliminating barriers and building skills
- Improve the effectiveness of formal technical and vocational training, short-term skills development, and apprenticeship programs

<sup>3</sup> <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-bond-guidelines-sbg/>

- Provide financial, technical and advisory support for countries that have decided to transition from coal to cleaner sources of energy

Examples of projects, programs and activities which can be classified as “green projects” include, but are not limited to, those which aim to:

- Advance climate-smart agriculture, improve agricultural infrastructure and support services, strengthen food value chains to become more resilient to climate change, and increase market access for smallholder farmers
- Manage water holistically for sustained water resource utilization, improved delivery of services and building resilience
- Address biodiversity conservation and challenges of pollution and natural resource degradation
- Help resource-rich developing countries benefit from the increasing demand for minerals and metals, while ensuring mining is managed to minimize the environmental and climate footprint
- Prepare national plans and legislation to protect the environment and manage disaster risk
- Contribute to climate mitigation (solar and wind installations, new technologies that reduce GHG emissions, rehabilitation of power plants and transmission facilities to reduce emissions, clean transportation, sustainable waste management, carbon reduction through reforestation and prevention of deforestation) and climate adaptation (protection against flooding, improvements in food security, climate-resilient agriculture, sustainable forest management, and prevention of deforestation).

The forgoing classification of the examples as either social or green is for convenience only. Many of the projects, programs and activities described above include social and green components by design and will produce a mix of green and social outcomes. Additional examples of eligible projects, programs, and activities can be found at: <https://www.worldbank.org/en/topic>.

#### **IDA’s Exclusion List<sup>4</sup>**

The International Development Association does not support the financing of operations that involve:

- Alcoholic beverages
- Tobacco or tobacco processing machinery
- Unworked or worked pearls, precious, and semiprecious stones
- Jewelry made of gold, silver, or platinum group metals (except watches and watch cases) and goldsmiths’ or silversmiths’ wares (including set gems)
- Non-monetary gold (excluding gold ores and concentrates)
- Radioactive and associated materials
- Nuclear reactors (including parts thereof), or non-irradiated fuel elements (cartridges) for nuclear reactors

Other excluded areas include:

- Goods intended for a military or paramilitary purpose or for luxury consumption.
- Environmentally hazardous goods, whose manufacture, use, or import is prohibited under the laws of the member country or international agreements to which the borrower government is a party; or any other goods designated as environmentally hazardous by agreement between the member country and IDA.
- Any payment prohibited by a decision of the UN Security Council taken under Chapter VII of the United Nations Charter, and with respect to which IDA determines that corrupt, fraudulent, collusive, or coercive practices were engaged in by representatives of the member country or other recipient of the financing made available by IDA, without the member country (or other such recipient) having taken timely and appropriate action satisfactory to IDA to address such practices when they occur.

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<sup>4</sup> Excluded expenditures for World Bank loans are outlined in the Revised General Conditions for IDA Financing, issued April 2021 and as updated from time to time:

<https://worldbankgroup.sharepoint.com/sites/ppfonline/PPFDocuments/36184724ae8f44db9551a04802072c7f.pdf>

**Fossil fuels:** IDA is not financing coal-fired power generation. IDA supports countries transitioning away from coal by helping close coal mines and work with countries to help ensure a Just Transition for affected communities. IDA no longer finances upstream<sup>5</sup> oil and gas after 2019, with consideration only in exceptional circumstances. IDA continues to provide technical assistance to help countries strengthen the transparency, governance, institutional capacity, and regulatory environment of their energy sectors – including in oil and gas.

## PROCESS FOR EVALUATION AND SELECTION OF ELIGIBLE OPERATIONS

All IDA Operations are designed to achieve positive environmental and social impacts and outcomes consistent with the WBG's twin goals. Operations are approved after an extensive internal review process which integrates sustainability policies and environmental and social requirements. This is complemented by comprehensive project disclosure, portfolio management and review processes that are designed to provide timely feedback to enhance, improve and if necessary, adjust operations to achieve positive impacts in line with desired outcomes. See Annex 1 for more information on IDA's Project Cycle.

