

IDA – THE INTERNATIONAL DEVELOPMENT ASSOCIATION

UK CASE FOR INVESTMENT



IDA is the largest source of grant and concessional financing for lower-income countries and the world's largest climate adaptation fund. It is the arm of the World Bank specifically designed to meet the priorities of lower income countries, 75 of whom are currently eligible for IDA funding, including 40 in Africa. IDA investments are country-owned, country-driven and multi-sectoral, funding improvements to education, health, water and sanitation systems, investing in agriculture and infrastructure, empowering women and girls, and tackling climate change.

A global partnership between donors and lower-income countries, IDA is funded by a combination of regular contributions from high and middle-income countries, finance raised in capital markets, repayments on loans and the World Bank's own investment. 2024 is an important year for IDA as donors determine their contributions for the period 2025-27. Cost-effective, with a track record of success, IDA represents a good investment for donors, especially at a time of budget constraints.

By announcing a strong contribution to the 21st replenishment of IDA (IDA21) the UK can demonstrate its commitment to partnering with countries from the Global South and responding to their priorities. Maintaining its position as a leading IDA donor will enable the UK to have an outsized impact, and use its voice to support policy reforms that reflect the priorities of IDA countries. An ambitious IDA21 pledge from the UK could be used to leverage strong contributions from other donors and is critical to realising the vision and mission 'to create a world free of poverty on a liveable planet'.¹

IDA's impact: A record of success

IDA funding has helped to scale-up impressive results, for example under IDA19 in Eastern and Southern Africa:

- 90 million people received essential health, nutrition, and population services.
- 55 million women and children received basic nutrition.
- 11 million people gained access to new and improved electricity.

In Western and Central Africa:

- An additional 1.8 million girls were enrolled in secondary education since 2019.
- 131 million people received Covid vaccinations with IDA support.
- The number of people with broadband access more than doubled since 2017.

36 countries have successfully graduated from IDA² since it was created, and several have become IDA donors, including Chile, China, India, South Korea and Turkey.

¹ The World Bank, [Remarks by World Bank President Ajay Banga](#), 2023 Annual Meetings Plenary, October 2023

² The World Bank, [IDA Graduates data](#), updated March 2023

Case study: The Sahel Women’s Empowerment and Demographic Dividend Programme³

Launched in 2015, this programme covers seven West African countries, and empowers women and adolescent girls and enhances their access to quality education and reproductive, child, and maternal health services. Results include:

- **Almost a million girls and young women** have received support to stay in school, enhance their life skills, gain knowledge about sexual and reproductive health, and access economic opportunities and financial inclusion.
- Its awareness campaigns on reproductive, maternal, and child healthcare and violence against women have reached over **four million people**.
- More than **two million people from refugee and host communities** have benefited from new infrastructure and services, including immunisation programmes.

‘My mother and grandmother never went to school because they got married too early. I am fortunate to have received a scholarship to pursue my studies.’ - SWEDD beneficiary Innayatou Souradji’ – Kiota, Mali

IDA represents a smart and geostrategic investment for the UK

The scale of financing needed to end extreme poverty and tackle climate change in lower-income countries is huge, with estimates running into trillions of dollars a year.⁴ This is well beyond the means of any individual donor. Similarly, the UK cannot hope to compete with the scale of China’s contributions⁵ and its rising influence in the Global South by acting alone. Geopolitically, it makes sense for the UK to work together with others and use its influence as a key shareholder to maximise the scale and impact of the multilateral development banks. This makes IDA a strategic investment for the UK. It is also a smart investment, because IDA can borrow against its equity to lend out greater volumes of finance than it receives as donor contributions. This gives a multiplier effect, enabling IDA to provide more than £3 of concessional finance for every £1 that the UK contributes.⁶

Faced with compounding crises that threaten decades of development progress, access to reliable, long-term, affordable finance is an urgent priority for lower-income countries, making the case for IDA greater than ever. These countries have done the least to contribute to climate change but are suffering some of its severest impacts. They have also been hit hardest by the economic fallout from the Covid-19 pandemic and the war in Ukraine. The latest World Bank economic forecast predicts weaker than previously anticipated growth in low-income countries (LICs)

³ World Bank, [IDA In Action Results Highlights](#), December 2023

⁴ CGD, Report of the Independent Expert Group Volume 2, [The Triple Agenda: A Road Map for Better, Bolder, Bigger MDBs](#), September 2023

⁵ Between 2008 and 2021, China made \$498 billion in loan commitments, equivalent to 83% of World Bank sovereign lending during the same period - Ray R. (2023) “Small is Beautiful”: [A New Era in China’s Overseas Development Finance?](#)

⁶ UK Government, [International development in a contested world: ending extreme poverty and tackling climate change A White Paper on International Development](#), November 2023

and states that by the end of the year, people in around 40% of LICs will still be in an economically worse position than they were on the eve of the Covid pandemic in 2019.⁷

Debt distress is increasing the demands on IDA

Non-concessional debt burdens are costly for IDA-eligible countries, and costly for IDA. Rising interest rates have had a disproportionate impact on African and middle-income countries⁸, raising the cost of servicing their debts and making it increasingly unaffordable for them to borrow on capital markets. This is contributing to a growing debt crisis, with 28 IDA-eligible countries at high risk of debt distress and 11 countries already in debt distress.⁹ This is also having a direct impact on IDA financing, which is provided via a combination of grants and low-interest loans known as credits. While IDA credits result in debt service reflows into IDA that can be recycled, grants do not. Heavily indebted countries are only eligible for IDA grants, and the number of countries in that category is rising. Without urgent action to address the debt crisis, grants are likely to account for an increasing proportion of IDA financing in the coming years, which further underscores the importance of donors adequately financing IDA21.

