International Development Association

Management's Discussion & Analysis
and
Financial Statements
June 30, 2019

Contents

Box 1: Selected Financial Data

This Management's Discussion & Analysis (MD&A) discusses the results of the International Development Association's (IDA) financial performance for the fiscal year ended June 30, 2019 (FY19). For information relating to IDA's development operations' results and corporate performance, refer to the World Bank Corporate Scorecard and Sustainability Review.

In millions of U.S. dollars, except ratio in percentage

	As of and for the fiscal years ended June 30,				
	2019	2018	2017	2016	2015
Lending Highlights (Sections IV & V)					
Loans, Grants and Guarantees					
Commitments [a]	$ 21,932	$ 24,010	$ 19,513	$ 16,171	$ 18,966
Gross disbursements	17,549	14,383	12,718	13,191	12,905
Net disbursements	12,221	9,290	8,154	8,806	8,820
Balance Sheet (Section IV)					
Total assets [b]	$ 188,553	$ 184,666	$ 173,357	$ 167,985	$ 163,234
Net investment portfolio	32,443	33,735	29,673	29,908	28,418
Net loans outstanding	151,921	145,656	138,351	132,825	126,760
Borrowing portfolio [c]	10,149	7,318	3,660	2,906	2,150
Total equity	162,982	163,945	158,476	154,700	147,149
Income Statement (Section IV)					
Interest revenue, net of borrowing expenses	$ 1,702	$ 1,647	$ 1,521	$ 1,453	$ 1,435
Transfers from affiliated organizations and others	258	203	599	990	993
Development Grants	(7,694)	(4,969)	(2,577)	(1,232)	(2,319)
Net (Loss) Income	(6,650)	(5,231)	(2,296)	371	(731)
Adjusted Net Income [d] (Section IV)	225	(391)	(158)	423	(94)
Capital Adequacy (Section IX)					
Deployable Strategic Capital Ratio	35.3%	37.4%	37.2%	NA	NA

a. Excludes commitments relating to IFC-MIGA Private Sector Window (PSW) activities.

b. Effective June 30, 2019, derivatives are presented net by counterparty, after cash collateral received, on the Balance Sheet. The presentation of the prior periods has been updated for comparability (For further details, see Note A: Summary of Significant Accounting and Related Policies in the Notes to the Financial Statements for the fiscal year ended June 30, 2019).

c. Includes related derivative balances.

d. Effective June 30, 2019, IDA introduced a new income measure to reflect the economic results of its operations. See ***Table 10*** *in Section IV: Financial Results. Prior period numbers have been calculated and presented for comparability.*

Section I: Executive Summary

With its many years of experience and its depth of knowledge in the international development arena, IDA plays a key role in achieving the World Bank Group's (WBG[1]) goal of helping countries achieve better development outcomes.

Owned by its 173 members, IDA, an entity rated triple-A by the major rating agencies and one of the five institutions of the WBG, has been providing financing and knowledge services to many of the world's developing countries for more than 58 years. IDA was created to supplement the activities and objectives of the International Bank for Reconstruction and Development, by providing development financing to lower income countries on more flexible terms.

IDA contributes to both the WBG's twin goals of ending extreme poverty and promoting shared prosperity by providing loans, grants, and guarantees to countries to help meet their development needs and by leveraging its experience and expertise to provide technical assistance and policy advice. It also supports countries with disaster risk financing and insurance against natural disasters and health-related crises, and facilitates financing through trust fund partnerships.

IDA and its affiliated organizations seek to help countries achieve improvements in growth, job creation, poverty reduction, governance, the environment, climate adaptation and resilience, human capital, infrastructure and debt transparency. To meet its development goals, the WBG is increasing its focus on country programs in order to improve growth and development outcomes. We are expanding support for countries at lower levels of income and fragile and conflict-affected states. The aim is to effectively address issues central to the WBG mission, while taking into account the global slowdown in growth and the surge in debt that is not bringing true benefits.

The fiscal year ended June 30, 2019 was the second year of the Eighteenth Replenishment of IDA's resources (IDA18). IDA18 represents an innovative policy and financing package for FY18 through FY20. The IDA18 financing framework represents a shift in IDA's approach to mobilizing finance since it combines contributions from members with market debt, helping IDA provide $75 billion[2] in financing for its clients. Commitments from IDA were $21.9 billion during FY19. Cumulative commitments in FY18 and FY19, the first two years of IDA18, reached $45.9 billion, a 31% increase compared to the same period in IDA17 ($35.1 billion).

[1] *The other WBG institutions are the International Bank for Reconstruction and Development (IBRD), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), and the International Centre for Settlement of Investment Disputes (ICSID).*

[2] *U.S. dollar amounts are based on an IDA18 reference rate of USD/SDR 1.40207. The U.S. dollar amounts are provided for illustrative purposes only, as IDA's balance sheet is predominantly managed in Special Drawing Rights (SDR).*

Financial Results and Portfolio Performance

Equity and Capital Adequacy

As of June 30, 2019, IDA's reported equity was $162.9 billion, a decrease of $1 billion from June 30, 2018 (FY18) ($163.9 billion). The decrease was primarily due to the $6.7 billion reported net loss and $1.7 billion of negative translation adjustments during the year, partially offset by $7.4 billion of cash received from members for subscriptions and contributions. See Section IV: Financial Results. The net loss was primarily driven by the impact of development grants provided to IDA's eligible members.

IDA's main measure for capital adequacy, the deployable strategic capital (DSC) ratio was 35.3% as of June 30, 2019, above the zero percent minimum. IDA's capital continues to be adequate to support its operations. See Section IX: Risk Management.

$162.9 billion
Total Equity

35.3%
DSC

Lending Operations

IDA had $21.9 billion of commitments in FY19, of which $14.1 billion were loan and guarantee commitments. The remaining were grant commitments, which are recorded as an expense in IDA's Statement of Income, net of grant cancellations.

IDA's net loans outstanding increased by $6.3 billion, to $151.9 billion as of June 30, 2019, from $145.7 billion as of June 30, 2018. The key driver of the increase was the $8.2 billion of net loan disbursements during the year, See Section V: Development Activities, Products and Programs.

$151.9 billion
Net Loans Outstanding

$7.8 billion
Grant Commitments

Net Investment Portfolio

IDA's investments remain concentrated in the upper end of the credit spectrum, with 60% rated AA or above (See **Table 26**), reflecting IDA's objective of principal protection and resulting preference for high quality investments. As of June 30, 2019, the net investment portfolio was $32.4 billion, a decrease of $1.3 billion compared to June 30, 2018 ($33.7 billion) primarily driven by net loan disbursements being higher than the cash contributions and debt issuances made during the fiscal year. See Section VII: Investment Activities.

$32.4 billion
Net Investment Portfolio

Borrowing Portfolio

Market borrowings: During FY19, IDA for the first time issued short-term debt instruments. As of June 30, 2019, the total amount outstanding for these instruments was $1.9 billion. The medium and long-term debt together with associated derivative instruments amounted to $1.4 billion as of June 30, 2019.

Concessional Partner Loans: As of June 30, 2019, total borrowings from members - Concessional Partner Loans, (CPLs) - were $6.8 billion, an increase of $1 billion compared to June 30, 2018 ($5.8 billion).

$3.3 billion
Market Borrowings

$6.8 billion
Concessional Partner Loans

Net Income and Adjusted Net Income

For the fiscal year ended June 30, 2019, IDA reported a net loss of $6.7 billion, primarily driven by the impact of $7.7 billion of development grants provided to IDA's eligible members, which are financed by contributions from members. These contributions carry voting rights and are therefore recorded as equity, and not reflected in the Statement of Income.

Effective June 30, 2019, IDA has introduced a new income measure, Adjusted Net Income (ANI), which is used by IDA's Executive Directors (referred to as the Board in this document) and its management, to monitor the economic results of IDA's operations. ANI is defined as net income on a reported basis adjusted to exclude certain items such as activities directly funded by contributions from members and unrealized mark-to-market gains/losses on non-trading portfolios. (See Section IV: Financial Results for details).

For the fiscal year ended June 30, 2019, IDA's Adjusted Net Income was $225 million, an increase of $616 million compared to the $391 million loss for the fiscal year ended June 30, 2018. The increase was primarily due to the unrealized mark-to-market gains/losses on the investment-trading portfolio between FY19 ($310 million of gains) and FY18 ($168 million of losses).

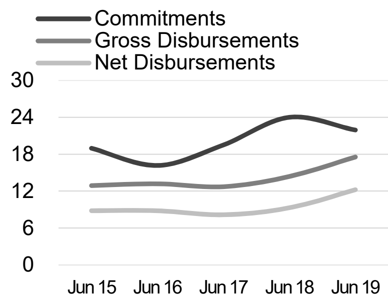
$6.7 billion
Net Loss

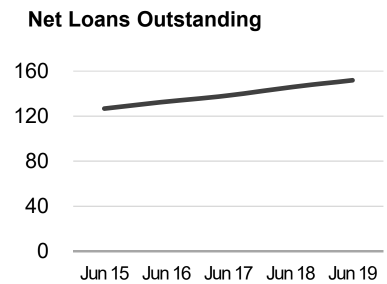
$0.2 billion
Adjusted Net Income

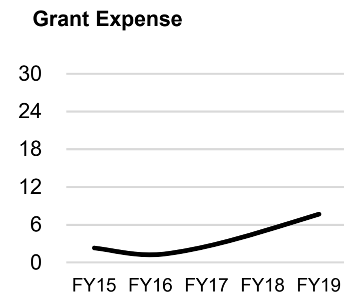
Key Performance Indicators

In billions of U.S. dollars (except for ratio)

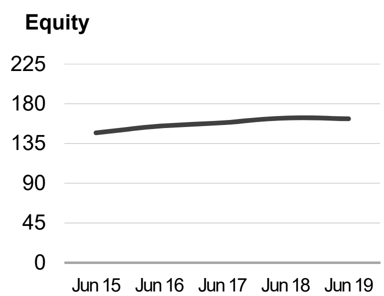
Lending – During FY19, IDA committed $21.9 billion in loans, grants and guarantees to help its eligible member countries to finance their development. The majority of IDA's loans typically disburse over a period of 5 to 10 years and have repayment periods of up to 40 years. Therefore, each replenishment generally results in a steady increase in IDA's net loans outstanding. Since IDA's loans are primarily in SDR, their reported balance is affected by the appreciation /depreciation of the SDR against the U.S. dollar. Consistent with the increase in the size of the IDA18 replenishment and increased allocations, IDA's grant expense has increased.