### Assessing and Mitigating Environmental Risks

The World Bank [Environmental and Social Framework](#) (ESF) which covers both IBRD and IDA Operations, sets out IDA's commitment to sustainable development, through a policy and a set of environmental and social standards for [Investment Project Financing](#) (IPF) that are designed to support borrowers' projects, with the aim of ending extreme poverty and promoting shared prosperity.

This framework comprises:

- A [Vision for Sustainable Development](#), which sets out IDA and IBRD's aspirations regarding environmental and social sustainability;
- The [World Bank Environmental and Social Policy for IPF](#), which sets out the mandatory requirements that apply to IDA and IBRD; and
- The [Environmental and Social Standards](#), together with their annexes, which set out the mandatory requirements that apply to the borrower and projects.

The ESF is holistic with 10 Environmental and Social Standards that together aim to address all the environmental and social risks and impacts that can occur during a project. Examples include resettling people to build a road or preventing water pollution when improving ports or developing wastewater treatment facilities. Each standard has requirements that member countries must meet, with IDA's support, to ensure proper management of these environmental and social issues. These need to be considered throughout the life of a project, which supports better project outcomes.

The 10 Environmental and Social Standards are as follows:

1. Assessment and management of environmental and social risks and impacts
2. Labor and working conditions
3. Resource efficiency and pollution prevention and management
4. Community health and safety
5. Land acquisition, restrictions on land use and involuntary resettlement
6. Biodiversity conservation and sustainable management of living natural resources
7. Indigenous peoples/Sub-Saharan African historically underserved traditional local communities
8. Cultural heritage
9. Financial intermediaries
10. Stakeholder engagement and information disclosure

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<sup>5</sup> Upstream is an industry term that refers to exploration of oil and natural gas fields, as well as drilling and operating wells to produce oil and natural gas. For more details: <http://www.worldbank.org/en/topic/climatechange/brief/qa-the-world-bank-group-and-upstream-oil-and-gas>.

IDA also undertakes financing to member countries through [Program-for-Results](#) (PforR) and [Development Policy Financing](#) (DPF) which have their own rigorous environmental and social standards, which are consistent with the ESF, designed specifically for these lending operations.

The operational approach to environmental and social risk management in PforR Operations, which support governments' implementation of programs using their own systems, with capacity strengthening as needed, is necessarily different from the project and transaction-based approach used in IPF. The PforR core principles for assessing and mitigating environmental risks are well aligned with the objectives of the ESF and reflect IDA's mission and vision. Adherence to the core principles is monitored as part of IDA implementation support throughout the life of the Operation. As part of this process, IDA carries out environmental and social management systems assessments in PforR Operations to assess the borrower's capacity for managing environmental and social effects of the program. The environmental and social systems assessment serves as a reference point for monitoring environmental and social systems performance during program implementation, and identifies actions, as needed, to enhance the systems during the program preparation and implementation. More about the PforR and related environmental and social considerations can be found in the World Bank (IBRD and IDA) operational [policy](#) for PforR.

DPF supports policies and institutional actions across a wide range of sectors – reforms that can trigger the catalytic changes necessary to boost growth and reduce poverty and inequality. The operational [policy](#) for DPF has built-in, instrument-specific provisions for environmental and social risk management. It requires that IDA determines whether specific policies supported by the Operation are likely to have significant poverty and social consequences, especially on poor people and vulnerable groups, or significant effects on the country's environment, forests, and other natural resources. For country policies with likely significant effects, IDA summarizes in program documentation the relevant analysis of these effects and of the systems the borrower has in place for reducing adverse effects and enhancing positive effects. If there are significant gaps in the analysis or shortcomings in the borrower's systems, IDA describes how such gaps or shortcomings would be addressed before or during program implementation, as appropriate.