Latest developments under IDA20

While IDA20 secured a record overall financial package of \$93 billion, donor contributions have fallen by 17% since IDA17¹⁰, with the UK making the largest cut. The UK nevertheless remains the third largest donor to IDA after the US and Japan, making it an important player during the current replenishment round. While donor funding for LICs has fallen in recent years,¹¹ IDA has surged its support. In response to the Covid pandemic, the World Bank front-loaded IDA resources by nearly 12%, committing an average of \$35 billion a year from 2020-22, compared with the planned \$31 billion, with a record spend of nearly \$38 billion in 2022. As a result, IDA countries face a financing gap of \$7.8 billion as IDA20 draws to a close. The World Bank is working with IDA countries and donors on measures to plug the gap. These include fundraising for the enhanced Crisis Response Window, with a target of \$3 billion, but so far, donor pledges total only \$1.3 billion.

Calls for an ambitious IDA21 replenishment

Calls for an ambitious IDA21 replenishment round have been growing as part of the wider MDB reform agenda. Launching the IDA21 replenishment round in his speech to the IDA Mid-Term Review meeting in Zanzibar last December, World Bank President Ajay Banga issued an appeal to **'make the next replenishment of IDA the largest of all time'**¹² and suggested that overall donor contributions need to rise by 20-25%.

⁷ World Bank, [Global Economy Set for Weakest Half-Decade Performance in 30 Years](#), January 2024

⁸ ONE, Data Dive: [The collateral damage of rising interest rates](#), updated September 2023

⁹ World Bank [International Debt Report](#), December 2023

¹⁰ World Bank Replenishment Reports, USD amount calculated based on USD/SDR exchange rate from the year the replenishment happened. Constant USD calculated based on individual OECD deflators are used.

¹¹ Development Initiatives, [Aid in 2022: Key facts about Official Development Assistance](#), January 2024

¹² World Bank, [Remarks by Ajay Banga at the International Development Association \(IDA\) Midterm Review](#), December 2023

The report of the Independent High-Level Group on Climate Finance called for a tripling of annual flows from the multilateral development banks as a contribution to the \$1 trillion a year in external finance required by emerging and low-income countries excluding China to deal with the climate crisis.¹³ One of the report's co-authors, Vera Songwe, subsequently called for 'a corresponding tripling of donor contributions to IDA from 2012 by 2030 to enable an overall tripling of IDA resources to \$279 billion by IDA22 (2029-2031).'¹⁴ This call was championed by African Ministers ahead of the June 2023 Paris Summit¹⁵ and repeated by the G20's Independent Expert Group.¹⁶ Support for 'an ambitious IDA21 replenishment' was included in the G20 New Delhi Leaders Declaration¹⁷ and echoed by African Finance Ministers meeting in the margins of last year's IMF-World Bank Meetings in Marrakech, where they 'emphasised the need for an ambitious replenishment for IDA 21, aligning with the objective to triple IDA by 2030.'

In the UK, the White Paper on International Development published last November included a welcome commitment to 'support strong replenishments of the arms of MDBs that help the lowest income countries including the World Bank's IDA.'¹⁸ Building on this, Foreign Secretary David Cameron has said that the UK will 'look to make an ambitious contribution at IDA21 - and hope other G20 nations will do the same.'¹⁹ A portion of the UK's IDA21 replenishment would contribute to global action on the climate crisis, and count towards the UK's International Climate Finance goal.

UK investment in IDA21 is geopolitically essential and will deliver transformative results

UK civil society, including ONE, are therefore urging the UK to:

- 1) Respond to the scale of the challenge and calls from the Global South by championing an ambitious IDA21 replenishment in 2024. The announcement of a significant uplift to the UK's contribution at a strategic point during this year's IDA negotiations could help to leverage additional resources from other donors, including G7 and G20 partners.
- 2) Play a thought leadership role, using its voice as a key shareholder in the World Bank, and a leading contributor to IDA, to make the case for policy reforms that reflect the priorities of IDA countries and streamline IDA's operational and financial architecture to boost efficiency and effectiveness.

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¹³ Songwe, Stern, Bhattacharya et al., [Finance for Climate Action: Scaling up Investment for Climate and Development](#), Report of the Independent High-level Expert Group on Climate Finance, November 2022

¹⁴ Songwe and Aboneaaj, [An Ambitious IDA for a Decade of Crisis](#), Center for Global Development, July 2023

¹⁵ LeMonde, [Africa is part of the solution to global warming - 12 African Finance Ministers](#), 22 June 2023

¹⁶ CGD, Report of the Independent Expert Group Volume 1 [Strengthening Multilateral Development Banks - The Triple Agenda](#), July 2023

¹⁷ [G20 New Delhi Leaders' Declaration](#), September 2023

¹⁸ *ibid* see n.6

¹⁹ Rt Hon Lord David Cameron, Foreign Secretary, [Remarks on the G20 Foreign Ministers' meeting](#), March 2024