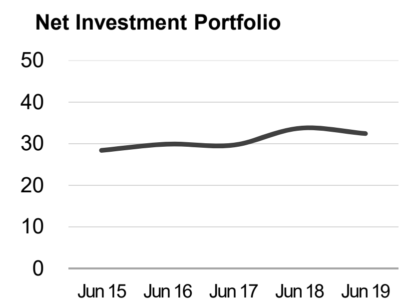


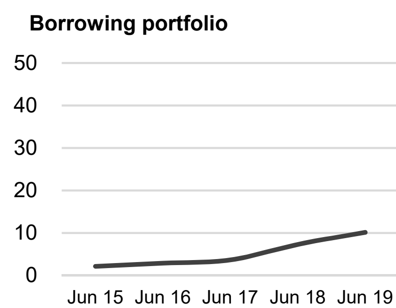




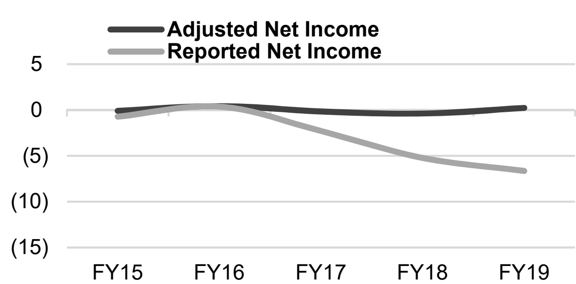
Equity, Liquidity and Borrowings – Each successive replenishment has increased the amount of equity available to finance IDA's operations. Since IDA's resources are managed primarily in SDR, the reported balance of IDA's equity is affected by the appreciation /depreciation of the SDR against the U.S. dollar. IDA has maintained high levels of liquidity in its investment portfolio to ensure that it can meet its liquidity needs, even under potential scenarios of severe market disruptions. From FY18, the borrowings balance reflects borrowings from members and capital market debt.

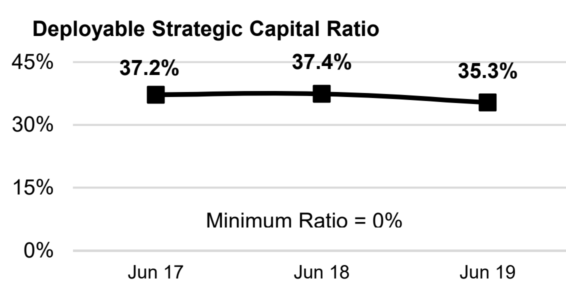






Financial Results and Capital Adequacy – IDA's reported net losses are primarily driven by its grant activity, as previously discussed. Given the long duration of IDA's investment portfolio, which is carried at fair value, results are also affected by unrealized mark-to-market gains and losses due to movements in the relevant yield curves. IDA's Adjusted Net Income has been relatively stable when compared with the volatility of IDA's reported net income. See **Table 10**. The DSC measures the amount of capital available to support future commitments over and above the current loan portfolio.





Section II: Overview

Introduction

Every three years, representatives of IDA's members[3] meet to assess IDA's financial capacity and the medium-term demand for new IDA financing. Members decide the policy framework, agree upon the amount of financing to be made available for the replenishment period, and commit to additional contributions of equity that are required to meet these goals. The meetings culminate in a replenishment agreement that determines the size, sources (both internal and external), and uses of funds for the following three years.

Presentation

This document provides Management's Discussion and Analysis (MD&A) of the financial condition and results of operations for IDA for the fiscal year ended June 30, 2019. A Glossary of Terms is provided at the end of this document.

IDA undertakes no obligation to update any forward-looking statements. Certain reclassifications of prior years' information have been made to conform with the current year's presentation. For further details see Note A: Summary of Significant Accounting and Related Policies in the Notes to the Financial Statements for the year ended June 30, 2019.

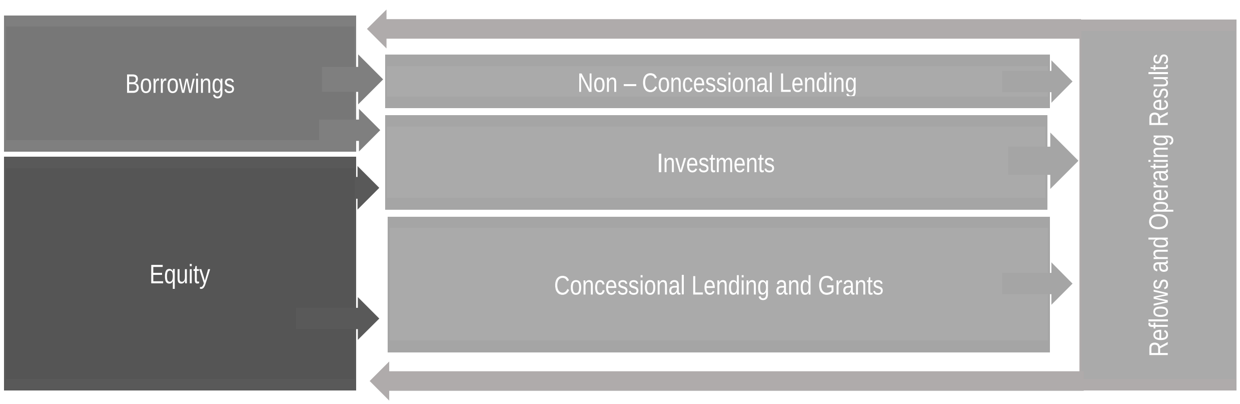
Financial Business Model

IDA has financed its operations over the years with its own equity, including regular additions to equity provided by member countries as part of the replenishment process. As a result of the strong support of member countries, IDA has built up a substantial equity base, amounting to $163 billion as of June 30, 2019. IDA first introduced debt into its business model in IDA17, starting from FY15, through concessional partner loans (CPLs) received from some of its members. CPLs are also part of the IDA18 framework. In order to make the most efficient use of the strong equity base that has been built up over the decades, IDA has moved to a hybrid financing model by including market debt in its business model starting from FY18. By prudently leveraging its equity and blending market debt with additional equity contributions from members, IDA has increased its financial efficiency, and scaled up its financing to support the escalating demand for its resources to deliver on the following priorities:

- retain IDA's mandate to provide concessional financing on terms that respond to clients' needs; and
- ensure long-term financial sustainability of IDA's financial model through a prudent risk management framework.

Concessional lending, including grants, is primarily financed by IDA's equity. Non-concessional lending will primarily be financed by market debt. To the extent that market debt will be used to finance concessional lending, it will be blended with member contributions, which will provide an interest subsidy. See **Figure 1.**

Figure 1: IDA's Financial Business Model



[3] *IDA's members are owners and hold voting rights in IDA. Members do not, however, hold shares in IDA and are therefore not referred to as shareholders. Payments for subscriptions and contributions from members increase IDA's paid-in equity and are financially equivalent to paid-in capital in multilateral development organizations with capital structures.*

Governance and Risk Management

IDA's risk management governance structure is designed to manage the principal risks IDA assumes in its activities, and supports Management in its oversight function, particularly in coordinating different aspects of risk management.

The following table shows a summary of IDA's risk management framework which has been enhanced starting from FY18 given the new hybrid financing model under IDA18 (Discussed in Section IX).

Governance	
Structure	• IDA's governance structure is led by IDA's Board of Governors, Executive Directors and IDA Deputies. • The Finance and Risk Committee (FRC), a vice president-level committee chaired by the World Bank Group Managing Director and Chief Financial Officer provides a governance structure for decisions that have financial or operational risk implications. • The Enterprise Risk Committee (ERC), a vice president-level committee chaired by the World Bank Group Managing Director and Chief Administrative Officer provides a governance role over risk matters relating to corporate security, business continuity and IT security.
Capital Adequacy	
Sufficiency of Equity to withstand unexpected shocks	• Capital adequacy is ensured using a solvency-based capital adequacy framework; the Deployable Strategic Capital (DSC) framework. The DSC includes a buffer of ten percent of equity and loan loss reserve. This buffer is held in addition to the capital required to protect against potential losses from existing exposures under currently prevailing conditions. IDA's financing activities are managed so that the DSC is maintained above the minimum ratio of zero.
Credit Risk	
Loan Portfolio Credit Quality Concentration Risks	• IDA's Credit Risk Management Framework includes regular comprehensive country risk assessments. IDA's lending volumes are based on the Performance Based Allocation (PBA) mechanism and the allocation framework agreed at each replenishment, taking into account capital adequacy requirements and the single borrower limit (SBL), which is established in line with Basel-based principles. Capital adequacy is determined based on country credit-risk ratings derived using IDA's comprehensive internal ratings assessment methodology.
Counterparty Credit Risk	• Counterparty risk is mitigated through approval and monitoring procedures, including assigning credit limits.
Market Risk	
Interest Rates	• Asset Liability Management (ALM) policies ensure the alignment of interest rates between assets (loans and investments) and related funding. Funding risk related to the mismatch between the maturity profile of debt and the related assets funded by debt is monitored through duration management and adjustments to capital requirements.
Exchange Rates	• Currency risk management policies ensure broad alignment between lending commitments to eligible members and all sources of new and existing funding.
Liquidity Risk	
Prudential Minimum	• The prudential minimum is set at 80% of 24 months of projected net outflows and is held in the investment portfolio. The investment portfolio has been transitioned from a core liquidity approach toward a three sub-portfolio structure: Operational, Stable and Discretionary.

Basis of Reporting

IDA prepares its financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP), referred to in this document as the "reported basis". IDA's functional currencies are the SDR and its component currencies of U.S. dollar, Euro, Japanese Yen, Pound Sterling and Chinese Renminbi. For the convenience of its members and other users, IDA's financial statements are reported in U.S. dollars. Management uses the reported net income as the basis for deriving adjusted net income, as discussed in Section IV: Financial Results.

Effective June 30, 2019, the presentation of derivative instruments on IDA's Balance Sheet was aligned with the preferred accounting treatment, which is also the prevailing market practice of netting derivative asset and liability positions. This practice nets derivative asset and liability positions, and the related cash collateral received, by counterparty under specific conditions when a legally enforceable master netting agreement exists between IDA and its counterparties. This is a change from the previous presentation, where interest rate swaps were presented on the Balance Sheet on a net basis by instrument, and currency swaps were presented on a gross basis, reflecting the way that swaps were settled.

The new net presentation more closely reflects IDA's net counterparty credit risk. The change has been made for the current period, and the presentation of prior period information has been aligned for comparability. The change does not affect total equity, the Statement of Cash Flows or any line item within the Statements of Income, Comprehensive Income and Retained Earnings. For more details, see Note A – Summary of Significant Accounting and Related Polices in the Notes to the Financial Statements for the year ended June 30, 2019.

Fair Value Results

IDA reflects all financial instruments at fair value in Section X: Fair Value Analysis of the MD&A. The fair value of these instruments is affected by changes in market variables such as interest rates, exchange rates, and credit risk. Management uses fair value to assess the performance of the investment-trading portfolio, and to manage various market risks, including interest rate risk and commercial counterparty credit risk.

Section III: IDA's Financial Resources

IDA's triennial replenishments have grown from $690 million for the initial replenishment to $75 billion in IDA18. Since its inception, IDA has provided $391 billion of loans and grants. For FY19, IDA's commitments reached $21.9 billion spread over 254 new operations.

IDA18 Funding

IDA's Commitment Authority, the resource envelope available for financing lending and grant commitments made during the three-year replenishment period, is based on the long-term outlook of IDA's financial sustainability. This takes into account the amount of member contributions and the concessionality of the proposed financing to borrowers, market conditions, and capital adequacy requirements. For the three-year funding cycle of IDA18, the agreed resource envelope totals $75 billion, supported by $27 billion of member contributions.

Allocation of IDA18 Resources

Eligibility for IDA's resources is determined primarily by a member's relative poverty. Relative poverty is defined as Gross National Income (GNI) per capita below an established threshold and is updated annually. For FY20, the threshold is $1,175 (FY19: $1,145).