IDA's project documentation is made available in accordance with the World Bank's [Access to Information](#) Policy and may be found on the World Bank (IBRD and IDA) projects portal: <http://projects.worldbank.org/>. Information on IDA's oversight and accountability mechanisms are presented in Annex 2.

## MANAGEMENT OF PROCEEDS

The proceeds of all IDA bonds are invested in accordance with IDA's liquidity asset management investment policy. Disbursement requests for eligible operations take place in accordance with IDAs established policies and procedures. Disbursements are often made over a period of several years, depending on when each project/program milestone is reached. The use of the net proceeds is tracked by IDA on a continuous basis and IDA reports on the use of proceeds on an annual basis.

## REPORTING

The IDA Results Measurement System (IDA RMS) tracks results in countries supported by IDA. IDA introduced the RMS in July 2002 as a key reporting and accountability tool for tracking progress and reporting results achieved by IDA. It was the first framework with quantitative indicators to monitor aggregate results established among multilateral development institutions. The IDA RMS is a central part of the World Bank Group's framework for tracking progress at an aggregate level and integral to efforts to improve the focus on results. Results data can be found on IDA's website at <https://ida.worldbank.org/results/rms>.

The World Bank Group monitors IDA's operational performance through the World Bank (IBRD and IDA) Corporate Scorecards and provides regular opportunities to discuss progress on Operations with the World Bank's Executive Directors. The Corporate Scorecards are available online at: <https://scorecard.worldbank.org/>.

Detailed project information for IDA including target results, official project documents, and project financials are available on the World Bank project portal: <http://projects.worldbank.org/>.

## **DISCLAIMER**

*This document has been prepared by the International Development Association for information purposes only. IDA makes no representation, warranty, or assurance of any kind, express or implied, as to the accuracy or completeness of any of the information contained herein.*

*The projects shown herein are for illustrative purposes only and no assurance can be provided that disbursements for projects with these specific characteristics will be made by IDA during the term of the IDA bonds. The net proceeds from the sale of IDA bonds are used to finance sustainable development projects and programs in IDA's member countries without being committed or earmarked for lending to, or financing of, any particular projects or programs. Returns on the IDA bonds are not linked to the performance of any particular project or program.*

*This document is not an offer for sale of securities of IDA. Any offering of IDA bonds will take place solely on the basis of the relevant offering documentation including, but not limited to, the prospectus, term sheet and/or final terms, as applicable, prepared by IDA or on behalf of IDA, and is subject to restrictions under the laws of several countries. IDA bonds may not be offered or sold except in compliance with all such laws.*

## ANNEX 1: IDA Project Cycle<sup>6</sup>

**Project Identification.** IDA works with a borrowing country's government on a Country Partnership Framework that identifies the country's priorities for reducing poverty and improving living standards. Within those priorities, IDA and the government agree on a project concept, which is outlined in a Project Concept Note. The Project Information Document outlines the project's scope.

**Project Preparation.** Once eligible projects have been identified, the borrower leads project preparation, with IDA generally taking an advisory role.

**Project Appraisal.** The government and IDA review the identification and preparation documents and confirm the expected project outcomes, intended beneficiaries and evaluation tools, as well as the project's readiness for implementation. The Project Information Document is updated and released when the project is approved for funding.



All IDA projects must conform with World Bank environmental and social policies. Safeguard Policies set the requirements for addressing environmental and social issues in project design, implementation and provide for consultation with communities and for public disclosure. In August 2016, the World Bank adopted a new and more comprehensive set of environment and social policies and incorporated them in the Environmental and Social Framework (ESF). As of October 1, 2018, the ESF applies to all new projects supported by IDA. With existing projects continuing to apply the Safeguard Policies, the two systems will run in parallel for an estimated seven years.

