



Australia decides 18th is good enough for IDA

By Stephen Howes and Huiyuan Liu
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Last month, the World Bank Group's International Development Association (IDA) [released](#) the details of its latest replenishment, its twentieth, which raised a record USD93 billion. The funding will provide much-needed financing resources in the form of grants and highly concessional loans to the world's poorest and most vulnerable countries, covering the period from July 2022 to June 2025.

IDA usually replenishes its funding every three years. The latest replenishment was brought forward by a year due to the greater funding needs associated with the COVID-19 pandemic.

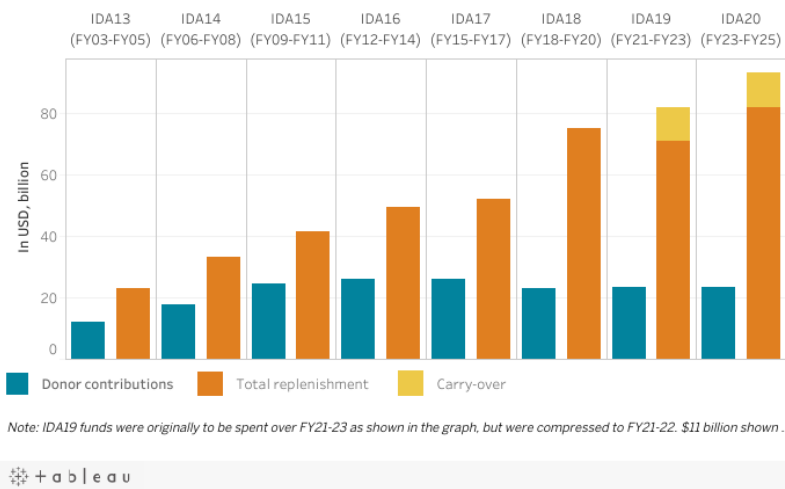
On face value, IDA20 raised more than IDA19: USD93 billion versus USD82 billion. However, USD11 billion of this is left over from IDA19 (cut short because IDA20 was brought forward), so it is more accurate to think of IDA20 and IDA19 as raising about the same. However, bringing forward the replenishment has itself increased IDA funding, since it has brought forward donor contributions by a year.

The World Bank had hoped to raise USD100 billion. However, the UK government, as part of its aid cuts, reduced its contribution to IDA by half, from USD3.9 billion in IDA19 to USD2.0 billion in IDA20, which effectively put the USD100 billion goal out of reach.

While replenishments have consistently increased over time, as Figure 1 shows, donor contributions to IDA have declined or stagnated from IDA15, more than a decade ago. Emerging donors have increased their share of contributions, from 2% in IDA15 to 11% in IDA20, mainly due to a massive increase in support from China over the period.

The growth in total replenishments despite a lack of growth in donor contributions is due to greater contributions from the World Bank Group itself, via IDA reflows (amounts paid back from recipients of earlier IDA loans), International Bank for Reconstruction and Development profits, and, since IDA18, market borrowings. (The IDA replenishment report is surprisingly non-transparent about the value of replenishments other than the donor contributions, and does not provide the value of IDA reflows.)