As of July 1, 2019, 76 countries are eligible to borrow from IDA on concessional terms. These are as follows:

"IDA Only" countries	**"Non-Gap" Countries**	**34** countries that (a) have not exceeded the IDA operational cut-off GNI per capita for more than two consecutive years; and (b) are not creditworthy for IBRD financing. **1** country with loans in nonaccrual status, where the GNI per capita currently exceeds the IDA operational cutoff, is classified as "IDA-only" based on its classification at the time it became a nonaccrual country.
	"Gap" Countries	**10** countries that are eligible only for IDA resources, which are (a) determined by IDA to be eligible for IDA financing; (b) determined by IDA to have a GNI per capita that has exceeded the cut-off for IDA eligibility for more than two consecutive years; and (c) not currently determined by IBRD to be creditworthy for IBRD financing.
	"Small Island Economies"	**11** Small Island Economies that are eligible only for IDA resources through the Small Island Economies Exception: the special treatment that IDA accords Small Island Economies which have per capita incomes above the IDA operational cut-off but have no or very limited creditworthiness which limits or precludes their access to IBRD borrowing.
	"Small State Economies"	**3** Small State Economies that are eligible only for IDA resources through the Small State Economies Exception: the special treatment that IDA accords Small State Economies which have per capita incomes above the IDA operational cut-off but have no or very limited creditworthiness which limits or precludes their access to IBRD borrowing.
"Blend" countries		**16** countries (including 6 Small Island Economies) which are determined: (a) by IDA to be eligible for IDA financing; and (b) by IBRD to be creditworthy for IBRD financing. **1** country with loans in nonaccrual status, which was classified as "Blend" at the time it became a nonaccrual country.

Allocation - Performance Based Allocation (PBA) System

IDA's resources are allocated to eligible members, using its Performance Based Allocation (PBA) system and the allocation framework agreed during each replenishment. These allocations depend on several factors: the overall availability of IDA's resources, individual country's needs, their policy performance and institutional capacity, and each country's performance relative to others. The PBA system is designed to provide resources where they are likely to be most helpful in reducing poverty.

Under the PBA, the main factor that determines the allocation of IDA's core concessional resources among eligible countries is the performance in the Country Policy and Institutional Assessment (CPIA). The CPIA reflects the results of an exercise that rates eligible countries against a set of criteria including: economic management; structural policies; policies for social inclusion and equity; and public-sector management and institutions. The CPIA and portfolio performance together constitute the IDA Country Performance Rating (CPR). In addition to the CPR, population and per capita income factor into a country's final allocation, which can also reflect remedies under the Non-Concessional Borrowing Policy (NCBP) options, if applicable.

Following a review of IDA's resource allocation framework under IDA18, the base allocation per country was increased to SDR 45 million (SDR 12 million in IDA17) per replenishment or SDR 15 million annually.

In recognition of the change in IDA's business model, and to ensure that its lending decisions are compatible with the capital adequacy requirements of a triple-A rating, the allocation framework for IDA18 is aligned with the SBL and capital adequacy requirements under the DSC Framework, see Section IX: Risk Management.

Concessional Financing

Concessional financing is provided in the form of loans, grants and guarantees. Eligibility and percentage of allocation for grants for IDA-only countries is based on an assessment of the country's risk of debt distress, where the higher the risk assessment, the greater the proportion of grant financing. Gap and Blend countries are only eligible for grant financing via the Refugee sub-window, if applicable.

Core Financing, represents $53.1 billion of the IDA18 resource envelope, which is allocated based on the PBA. The amount available for each country is a function of the country's CPR rating and per capita income.

Non-Core Financing allows IDA to respond to specific needs of its members. In IDA18, $10.8 billion of the IDA18 resource envelope will be used to fund the following windows.

Regional Program Window $7.4 billion	To support the regional approaches to development including for infrastructure; includes a new Refugee sub-window to help IDA countries that host refugees with $2.2 billion of allocation.
Crisis Response Window (CRW) $2.3 billion	To support IDA members' response to severe natural disasters, economic crises, and public health emergencies.
Arrears Clearance Set-Aside (Arrears Clearance Framework) $1.1 billion	To support applicable members to re-engage with IDA.

For FY19, $20.5 billion of concessional resources have been committed.

Regional Program Window

The Regional Program Window was developed as a funding mechanism to provide additional resources to finance projects that help low-income countries achieve their regional integration objectives. IDA fosters regional integration by playing three overlapping roles: (a) supporting an enabling environment through advisory and analytical work; (b) financing projects through policy and investment loans; and (c) convening state and nonstate actors for coordination and collective actions.

In the past, on an exceptional basis, IDA had financed through concessional loans and grants the following regional projects, where participation of a country with overdue payments was crucial to the success of the regional project.

- In April 2017, the Kenya Displacement project ($103 million) through Intergovernmental Authority on Development (IGAD) that included financing for Somalia.
- In December 2014, Kariba Dam Rehabilitation Project ($75 million) that included benefits for Zimbabwe.
- In September 2003, West Africa HIV/AIDS project for the Abidjan-Lagos Transport Corridor ($17 million) that included benefits for Togo, a country with overdue payments at that time.

In the above cases, financing was not made directly to the country with overdue payments. Implementation arrangements were such that a regional bank or another participating country took on the obligation of the regional project on behalf of the country with overdue payments to IDA.

Crisis Response Window

The primary objective of the CRW is to provide IDA countries with additional resources that will help them to respond to major natural disasters, or public health emergencies and severe economic crises, so that they could return to their long-term development paths. An allocation is made to the CRW under each replenishment. The CRW has been allocated $2.3 billion under IDA18, with $150 million utilized in FY19.

During FY19, in response to the significant human loss and destabilization caused by Cyclone Idai in Malawi, Mozambique and Zimbabwe. As part of a multi-country regional response package, in July 2019, IDA's Board approved an exceptional grant of $72 million to support the people of Zimbabwe, a country that is overdue on its payments to IDA and IBRD. The grant amount will be provided through third-party UN agencies towards a harmonized multi-sector livelihood support and recovery operation focused on social welfare and community interventions. In a similar situation in 2017, IDA provided a $50 million grant to UN agencies to support a multi-country response for drought and famine in Somalia, another country with overdue payments to IDA.

Arrears Clearance Framework

IDA has a policy of not providing financing to borrowers who are overdue on their payments to IDA. However, it may engage in these countries under limited and clearly defined circumstances. IDA's arrears clearance framework sets out these circumstances, including (i) pre-arrears clearance grants; and (ii) the arrears clearance set-aside Highly Indebted Poor Countries Debt Initiative (HIPC) decision point, that can only be financed under the arrears clearance operations.

(i) Pre-Arrears Clearance Grants (PAC)

IDA's PAC framework allows IDA to engage early with countries that are in the process of emerging from conflict with large and protracted arrears. This was first introduced in IDA12 to be used to finance high priority activities related to the preparation of a program of social and economic recovery and to build resilience until the arrears are fully cleared.

Conditions constituting this framework include indications that:

- early performance is promising as evidenced by the recipient country having taken convincing steps towards social and economic recovery;
- arrears to IDA are large and protracted, and cannot be easily or quickly cleared using domestic resources;
- a concerted international effort to provide positive financial flows and other assistance is underway, and other creditors have agreed not to make net withdrawals of financial resources from the country;
- alternative sources of financing for post-conflict recovery are inadequate or available only on inappropriate terms; and
- Pari passu sharing arrangements are in place between preferred creditors, for any payments made by the country in advance of arrears clearance.

The PAC program has met its objectives with each of the prior PAC recipients successfully clearing all their arrears to IDA and subsequently remaining current on their obligations. Prior PAC recipients are Democratic Republic of the Congo, Cote d'Ivoire, Afghanistan, Liberia and Myanmar, for an amount totaling $447 million between 2001 and 2012. In FY19, IDA's Board approved $140 million of PAC grants for Somalia to support national priorities related to resilience and recovery and the country's reform momentum towards HIPC Decision Point.

(ii) Arrears Clearance Set-Aside

The arrears clearance set-aside (ACSA) forms part of IDA's overall financing commitments. It is financed by additional member contributions under the replenishments. In IDA15, the arrears clearance was further spelled out. IDA members agreed to ring-fence arrears clearance support to IDA countries that were in arrears as of December 31, 2006 and meet a very narrow and well-defined set of criteria– see below, including eligibility for support under the HIPC initiative. Amounts were set aside within the IDA replenishment so that when circumstances allow, IDA would be able to help countries clear arrears and fully re-engage with the World Bank. However, no amount had been utilized as of June 30, 2019.

To be considered for any arrears clearance support, the country would need to meet the following criteria: (i) eligibility for HIPC debt relief; (ii) agreement to implement a medium-term growth-oriented reform program; (iii) sustainable macro and sustainable debt service through undertaking an International Monetary Fund (IMF) program if needed; and (iv) agreement to a financing plan for full clearance of arrears, including normalization with other Multilateral Development Banks (MDBs). In addition, to receive support for arrears clearance, project proposals should meet re-engagement criteria based on facts and circumstances of each case.

Non-Concessional Financing

Non-Concessional financing comprises loans and guarantees whose terms are aligned with those of IBRD's flexible loans and guarantees. Under IDA18, $8.7 billion of resources have been allocated to non-concessional financing, of which $6.7 billion relates to the Scale-up Facility and $2 billion relates to transitional support for graduating countries.

Scale-up Facility: The Scale-up Facility is a window of resources established to enhance support for high-quality, transformational projects with strong development impact. Allocation of Scale-up Facility resources to the regions will broadly conform to the allocations under the PBA, excluding countries at a high risk of debt distress. Allocations are balanced between IDA-only and blend countries, and to avoid countries from having a concentration of Scale-up Facility resources. Implementation arrangements will prioritize a country's ability to absorb resources and the proposed projects' alignment with IDA18 policy priorities and WBG goals.

Transitional Support for Graduating Countries: A member country that was once eligible for IDA financing may no longer be eligible and be deemed to have "graduated" from IDA to IBRD as a result of an improvement in growth, poverty reduction and creditworthiness. While graduation from IDA represents an important milestone of progress in a country's development, in some cases it could adversely impact a country's capacity to maintain development momentum, if it leads to a significant decline in available financing for that country. During the IDA18 replenishment discussions, it was agreed that IDA would provide transitional support to these members in order to ensure a smooth transition from IDA to IBRD. Accordingly, it was agreed that transitional support would be given at non-concessional terms to new graduates. Bolivia, Sri Lanka and Vietnam graduated from IDA on June 30, 2017, and may receive up to $2 billion in exceptional transitional support for the IDA18 period only.

$3.1 billion of Scale-up Facility resources and $0.8 billion of transitional support have been committed under IDA18.

Private Sector Window (PSW)

In IDA18, a $2.5 billion IFC-MIGA Private Sector Window was created with the goal of mobilizing private sector investment in IDA-only and IDA-eligible Fragile and Conflict-affected States. The PSW is deployed through four facilities. These facilities have been designed to target critical challenges faced by the private sector in these difficult markets and will leverage IFC and MIGA's business platforms and instruments. The facilities are as follows:

- **Risk Mitigation Facility:** Involves both MIGA and IFC and is designed to provide project-based guarantees to encourage/mobilize private sector investment in infrastructure projects and public-private partnerships.
- **Local Currency Facility:** Administered by IFC, this facility is designed to provide local currency denominated loans, investments or hedges to private sector clients who operate in markets where there are limited currency hedging capabilities. In the absence of currency hedging instruments and creditworthy counterparties, IDA would enter into swaps or an indemnity agreement with the IFC.
- **Blended Finance Facility**: Administered by IFC, this facility blends PSW financing support with IFC investments to support small and medium enterprises (SMEs), agribusiness and other pioneering investments.
- **MIGA Guarantee Facility:** Administered by MIGA, this facility is designed to expand the coverage of MIGA Political Risk Insurance (PRI) products through shared first-loss or risk participation similar to reinsurance.