**Project Approval.** The project team prepares the Project Appraisal Document (for Investment Project Financing) or the Program Document (for Development Policy Financing), along with other financial and legal documents, for submission to IDA's Board of Executive Directors for approval. When approval is obtained and the legal documents are signed, the implementation phase begins.

**Project Implementation.** The borrower implements the project with technical assistance and support from IDA as needed. Twice a year, the government and IDA prepare a review of project progress, the Implementation Status and Results Report.

**Project Completion & Evaluation.** When a project is completed and closed, an IDA operations team prepares an Implementation Completion and Results Report. The final outcomes are compared to expected results. The team also assesses how well the project complied with IDA's operations policies, and accounts for the use of IDA resources. The World Bank's Independent Evaluation Group (IEG) assesses the performance of roughly one project out of four projects a year, measuring outcomes against the original objectives, sustainability of results and institutional development impact. IEG may produce Impact Evaluation Reports to assess the economic worth of projects and the long-term effects on people and the environment.

Operationally, the IDA and IBRD policies and procedures are the same. Additional information on the World Bank's (IBRD and IDA) project cycle can be found at: <http://www.worldbank.org/en/projects-operations/products-and-services/brief/projectcycle>.

<sup>6</sup> IDA and IBRD projects follow the same project cycle.

## ANNEX 2: IDA Oversight & Accountability Mechanisms

Several key groups hold IDA accountable to its clients and shareholders, ensure the highest performance standards in development effectiveness, protect the integrity of the projects financed, and constantly improve the efficacy of its internal operations.

1. The Accountability Mechanism (AM) was established by the World Bank's Board of Directors in 2020. The Accountability Mechanism is independent from Bank Management and reports directly to the Board. The Accountability Mechanism houses both the Inspection Panel (IPN) and the Dispute Resolution Service (DRS) which was also created in 2020. The Accountability Mechanism is headed by a Secretary, who is tasked with overseeing the processing of complaints, which may be addressed through a compliance investigation carried out by the Inspection Panel, or a dispute resolution process facilitated by the Dispute Resolution Service. The Accountability Mechanism provides an avenue for individuals and communities who believe that they have been or are likely to be harmed by a project funded by IBRD or IDA to express their concerns and have them reviewed and addressed. The [Inspection Panel's annual reports](#) are available online.
2. The Independent Evaluation Group (IEG) aims to strengthen the World Bank Group's development effectiveness through evaluations that assess results and performance and provide recommendations for improvements. IEG's evaluations contribute to accountability and learning, helping inform the World Bank Group's directions, policies and procedures, and country partnership frameworks. [IEG reports](#) are available online.
3. The Integrity Vice Presidency (INT) investigates allegations of fraud, corruption, collusion, coercion, and obstruction in World Bank Group-financed projects, including those involving World Bank Group staff and corporate vendors. [INT's annual report](#) is available online.
4. The Grievance Redress Service (GRS) is an avenue for individuals and communities to submit complaints directly to the World Bank if they believe that an IDA-supported project has or is likely to have adverse effects on them, their community, or their environment. The GRS enhances the World Bank's responsiveness and accountability by helping individuals and communities to engage with the World Bank and borrowing countries to address issues that have not been resolved by project-level grievance mechanisms. [The GRS's annual reports](#) are available online.
5. The Group Internal Audit (GIA) provides independent, objective, and insightful risk-based assurance and advice to protect and enhance the value of the World Bank Group. GIA provides senior management and the Board with an independent view and reasonable assurance that processes for managing and controlling risks— as well as their overall governance—are adequately designed and functioning effectively. [GIA's annual and quarterly reports](#) are available online.

The World Bank monitors IDA's operational performance through the World Bank Corporate Scorecard and regular opportunities to discuss progress on operations with IDA's Executive Directors. [The World Bank Corporate Scorecard](#) is available online.

[Boards of Directors' work programs, calendars, and meeting minutes](#) are available online