Figure 1: IDA replenishments from 2002-05 to 2022-25

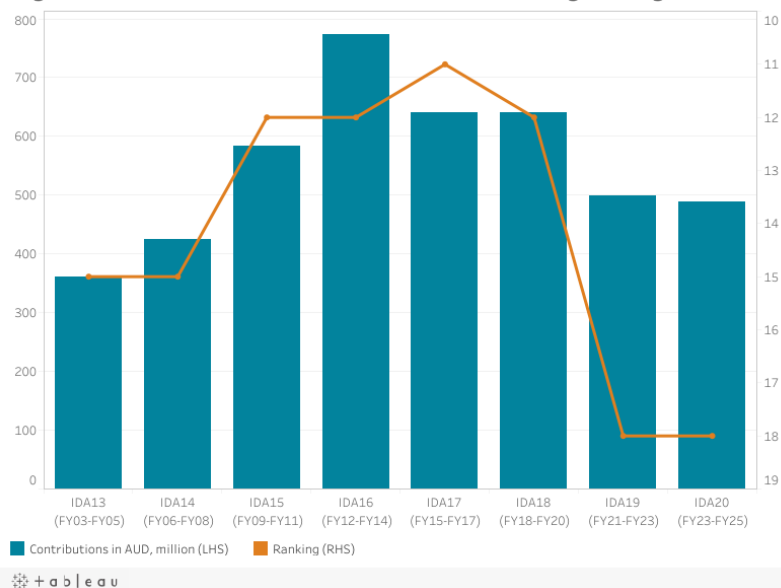


In July 2020, we [noted](#) Australia’s cut in contribution to IDA19 that caused it to fall from 12th to 18th in the IDA donor rankings. There is a small decrease in Australia’s contribution to IDA20: from AUD499 million to AUD488 million. However, the AUD has appreciated against the USD in the last two years, and in USD Australia’s contribution has actually increased from 349 million to 369 million; its share of total donor contributions has also increased from 1.48% to 1.57%. As noted earlier, because the replenishment has been brought forward, Australia’s contribution to IDA, like those of other donors, will effectively increase in coming years. (Pledged contributions are paid in cash over about a decade.)

Overall, we’d say that Australia’s contribution is unchanged between the two IDA rounds, a verdict supported by the fact that its ‘burden share’ - contribution to planned total replenishment - is unchanged at 1.08%: this is unlikely to be a coincidence.

Being the 18th most important donor is significantly below where we have been placed over the last two decades; it also sits poorly with Australia’s status as the world’s 9th largest OECD economy.

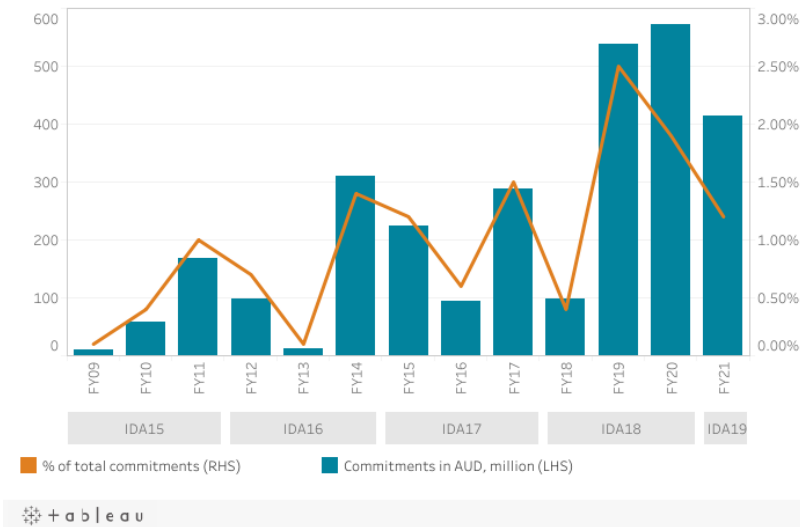
Figure 2: Australia's IDA contribution and ranking among donors



Over the years, Australia has successfully advocated for more resources to be allocated to the Pacific. Nine Pacific countries as well as Timor-Leste [qualify](#) for IDA financing as small economies, despite exceeding IDA's income threshold (GNI per capita at USD1,205): the latest Pacific country to become eligible was the upper middle income country of Fiji (added in FY2020). The IDA18 round increased the minimum a country is entitled to be allocated, from around USD5 million to USD21.4 million a year. The most favourable [lending terms](#) are also made available to small economies.

As Figure 3 shows, overall commitments from IDA to the Pacific have significantly increased over time. The Pacific's share of total IDA commitments has tripled from an average of 0.51% in IDA15 (FY09 to FY11) to 1.58% in IDA18 (FY18 to FY20).

Figure 3: IDA commitments to Pacific countries and Timor-Leste



DFAT’s World Bank page [says](#) that “[IDA] is closely aligned with Australia’s aid program priorities” and “IDA20 will deliver strong allocations for the Indo-Pacific.” Not close or strong enough for Australia to make a contribution commensurate with our size.

For coverage of earlier IDA replenishment cycles, read our [previous blogs](#) on the subject and see the [Australian Aid Tracker](#).

Note: IDA20 removed allocations for arrears clearances, so donor contributions (e.g. as shown in Figure 2) are made up of only two components: basic contribution and Heavily Indebted Poor Countries (HIPC) costs. Out of Australia’s AUD488 million, AUD480 million went to basic contribution and AUD8 million went to support the debt relief operations for the HIPC.

Disclosure

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