During FY19, PSW commitments were approved for $393 million, bringing the cumulative approved PSW commitments to $578 million as of June 30, 2019. Of these, $132 million of the window has been utilized as of June 30, 2019. See Table G4 in Note G – Transactions with Affiliated Organizations in the Notes to the Financial Statements for the year ended June 30, 2019. The utilized amount is comprised of:

- $106 million for guarantees
- $25 million for derivatives
- $1 million in exposure through the funding of IFC's PSW-related equity investments.

Section IV: Financial Results

Summary of Financial Results

IDA had a net loss of $6,650 million in FY19 compared with a net loss of $5,231 million in FY18. The net loss in FY19 was largely driven by $7,694 million of grant activity, primarily in the Africa region, for which IDA is compensated by member contributions that are recorded in equity.

Table

1: Condensed Statement of Income

In millions of U.S. dollars

For the fiscal year ended June 30,	2019	2018	Variance
Interest Revenue			
Loans	$ 1,462	$ 1,376	$ 86
Investments, net	466	420	46
Other, net	(8)	-	(8)
Borrowings, net	(218)	(149)	(69)
Interest Revenue, net of borrowing expenses	**1,702**	**1,647**	**55**
Provision for losses on loans and other exposures, (charge)	(316)	(548)	232
Other revenue / (expenses), net (Table 8)	37	(23)	60
Net non-interest expenses (Table 7)	(1,479)	(1,464)	(15)
Transfers from affiliated organizations and others	258	203	55
Non-functional currency translation adjustment gains, net	105	89	16
Unrealized mark-to-market gains (losses) on investments-trading portfolio, net [a]	351	(128)	479
Unrealized mark-to-market gains (losses) on non-trading portfolios, net	386	(38)	424
Development grants	(7,694)	(4,969)	(2,725)
Net Loss	**$ (6,650)**	**$ (5,231)**	**$ (1,419)**

a. Includes IDA's share of income from post-employment benefit plan (PEBP) and post-retirement contribution reserve (PCRF) assets – $41 million (FY18 - $40 million)

Table 2: Condensed Balance Sheet

In millions of U.S. dollars

As of June 30,	2019	2018	Variance
Assets			
Due from Banks	$ 138	$ 523	$ (385)
Investments	32,770	36,075	(3,305)
Net loans outstanding	151,921	145,656	6,265
Derivative assets, net	487	250	237
Other assets	3,237	2,162	1,075
Total assets	**$ 188,553**	**$ 184,666**	**$ 3,887**
Liabilities			
Borrowings	$ 10,202	$ 7,305	$ 2,897
Derivative liabilities, net	22	296	(274)
Other liabilities	15,347	13,120	2,227
Equity	162,982	163,945	(963)
Total liabilities and equity	**$ 188,553**	**$ 184,666**	**$ 3,887**

Equity

IDA's equity was $162.9 billion as of June 30, 2019, a $1 billion decrease compared with June 30, 2018. The decrease was primarily due to:

- $6.7 billion of net losses incurred during the year. The net loss reflects the impact of IDA's grant expenses during the year, and,
- $1.7 billion of negative currency translation adjustments from depreciation of the SDR against the U.S. dollar, partially offset by
- $7.4 billion of cash received from members for subscriptions and contributions.

Table 3: Changes in Equity

In millions of U.S. dollars

Equity as of June 30, 2018	$ 163,945
Activity during the year:	
Subscriptions and contributions paid-in	8,617
Nonnegotiable, noninterest-bearing demand obligations	(1,197)
Change in Accumulated deficit	(6,650)
Change in Accumulated other comprehensive income	(1,733)
Total activity	$ (963)
Equity as of June 30, 2019	$ 162,982

Demand obligations – Demand obligations are nonnegotiable and noninterest-bearing instruments of payment. Payments on these instruments are due to IDA upon demand and the instruments are typically held in central bank accounts in IDA's name. During FY19, the receipt of new notes amounting to $5.4 billion was offset by the encashment of notes of $4 billion.

Accumulated deficit - The $6.7 billion increase in accumulated deficit is primarily due to the impact of grant activity as discussed earlier.

Total Assets

As of June 30, 2019, total assets were $188.6 billion, an increase of $3.9 billion from June 30, 2018 ($184.7 billion). The increase was driven by an increase in net loans outstanding, partially offset by a decrease in investments.

Loan Portfolio and Grant Activity

As of June 30, 2019, IDA's net loans outstanding (after accumulated provision for losses on loans) were $151.9 billion, $6.3 billion higher compared with June 30, 2018. The increase was mainly due to $8.2 billion in net positive loan disbursements, partially offset by currency translation losses of $1.7 billion, consistent with the 1.2% depreciation of the SDR against the U.S. dollar during the year. As of June 30, 2019, 95% of IDA's total loans outstanding were denominated in SDR.

Loans Outstanding

Loans outstanding as of June 30, 2019 were $157 billion. Of this amount, the Africa and South Asia regions accounted for 79%**.** See **Table 4** for details.

Table 4: Loans Outstanding by Region

In millions of U.S. dollars

As of June 30,	2019	% of Total	2018	% of Total	Variance
Africa	$ 65,359	42 %	$ 59,220	39 %	$ 6,139
East Asia and Pacific	19,442	12	19,638	13	(196)
Europe and Central Asia	7,700	5	7,389	5	311
Latin America and the Caribbean	2,701	2	2,605	2	96
Middle East and North Africa	2,689	2	2,891	2	(202)
South Asia	58,662	37	58,285	39	377
Total	**$ 156,553**	**100 %**	**$ 150,028**	**100 %**	**$ 6,525**

IDA's loans generally disburse within five to ten years for investment project financing and one to three years for development policy financing, therefore, each year's disbursements also include amounts relating to commitments made in earlier years (See **Table 5)**. Principal repayments and prepayments increased by $0.2 billion in FY19, from $5.1 billion in FY18 to $5.3 billion in FY19.

Table 5: Gross Disbursements of Loans and Grants by Region

In millions of U.S. dollars

	2019			2018		
For the fiscal year ended June 30,	Loans	Grants[a]	Total	Loans	Grants[a]	Total
Africa	$ 7,496	$ 2,694	$ 10,190	$ 6,341	$ 1,865	$ 8,206
East Asia and Pacific	1,172	110	1,282	1,176	76	1,252
Europe and Central Asia	843	88	931	249	49	298
Latin America and the Caribbean	202	138	340	125	98	223
Middle East and North Africa	44	603	647	47	522	569
South Asia	3,805	354	4,159	3,602	233	3,835
Total	**$ 13,562**	**$ 3,987**	**$ 17,549**	**$ 11,540**	**$ 2,843**	**$ 14,383**

a. Excludes Project Preparation Advances (PPA).

As of June 30, 2019**,** 62% of IDA's loans were on regular terms (75 bps SDR equivalent service charges), See **Table 6**. During FY19, IDA's interest revenue increased by $62 million and service charge revenue increased by $24 million compared with FY18. These increases were driven by the increased volume of loans.

Table 6: Revenue by Category

In millions of U.S. dollars

			Interest		Service charges	
	Balance as of June 30,		For the fiscal year ended June 30,			
Category	2019	2018	2019	2018	2019	2018
Loans						
Concessional						
Regular	$ 97,467	$ 93,179	$ 14	$ 15	$ 690	$ 665
Blend	55,977	54,546	254	220	410	411
Hard	1,375	1,313	38	38	10	10
Non-concessional [a]						
Transitional support	777	468	23	8	-	-
Scale up Facility	957	522	23	9	-	-
Total	**$ 156,553**	**$ 150,028**	**$ 352**	**$ 290**	**$ 1,110**	**$ 1,086**

a. In addition, $13 million of commitment charges were earned in FY19 under the non-concessional lending ($8 million in FY18)

As of June 30, 2019, IDA's payable for development grants was $12.3 billion, $3.6 billion higher than June 30, 2018 ($8.7 billion). This increase reflects grant expenses of $7.7 billion in FY19 which, consistent with the larger IDA18 envelope, were $2.7 billion higher compared to FY18 ($5 billion), partially offset by grant disbursements of $4 billion.

Investment Portfolio

IDA's net investment portfolio was $32.4 billion as of June 30, 2019, compared with $33.7 billion as of June 30, 2018. The key drivers were:

- The outflow of $17.5 billion in loan and grant disbursements,

Offset by inflows of:

- $7.4 billion relating to member contributions,
- $5.3 billion in the form of loan repayments and prepayments, and
- $2.7 billion of proceeds from short-term debt issuances and borrowings from members.

Borrowing Portfolio

As part of IDA18, five members have agreed to provide IDA with concessional loans totaling $5.2 billion. As of June 30, 2019, IDA has signed concessional loan agreements totaling $5.1 billion of which $3 billion was received as loan proceeds. As of June 30, 2019, total borrowings from members were $6.8 billion.

During FY19, IDA for the first time issued short-term debt instruments. As of June 30, 2019, the total amount outstanding for these instruments was $1.9 billion. See Notes to Financial Statements - Note D – Borrowings.

Transfers from Affiliated Organizations

On October 12, 2018, IBRD's Board of Governors approved a transfer of $248 million to IDA, bringing the cumulative transfers to $15,497 million. The transfer was received on October 23, 2018.

Net Non-Interest Expense

As shown in **Table 7**, IDA's net non-interest expenses primarily comprise administrative expenses, net of revenue from externally-funded activities. IBRD and IDA's administrative budget is a single resource envelope that funds the combined work programs of IBRD and IDA. The allocation of administrative expenses between IBRD and IDA is based on an agreed cost and revenue sharing methodology, approved by their Boards, which is primarily driven by the relative level of activities relating to lending, knowledge services and other services between these two institutions. The administrative expenses shown in the table below include costs related to IDA-executed trust funds and other externally funded activities.

IDA's net non-interest expenses were $1,479 million for FY19 as compared to $1,464 million in FY18.

The key drivers during the year were i) the increase in costs allocated to IDA under the cost sharing methodology, due to the increase in client engagement activities associated with IDA18 offset by ii) lower pension costs as a result of lower amortization of unrecognized actuarial losses during FY19 and, iii) the increase in revenue from externally funded activities. See **Table 7** for a comparison of the main sources of Administrative expenses and revenue from externally funded activities between FY19 and FY18.

Table 7: Net Non-Interest Expenses

In millions of U.S. dollars

For the fiscal year ended June 30,	2019	2018	2017	FY19 Vs FY18	FY18 Vs FY17
Administrative expenses:					
Staff costs	$ 1,049	$ 990	$ 879	$ 59	$ 111
Travel	189	183	165	6	18
Consultant and contractual services	464	450	436	14	14
Pension and other post-retirement benefits	299	322	426	(23)	(104)
Communications and technology	61	62	56	(1)	6
Equipment and buildings	149	148	138	1	10
Other expenses	30	29	21	1	8
Total administrative expenses	$ 2,241	$ 2,184	$ 2,121	$ 57	$ 63
Contributions to special programs	21	21	25	-	(4)
Revenue from externally funded activities:					
Reimbursable advisory services	(59)	(51)	(42)	(8)	(9)
Reimbursable revenue - IDA-executed trust funds	(467)	(460)	(400)	(7)	(60)
Revenue – trust funds administration	(46)	(48)	(42)	2	(6)
Restricted revenue	(34)	(21)	(22)	(13)	1
Other revenue	(177)	(161)	(141)	(16)	(20)
Total revenue from externally funded activities	$ (783)	$ (741)	$ (647)	$ (42)	$ (94)
Total Net Non-Interest Expenses (Table 1)	**$ 1,479**	**$ 1,464**	**$ 1,499**	**$ 15**	**$ (35)**

Table 8: Other revenue / (expenses), net

In millions of U.S. dollars

For the fiscal year ended June 30,	2019	2018	2017	FY19 Vs FY18	FY18 Vs FY17
Other (primarily Project Preparation Advances (PPA) grants)	$ 12[a]	$ (41)	$ (10)	$ 53	$ (31)
Guarantee fees	12	10	7	2	3
Commitment charges	13	8	1	5	7
Other revenue / (expenses), net (Table 1)	**$ 37**	**$ (23)**	**$ (2)**	**$ 60**	**$ (21)**

a. PPA grant cancellations exceeded new PPA grants approved in FY19.

IDA's goal is to have its net administrative expenses covered by its loan revenue (loan interest, service, commitment and guarantee fees). Thus, IDA monitors its net administrative expenses as a percentage of its loan revenue, using a measure referred to as the budget anchor. In FY19, IDA's budget anchor was 97.6%, lower by 5% compared to FY18 primarily due to higher interest revenue from loans and expenditure restraint. See **Table 9**.

Table 9: Budget Anchor

In millions of U.S. dollars

For the fiscal year fiscal year ended June 30,		2019		2018
Total net Non-interest Expenses (From Table 7)	$	1,479	$	1,464
Pension and Externally Financed Outputs (EFO) adjustments[a]		(23)		(64)
Net administrative expenses for Budget Anchor	**$**	**1,456**	**$**	**1,400**
Interest Revenue from Loans (From Table 1)	$	1,462	$	1,376
Commitment fee and Guarantee income (From Table 8)		25		18
Mark-to-market gains (losses) on revenue-related forward currency contracts		5		(28)
Total revenue for Budget Anchor	**$**	**1,492**	**$**	**1,366**
Budget Anchor		**97.6%**		**102.5%**

a. These amounts are excluded from the definition of net Non-interest expenses to reflect the way in which IDA is managed.

Adjusted Net Income

Effective June 30, 2019, a business-driven net-income measure, Adjusted Net Income (ANI), was introduced. This non-GAAP measure reflects the economic results of IDA's operations and is used internally by IDA's Management and the Board as a financial sustainability measure. ANI is defined as IDA's net income on a reported basis, adjusted to exclude the following items.

- *Development financing activities directly funded by contributions from members:* Development grants provided to clients are treated as expenses, while contributions from members which finance these activities, are reflected directly in IDA's equity since they carry voting rights.
- *Contributions/grants received from affiliated organizations or other similar contributions* These mainly comprise contributions from IBRD, IFC and other contributions from trust funds. These are intended to finance development activities similar to member contributions but are not directly included in equity as they do not carry voting rights.
- *Non-functional currency translation adjustment (gains) losses:* These represent unrealized exchange rate gains/losses resulting from the translation of loans, borrowings, development grants payable and all other assets and liabilities still held on IDA's Balance Sheet, that are denominated in currencies other than the component currencies of SDR.
- *Unrealized mark-to-market gains/losses on non-trading portfolios:* These mainly comprise unrealized mark-to-market gains and losses on the ALM, borrowing, and non-trading investment portfolios.
- *Pension, Post-Employment Benefit Plan (PEBP) and Post-Retirement Contribution Reserve (PCRF) adjustments:* While IDA is not a participating sponsor to these benefit plans, IDA shares in the costs and reimburses IBRD for its proportionate share of any contributions made to these plans by IBRD, as part of a Board-approved cost sharing ratio. The Pension adjustment reflects the difference between IDA's share of cash contributions to both the pension plans and PCRF, and the accounting expense, as well as the investment revenue earned on those assets related to the PEBP and PCRF. The PCRF was established by the Board to stabilize contributions to the pension and post-retirement benefits plans. Management has designated the income from these assets to meet the needs of the pension plans. As a result, PEBP and PCRF investment revenue is excluded from adjusted net income.
- *Other Adjustments:* Under certain arrangements (such as Externally Funded Outputs (EFOs)), IDA receives a share of the revenue earned from agreements with donors under which funds received are to be used to finance specified outputs or services. These funds may be utilized only for the purposes specified in the agreements and are therefore considered restricted until applied for these purposes. Income attributable to these arrangements is excluded from reported income since there is no discretion about the use of these funds.

As illustrated in **Table 10**, the key difference between ANI and reported net loss relate to development grants and unrealized mark-to-market gains on non-trading portfolios.

Table 10: Adjusted Net Income

In millions of U.S. dollars

For the fiscal year ended June 30,		2019		2018
Net Loss	$	(6,650)	$	(5,231)
Adjustments to Reconcile Net Income / (Loss) to Adjusted Net Income:				
Expenses relating to development financing activities directly funded by contributions from members				
Development grants	$	7,694	$	4,969
PPA grants		(12)		41
Amortization of CPL discounts		75		53
Provision for debt relief (Highly Indebted Poor Countries Debt Initiative (HIPC) / Multilateral Debt Relief Initiative (MDRI)) - (release) charge		(115)		7
Contributions from affiliated organizations and others		(258)		(203)
Non-functional currency translation adjustment gains		(105)		(89)
Unrealized market-to-market (gains) losses on non-trading portfolios		(386)		38
Pension, PEBP and PCRF adjustments				
Pension adjustment		34		66
PEBP/PCRF income		(41)		(40)
EFO income		(11)		(2)
	$	**6,875**	$	**4,840**
Adjusted Net Income (Loss)	**$**	**225**	**$**	**(391)**

Section V: Development Activities, Products and Programs

Lending Framework

IDA provides financing to lower-income countries primarily through loans, grants and guarantees. IDA has a common framework which extends across all its development activities. The main elements of this framework are: financing principles, financing cycles and financing categories.

Financing Principles

IDA's operations are required to conform to the general principles derived from its Articles of Agreement. These principles are described in **Box 2**. Within the scope permitted by the Articles of Agreement, application of these financing principles must be developed and adjusted in light of experience and changing conditions.

Financing Cycles

The process of identifying and appraising a project and approving and disbursing the funds often extends over several years. However, in response to emergency situations, such as natural disasters and financial crises, IDA is able to accelerate the preparation and approval cycle. In most cases, IDA's Board approve each loan, grant and guarantee after appraisal of a project by staff. Under a Multiphase Programmatic Approach approved by the Board on July 21, 2017, the Board may approve an overall program framework, its financing envelope and the first appraised phase, and then authorize Management to appraise and commit financing for later program phases. Disbursements are subject to the fulfillment of conditions set out in the loan or grant agreement.

During implementation of IDA-supported operations, staff review progress, monitor compliance with IDA's policies, and assist in resolving any problems that may arise. An independent unit, the Independent Evaluations Group, also assesses the extent to which operations have met their major objectives, and these evaluations are reported directly to the Board.

Financing Categories

Most of IDA's lending is of three types: investment project financing, development policy financing, and program-for-results. **Figure 2** shows the percentage of loans approved for investment lending, development policy operations and program-for-results over the past five years.

Box 2: Financing Principles

(i) IDA may provide financing for its development operations in the form of loans, grants, and guarantees directly to its members, public or private entities and regional or public international organizations.

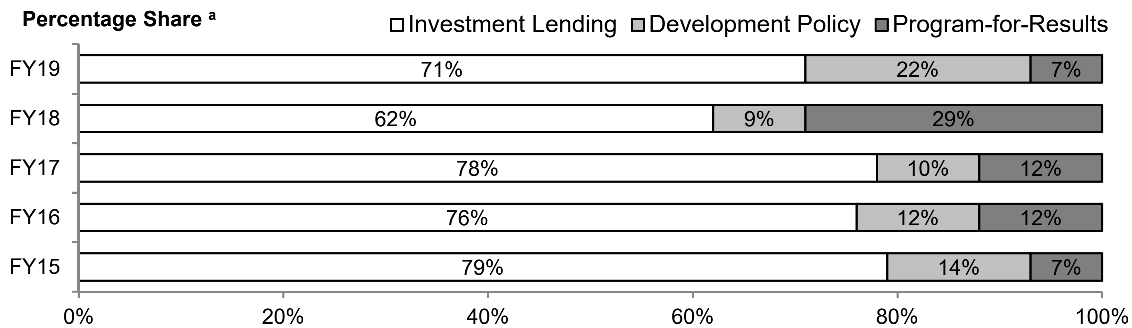
(ii) IDA's financing of its development operations is designed to promote economic development, increase productivity and thus raise standards of living in its member countries. Investment projects financed by IDA are required to meet IDA's standards for technical, economic, financial, institutional and environmental soundness. Specific provisions apply to development policy financing, including the treatment of the macroeconomic framework, poverty and social impact, environment, forests and other natural resources.

(iii) Decisions to approve financing are based upon, among other things, studies by IDA of a member country's economic structure, including assessments of its resources and ability to generate sufficient foreign exchange to meet debt-service obligations.

(iv) IDA must be satisfied that in the prevailing market conditions (taking into account the member's overall external financing requirements); the recipient would be unable to obtain financing under conditions which, in the opinion of IDA, are reasonable for the recipient. This would include loans made by private sources or IBRD.

(v) The use of funds by recipients is supervised. IDA makes arrangements intended to ensure that funds provided are used only for authorized purposes and, where relevant, with due attention to considerations of cost-effectiveness. This policy is enforced primarily by requiring recipients (a) to submit documentation establishing, to IDA's satisfaction, that the expenditures financed with the proceeds of loans or grants are made in conformity with the applicable financing agreements, and (b) to maximize competition in the procurement of goods and services by using, wherever possible, international competitive bidding procedures or, when it is not appropriate, other procedures that ensure maximum economy and efficiency. In addition, IDA considers the use of recipient country procurement, financial management and environmental and social safeguard systems in selected operations once these systems and capacity, have been assessed by IDA as acceptable.

Figure 2: Share of Financing Categories for Annual Commitments



a. May differ from the sum of individual figures shown due to rounding

Investment Project Financing (IPF)

IPF is used in all sectors, it supports a wide range of activities including capital-intensive investments, agricultural development, service delivery, credit and grant delivery, community-based development, and institution building. IPF is usually disbursed over the long-term (5 to 10-year horizon).

FY19 commitments under IPF amounted to $15.6 billion, compared with $14.8 billion in FY18.

Development Policy Financing (DPF)

DPF provides rapidly-disbursing financing (1 to 3 years) to help a borrower address actual or anticipated financing requirements. DPF aims to support the borrower in achieving sustainable development through a program of policy and institutional actions, for example, strengthening public financial management, improving the investment climate, addressing bottlenecks to improve service delivery, and diversifying the economy. DPF supports such reforms through non-earmarked general budget financing that is subject to the borrower's own implementation processes and systems. Commitments under DPF for FY19 were $4.8 billion (FY18 - $2.1 billion).

Program-for-Results (PforR)

PforR helps countries improve the design and implementation of their development programs and achieve specific results by strengthening institutions and building capacity. It helps strengthen partnerships with government, development partners and other stakeholders by providing a platform to collaborate in larger country programs. PforR disburses when agreed results are achieved and verified. Results are identified and agreed upon during the preparation stage.

FY19 commitments under PforR totaled $1.6 billion, compared with $7 billion in FY18, reflecting a decrease in commitments in countries in Africa and South Asia.

These three complementary categories support the policy and institutional changes needed to create an environment conducive to sustained and equitable growth.

Financial Terms

Commitment Currency

The currency of commitment for IDA grants and concessional loans is predominantly the SDR. However, in response to client needs to reduce currency exposure and simplify debt management, IDA offers a Single Currency Lending option that allows IDA recipients to denominate new IDA loans in U.S. dollar, Euro, Pound Sterling or Japanese Yen. Further, non-concessional loans provided under IDA18 from the Scale-up Facility and for transitional support, may only be denominated in either U.S. dollar, Euro, Pound Sterling or Japanese Yen. As of June 30, 2019, $9.6 billion of U.S. dollar denominated loans and U.S. dollar equivalent $10.9 billion in Euro denominated loans had been approved under the Single Currency lending program, of which $4.8 billion in U.S. dollar equivalent were outstanding.

Table 11: Summary of Financial Terms for IDA Lending Products, effective July 1, 2019

Instrument type[a]	Currencies	Maturity/Grace Period	Current Charges	Interest rates
Grant	SDR	Not applicable	None	Not applicable
Regular-Term loan	SDR, USD, EUR, GBP, JPY	38/6 years	75bps SDR equivalent service charge	Not applicable
Regular-Small Economy loan	SDR, USD, EUR, GBP, JPY	40/10 years	75bps SDR equivalent service charge	Not applicable
Blend-Term loan	SDR, USD, EUR, GBP, JPY	30/5 years	75bps SDR equivalent service charge	1.25% SDR equivalent interest rate
Non-concessional loans a) Transitional support b) Scale-up Facility (SUF)	USD, EUR, GBP, JPY	20 years maximum weighted average maturity with 35 years final maturity	25 bps one-time front-end fee 25 bps commitment fee	Market-based floating reference rate (6-month) plus a spread (variable spread or fixed spread)[b]
Catastrophe Deferred Draw Down Option (CAT DDO) (New in IDA18)	SDR, USD, EUR, GBP, JPY	**Before Drawdown:** Front end fee and renewal fee are set at 0.5% and 0.25% respectively under SUF option, and at 0% under PBA or Undisbursed balances option. **After Drawdown:** **-** Under PBA or Undisbursed balances option - IDA concessional rates would apply. - Under SUF option - non-concessional rates would apply.		

a. *Prior to July 1, 2017, IDA offered Hard-Term loans to Blend Countries (excluding Small Island Economies). They had a single currency option, and had terms equivalent to IBRD's fixed spread loans, less 200 bps, a variable option was also available. Hard-term loans are no longer offered.*

b. *There is an implicit floor of zero on the overall interest rate in IDA's non-concessional loans.*

Charges on Loans and Grants

Service charges and interest income earned on IDA's loans are reported as Interest revenue on loans on the Statement of Income. Commitment charges earned on loans and grants (if any) are reported as non-interest revenue from commitment charges on the Statement of Income.

Service Charge. A service charge is levied on the principal amount disbursed and outstanding on all Regular, Small Economy, and Blend term loans, regardless of repayment terms, at 0.75% per annum.

Interest. Interest is charged on all loans subject to blend terms approved under IDA16, IDA17 and IDA18, all hard-term loans, transitional support loans and loans provided under the Scale-up Facility. Further, new loans offered under transitional support and the Scale-up Facility are available at floating interest rates on IBRD terms. All other rates are fixed.

Commitment Charge. A commitment charge, which is payable on any undisbursed loan or grant amount, is set by the Board at the beginning of each fiscal year. Commitment charges are set at a level to ensure that net loan revenue covers administrative expenses over the medium term. From FY09 to FY19, the commitment charge on undisbursed concessional loans had been set at nil, and for grants it had been set at nil from FY03 to FY19. For FY19, the commitment charge on transitional support loans and Scale-up Facility loans was set at 0.25%. For FY20, commitment charges have been set at the same levels as those set for FY19.

Table 11 provides a summary of the financial terms of IDA's lending products based on eligibility, effective July 1, 2019.

Repayment Terms

Loans approved through June 30, 1987 have a final maturity of 50 years, including a grace period of 10 years. In recent replenishments, differentiation in IDA's lending terms has been introduced to recognize the variation in economic development of broad categories of IDA recipients.

Since 1987, the legal agreements of regular, blend and hard-term loans include an accelerated repayment clause to double the principal repayments of the loan, if the borrower's GNI per capita exceeds a specific threshold and the borrower is eligible for IBRD financing. Implementation is subject to negotiation with the borrower and approval by IDA's Board after considering a borrower's economic development. The borrower can further negotiate either to (a) shorten the loan's maturity (principal option), (b) pay interest at a rate that would result in the same net present value (interest option), or a combination of the two options.

As of June 30, 2019, the acceleration clause has been implemented for the qualifying IDA loans of 16 borrowers that have graduated from IDA since the introduction of the accelerated repayment clause. Of these 16 borrowers, 11 borrowers selected the principal option, 4 borrowers selected the interest option, and one borrower selected a combination of the two options. As part of IDA18, the implementation of the acceleration clause for new eligible borrowers is temporarily suspended.

Loans, Grants and Guarantee Activity

Commitments

Commitments of loans in FY19 were $13.8 billion, a decrease of $4.8 billion (26%) over FY18 ($18.5 billion).

Commitments of guarantees in FY19 were $358 million, a decrease of $105 million over FY18 ($463 million). In terms of regional focus, Africa accounted for all of the FY19 and FY18 guarantee commitments. Also, see Section VI: Other Development Activities and Program (See **Table 12)**.

Commitments of grants in FY19 were $7.8 billion, an increase of $2.8 billion (56%) over FY18 ($5 billion). (See **Table 13**).

Table 12: Commitments of Loans and Guarantees by Region

In millions of U.S. dollars

For the fiscal year ended June 30,	2019	2018	Variance
Africa	$ 8,305	$ 11,574	$ (3,269)
East Asia and Pacific	934	530	404
Europe and Central Asia	346	861	(515)
Latin America and the Caribbean	281	273	8
Middle East and North Africa	56	30	26
South Asia	4,193	5,739	(1,546)
Total	**$ 14,115**	**$ 19,007**	**$ (4,892)**

Table 13: Commitments of Grants by Region

In millions of U.S. dollars

For the fiscal year ended June 30,	2019	2018	Variance
Africa	$ 5,882	$ 3,837	$ 2,045
East Asia and Pacific	338	101	237
Europe and Central Asia	237	96	141
Latin America and the Caribbean	149	155	(6)
Middle East and North Africa	555	400	155
South Asia	656	414	242
Total	**$ 7,817**	**$ 5,003**	**$ 2,814**

IDA currently has lending, grant, and guarantee activities in over 107 countries. The concentration of IDA's outstanding loan portfolio among its largest borrowers for the average of last five years (FY14 through FY18) compared with FY19 has been relatively stable (See **Figure 3**). The top five borrowers with the largest loan outstanding balances represented 47% of total loans outstanding as of June 30, 2019. See **Table 14**.

Figure 3: Exposure of Largest IDA Borrowing Countries

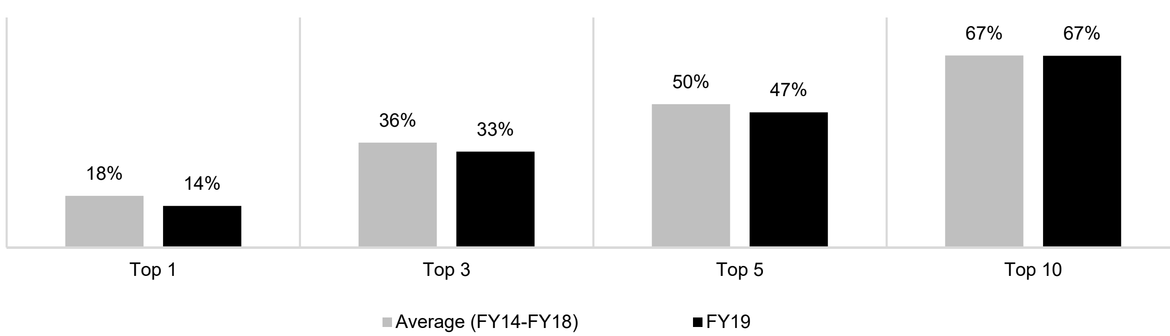


Table 14: Top Five Borrowers with the Largest Loan Outstanding Balance as of June 30, 2019

In millions of U.S. dollars, or as otherwise indicated

Country	Total	India	Bangladesh	Pakistan	Vietnam	Nigeria	Others
Eligibility		IBRD	IDA only	Blend	IBRD	Blend	
Loans Outstanding	$ 156,553	$ 22,599	$ 15,620	$ 13,992	$ 12,982	$ 9,212	$ 82,148
% of Total Loans Outstanding	100%	14%	10%	9%	8%	6%	53%
Weighted Average Maturity (Years)	12.1	5.4	13.9	11.1	12.7	14.1	13.5
Loans outstanding by terms							
Concessional							
Regular	97,467	4,364	15,328	834	7,490	5,323	64,128
Blend	55,977	17,024	288	12,485	5,215	3,827	17,138
Hard	1,375	444	-	455	270	62	144
Non-concessional							
Transitional support	777	767	-	-	-	-	10
Scale Up Facility	957	-	4	218	7	-	728
Undisbursed balance	59,051	3,707	6,875	4,301	4,589	5,250	34,329

Section VI: Other Development Activities and Programs

IDA has products, services and programs, other than lending, that it offers to its borrowing member countries to help them meet their development goals. These include guarantees, debt relief, trust fund administration, and externally funded reimbursable advisory services.

Guarantees

IDA offers both Project-based and Policy-based Guarantees. These guarantees are available for projects and programs in member countries to help mobilize private financing for development purposes. IDA's guarantees are partial in nature as they are intended to cover risks only to the extent necessary to obtain the required private financing, taking into account country, market and, if appropriate, project circumstances. IDA's guarantees require a sovereign counter-guarantee and indemnity, comparable to the requirement of a sovereign guarantee for IDA lending to sub-sovereign and non-sovereign borrowers. See **Table 15** for the types of guarantees that IDA provides. These guarantees are separate and distinct from those offered under the Private Sector Window, see Section III: IDA's Financial Resources.

Table 15: Types of Guarantees

Project-based guarantees	Project-based guarantees are provided to mobilize private financing for a project and/or mitigate payment and/or performance related risks of a project. There are two types: 1. Loan guarantees: these cover loan-related debt service defaults caused by the government's failure to meet specific payment and/or performance obligations arising from contract, law or regulation. Loan guarantees include coverage for debt service defaults on: (i) commercial debt, normally for a private sector project; and, (ii) a specific portion of commercial debt irrespective of the cause of such default, normally for a public-sector project. 2. Payment guarantees: These cover payment default on non-loan related government payment obligations to private entities and foreign public entities arising from contract, law or regulation.
Policy-based guarantees	Policy-based guarantees are provided to mobilize private financing for sovereigns or sub-sovereigns. They cover debt service default, irrespective of the cause of such default, on a specific portion of commercial debt owed by government and associated with the supported government's program of policy and institutional actions.

Table 16: Pricing for IDA's Project-Based and Policy-Based Guarantees, effective July 1, 2019

Charges	Guarantees on Concessional Terms		Guarantees on Non-Concessional Terms	
	Private Projects	Public Projects	Private Projects	Public Projects
Front-end fee	N.A.	N.A.	25 bps	25 bps
Initiation fee [a]	15 bps	N.A.	15 bps	N.A.
Processing fee [b]	50 bps	N.A.	50 bps	N.A.
Standby fee	0 bps	0 bps	25 bps	25 bps
Guarantee fee	75 bps	75 bps	50-100 bps [c]	50-100 bps[c]

a. The Initiation fee is 15 basis points of the guaranteed amount or $100,000, whichever is greater.
b. The processing fee is determined on a case-by-case basis.
c. Based on the weighted average maturity of the guarantee.

Guarantee Exposure

IDA's exposure on its guarantees (measured by discounting each guaranteed amount from its next call date), was $2,033 million as of June 30, 2019 ($1,741 million—June 30, 2018). The $292 million increase in guarantee exposure is primarily due to a $354 million guarantee that became effective in FY19. The maximum potential undiscounted future payments that IDA could be required to make under these guarantees is $2,094 million as of June 30, 2019 ($1,808 million—June 30, 2018). In addition, IDA had $106 million of exposure under PSW guarantees as of June 30, 2019. See Section III: IDA's Financial Resources.

For additional information, see the Notes F and G to IDA's Financial Statements.

Risk Management Instruments

IDA facilitates access to risk management solutions to mitigate the financial effects of natural disasters for borrowing members. Financial solutions can include disaster risk financing through catastrophe swaps, insurance and reinsurance contracts, and regional pooling facilities.

In order to promote countries' resilience to disasters and expand the range of IDA's crisis instruments, members endorsed the introduction of the Catastrophe Deferred Draw-Down Option (CAT-DDO) for

IDA18. The CAT-DDO is a contingent credit line that provides immediate liquidity to countries in the aftermath of a catastrophe and serves as early financing while funds from other sources such as bilateral aid or reconstruction loans are being mobilized. CAT-DDOs are intended to enhance IDA countries' capacity to plan for and manage crises. As of June 30, 2019, the exposure under CAT-DDO was $188 million.

Debt Relief

The Heavily Indebted Poor Countries Debt Initiative (HIPC Initiative) and the Multilateral Debt Relief Initiative (MDRI) were implemented in 1996 and 2006 respectively as a part of a global effort focused on heavily indebted poor countries with strong policy performance. The initiatives aim to reduce the external debt of eligible countries as part of a broader poverty reduction strategy, whilst safeguarding the long-term financial capacity of IDA and other participating multilateral institutions; and encouraging the best use of additional member resources for development, by allocating these resources to low-income countries on the basis of policy performance.

In order to receive irrevocable debt relief, eligible countries are required to maintain macroeconomic stability, carry out key structural and social reforms, and implement a Poverty Reduction Strategy, in addition to being in good standing with respect to all eligible debt repayments. To ensure IDA's financial capacity was not eroded, members agreed to compensate IDA with additional contributions to offset the impact of the forgone reflows, resulting from the provision of debt relief.

During FY19, HIPC debt relief was provided on $10 million of loans ($10 million in FY18). There was no HIPC debt relief on service charges for FY19 and FY18. On a cumulative basis, debt relief has been given on $2.1 billion of loans and $335 million of service charges as of June 30, 2019. The accumulated provision for debt relief was recorded at the inception of the initiative and is adjusted to reflect the impact of any changes in the decision and completion point dates of the related countries.

During FY19, there was no cancellation of eligible loans under MDRI (Nil - FY18). On a cumulative basis, debt relief has been provided on $40.2 billion of loans under the MDRI as of June 30, 2019. The provision for the debt relief was recorded at the beginning of the MDRI Initiative.

Trust Funds Administration

Trust Funds are an integral part of the WBG's development activities, providing resources and added flexibility in providing development solutions that serve member recipients and donors alike. The partnerships funded by trust funds often serve as a platform from which IDA and its members can draw on the WBG's diverse technical and financial resources to achieve development goals that cannot be addressed effectively by any single member, given their complexity, scale, and scope. IDA's roles and responsibilities in managing trust funds depend on the type of fund, outlined as follows:

IDA's Trust Funds:

IDA-Executed Trust Funds (BETFs): IDA, alone or jointly with one or more of its affiliated organizations, implements or supervises the activities financed by trust funds. These trust funds support IDA's work program. IDA, as an executing agency, disbursed $467 million in FY19 ($460 million in FY18) of trust fund program funds.

Recipient-Executed Trust Funds (RETFs) are provided to a third party, normally in the form of project financing, and are supervised by IDA.

Financial Intermediary Funds (FIFs): IDA, as a trustee, provides financial management services such as receiving, holding and transferring funds to multiple implementing entities.

Table 17 shows IDA's revenue earned from Trust Fund Activity during FY19 and FY18. For additional information, see Notes to Financial Statements-Note H-Trust Funds Administration.

Table 17: Revenue earned from Trust Fund Activity

In millions of U.S. dollars

For the fiscal year ended June 30,	2019	2018
Revenue Fees from Trust Fund Administration	$ 46	$ 48

The cash and investment assets held in trust by IDA as administrator and trustee as of June 30, 2019 and June 30, 2018 are summarized in **Table 18.**

Table 18: Cash and Investment Assets Held in Trust by IDA

In millions of U.S. dollars

	Total fiduciary assets	
As of June 30,	2019	2018
IDA-executed	$ 48	$ 44
Jointly administered with affiliated organization	862	810
Recipient-executed	1,946	2,040
Financial intermediary funds	228	220
Execution not yet assigned [a]	3,745	2,664
Total	**$ 6,829**	**$ 5,778**

a. These represent assets held in trust for which the determination as to the type of execution is yet to be finalized

Externally funded Reimbursable Advisory Services (RAS)

IDA provides technical assistance to its member countries, both in connection with, and independent of, lending operations. There is a growing demand from members for strategic advice, knowledge transfer, and capacity building. Such assistance includes assigning qualified professionals to survey developmental opportunities in member countries, analyzing their fiscal, economic and developmental environment, assisting member countries in devising coordinated development programs, appraising projects suitable for investment, and assisting member countries in improving their asset and liability management techniques. While most of IDA's advisory services and analytical work is financed by its own budget or donor contributions (Trust Funds), clients may also pay for such services. In FY19, income relating to reimbursable advisory services was $59 million (FY18 - $51 million).

Buy-down of Loans – Partnership for Polio

The Partnership for Polio program to fund the immunization of children in countries with high-risk of polio is a funding mechanism that allows the purchase of oral vaccines from the proceeds of loans.

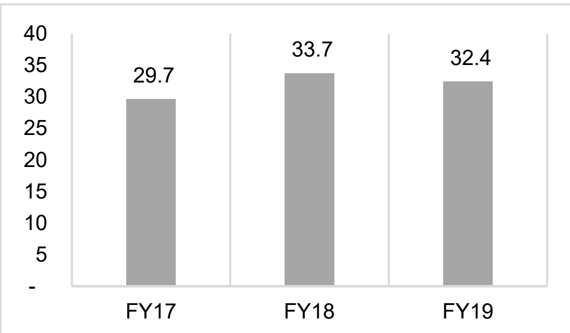
Under this program, IDA enters into an arrangement with third party donors who make payments on the borrower's service and commitment charges through a trust fund until the borrower reaches agreed performance goals. The trust fund then buys down the related loans for an amount equivalent to the present value of the remaining cash flows of the related loans, ensuring IDA incurs no economic loss. The trust fund subsequently cancels the purchased loans, converting them to grant terms. During FY19 and FY18, there were no loans purchased under the buy-down mechanism.

Section VII: Investment Activities

As of June 30, 2019, IDA's net investment portfolio totaled $32.4 billion **(Figure 4)**, of which $31.7 billion represents the liquid asset portfolio (trading portfolio), and $0.7 billion represents the non-trading portfolio. See Note C: Investments in the Notes to the Financial Statements for the year ended June 30, 2019.

Figure 4: Net Investment Portfolio

In billions of U.S. dollars



Liquid Asset Portfolio

IDA's liquid asset portfolio is undergoing a realignment during the years under IDA18, as market debt will be introduced gradually when needed. The majority of IDA's liquid assets will continue to be funded by equity over this period. In addition, IDA's liquid asset portfolio has transitioned from a tranche structure to a sub-portfolio structure as follows:

- Operational Sub-Portfolio: Holds liquidity to meet daily cash requirements. Tranche 3 (Short-term Investment Tranche) has become the Operational Sub-Portfolio.
- Stable Sub-Portfolio: Sized initially to hold the prudential minimum level of liquid assets less the eligible amount of Tranche 1 assets which covers net liabilities maturing over the next 24 months and any eligible amounts from the discretionary sub-portfolio. Tranche 2 (Medium Term Investment Tranche) has become the Stable Sub-Portfolio.
- Discretionary Sub-Portfolio: Created to invest additional liquidity beyond what is required for the Operational and Stable sub-portfolios.
- Tranche 1: Remains as a separate "Tranche 1" Sub-Portfolio and is managed as an asset-liability management (ALM) Sub-Portfolio, as defined in the IDA17 Investment Strategy, until needed for disbursements. Under this strategy, the duration of IDA's investments is aligned with that of the future net cash outflows.

The primary objective of IDA's liquid asset portfolio strategy continues to be preservation of capital within institutional constraints. Consistent with this primary objective, IDA invests in high quality instruments. IDA aims to earn reasonable investment returns, while ensuring timely availability of funds for future cash flow requirements, including disbursements for loans, grants, debt service, and administrative expenses.

Table 19: Liquid Asset Portfolio Composition

In millions of U.S. dollars

As of June 30,	2019	2018
Liquid Asset Portfolio		
Operational	$ 6,352	$ 9,461
Stable	15,317	5,958
Discretionary	254	1,506
Tranche 1	9,799	15,998
Total	**$ 31,722**	**$ 32,923**

During FY19 and FY18, the liquid asset portfolio had a relatively long duration, as a result of IDA's interest immunization strategy, implemented through Tranche 1. The longer duration of the portfolio leads to higher sensitivity to market rates, and relatively large unrealized mark-to market gains/losses depending on the magnitude of the changes in interest rates. IDA's return for FY19 was 2.29% primarily due to unrealized mark-to-market gains reflecting the decrease in yield curves across major currencies. **Table** 20 provides a breakdown of the average balances and returns of IDA's liquid asset portfolio. For details on returns of the total portfolio, refer to Section IV: Financial Results.

Table 20: Average Balances and Returns by Sub-Portfolio

In millions of U.S. dollars, except rates in percentages

	FY19			FY18		
Sub Portfolios		Average Balance	Return		Average Balance	Return
Operational	$	7,614	0.81%	$	8,155	0.74%
Stable		10,027	1.91%		5,022	0.65%
Discretionary		989	2.60%		1,503 [a]	0.40% [a]
Tranche 1		13,411	3.38%		16,915	0.70%
Total	**$**	**32,041**	**2.29%**	**$**	**30,468**	**0.65%**

a. *Since its creation in April 2018.*

IDA's liquid assets are held mainly in the following types of highly rated, fixed-income instruments. See **Table 25** for eligibility criteria for IDA's investments.

- Government and Agency Obligations.
- Time deposits, and other unconditional obligations of banks and financial institutions.
- Asset-backed securities (including mortgage-backed securities).
- Currency and interest rate derivatives (including currency forward contracts).
- Exchange-traded options and futures.

IDA's prudential minimum liquidity policy, ensures that it holds sufficient liquidity. The prudential minimum liquidity level is set at 80% of 24 months of projected net outflows. For FY19, the prudential minimum was $15.9 billion. The prudential minimum for FY20 has been set at $18.8 billion. See Section IX – Risk Management for details on how IDA manages liquidity risk.

Non-Trading Portfolio

During FY15, with the proceeds of a concessional loan from a member, IDA purchased a debt security issued by the IFC. IDA elected to measure the security at fair value, so that the measurement method (fair value) could be consistently applied to all its investments. The changes in fair value for this security are reflected in the Statement of Income. As of June 30, 2019, the non-trading portfolio had a fair value of $721 million ($812 million in FY18). See Note C: Investments in the Notes to the Financial Statements for the year ended June 30, 2019.

Section VIII: Borrowing Activities

Concessional Partner Loans

Introduced in IDA17, Concessional Partner Loans (CPLs) will continue as a source of funding in IDA18. The terms in IDA18 are similar to IDA17, where the borrowing terms of the concessional loans from members aim to follow the concessional features of IDA's loans.

The maturities of the CPLs are either 25 or 40 years to match the terms of IDA's loans, with a grace period of 5 years for a 25-year loan and 10 years for a 40-year loan. The loans have an all-in SDR equivalent coupon of up to one percent.

Voting rights are allocated to members who provide concessional loans following the drawdowns by IDA, and are based on the cash paid, computed as the derived grant element of the loan. The grant element, which is paid in and recorded as equity, is a function of the terms of the loan and the discount rate agreed upon during the replenishment discussions - 2.35% SDR equivalent for 25-year maturity and 2.70% for 40-year maturity in IDA18. In IDA17 the discount rate was a single rate of 2.65% SDR equivalent.

As of June 30, 2019, the borrowings outstanding balance relating to concessional loans from members was $6.8 billion, an increase of $1 billion as compared to June 30, 2018 ($5.8 billion). The increase is primarily due to additional loan proceeds received during the current fiscal year. Interest expense associated with these loans was $128 million in FY19 (FY18 - $103 million).

Market Debt

In April 2018, for the first time, IDA issued $1.5 billion of debt in the international capital markets. This debt was denominated in U.S. dollars and has a maturity of five years. As part of IDA's asset-liability management strategy, IDA also entered into derivative transactions to convert the fixed-rate bond into a floating-rate instrument.

During FY19, IDA for the first time issued short-term debt instruments. As of June 30, 2019, the total amount outstanding for these instruments was $1.9 billion, which was also the maximum month-end balance outstanding during the year. The weighted-average rate for short-term debt instruments at the end of the fiscal year was 2.54%.

Other Short-Term Borrowings

Under its Investment Guidelines, IDA is allowed to enter into transactions involving securities sold under repurchase agreements and securities lent under securities lending agreements. These transactions are accounted for as short-term borrowings. The agreements are secured predominantly by high quality collateral, including government issued debt, and are used both to enhance returns and for liquidity management purposes.

As of June 30, 2019, securities lent or sold under repurchase agreements totaled $698 million, a decrease of $1,843 million over June 30, 2018. **Table 21** provides details on these short-term borrowing activities.

Table 21: Other Short-Term Borrowings

In millions of U.S. dollars, except rates in percentages

As of June 30,	2019	2018	2017
Securities sold under repurchase agreements and securities lent under securities lending agreements,			
Balance at year-end	$ 698	$ 2,541	$ 2,560
Average monthly balance during the year	$ 1,417	$ 2,767	$ 2,576
Maximum month-end balance	$ 2,465	$ 4,090	$ 3,261
Weighted-average rate at end of fiscal year	2.71%	1.84%	0.74%
Weighted-average rate during the fiscal year	2.20%	0.98%	0.58%

Section IX: Risk Management

Risk Governance

IDA's risk management processes and practices continually evolve to reflect changes in activities in response to market, credit, product, operational, and other developments. The Board, particularly Audit Committee members, periodically review trends in IDA's risk profiles and performance, and any major developments in risk management policies and controls.

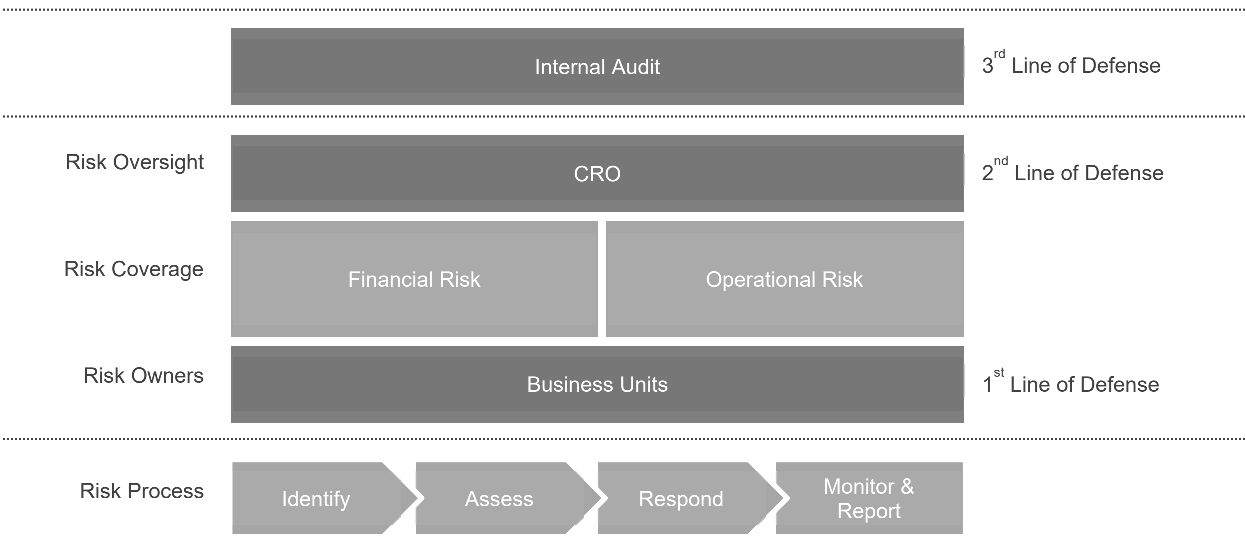
Management believes that effective risk management is critical for its overall operations. Accordingly, the risk management governance structure is designed to manage the principal risks IDA assumes in its activities, and supports Management in its oversight function, particularly in coordinating different aspects of risk management and in connection with risks that are common across functional areas.

IDA's financial and operational risk governance structure is built on the "three lines of defense" principle where:

- Business units are responsible for directly managing risks in their respective functional areas,
- The Vice President and WBG Chief Risk Officer (CRO) provides direction, challenge, and oversight over financial and operational risk activities, and
- Internal Audit provides independent oversight.

IDA's risk management process comprises: risk identification, assessment, response and risk monitoring and reporting. IDA has policies and procedures under which risk owners and corporate functions are responsible for identifying, assessing, responding to, monitoring and reporting risks.

Figure 5: Financial and Operational Risk Management Structure



Risk Oversight and Coverage

Financial and Operational Risk Management

The CRO has an overview of both financial and operational risks. These risks include (i) country credit risks in the core sovereign lending business, (ii) market and counterparty risks including liquidity risk, and (iii) operational risks relating to people, processes and systems. In addition, the CRO works closely with IBRD, IFC, and MIGA's Management to review, measure, aggregate, and report on risks and share best practices across the WBG. The CRO also helps enhance cooperation between the entities and facilitates knowledge sharing in the risk management function.

The risk of development outcomes (development outcome risks) of IDA's lending activities is monitored at the corporate level by Operations Policy and Country Services (OPCS). Where fraud and corruption risks may impact IDA-financed projects, OPCS, the Regions and Practice Groups, and the Integrity Vice Presidency jointly address such issues.

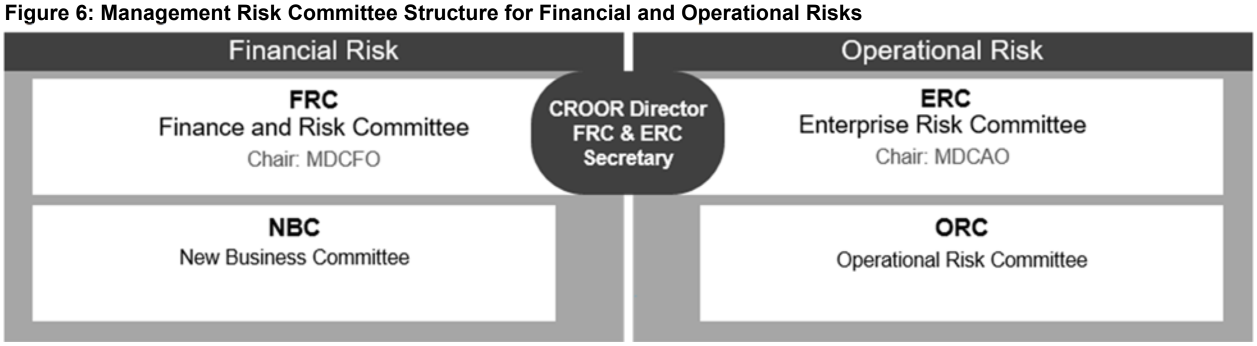
The following three departments report directly to the CRO:

The Credit Risk Department (CROCR)	• Identifies, measures, monitors, and manages country credit risk faced by IDA. • Assesses loan portfolio risk and capital requirements, determines the adequacy of provisions for losses on loans and other exposures, and monitors borrowers that are vulnerable to crises in the near term. The Department assesses the consistency of country lending programs as determined in IDA's PBA allocation framework with overall capital adequacy. • Whenever a new financial product is being considered for introduction, this department reviews any implications for country credit risk.
The Market and Counterparty Risk Department (CROMC)	• Responsible for market, liquidity, and counterparty credit risk oversight, assessment, and reporting. It does these in coordination with IDA's financial managers who are responsible for the day-to-day execution of trades for the liquid asset and derivative portfolios within applicable policy and guideline limits. • Responsible for ensuring effective oversight, which includes: i) maintaining sound credit assessments, ii) addressing transaction and product risk issues, iii) providing an independent review function, iv) monitoring market and counterparty risk in the investment, borrowing and client operation portfolios, and v) implementing the model risk governance framework. It also provides reports to the Audit Committee and the Board on the extent and nature of risks, risk management, and oversight.
The Operational Risk Department (CROOR)	• Provides direction and oversight for operational risk activities by business function. • Key operational risk management responsibilities include: (i) administering the Operational Risk Committee (ORC) for IDA, (ii) implementing the operational risk management framework which is aligned with Basel principles and providing direction to business unit partners to ensure consistent application, (iii) assisting and guiding business unit partners in identifying and prioritizing significant operational risks and enabling monitoring and reporting of risks through suitable metrics (or risk indicators), (iv) helping identify emerging risks and trends through monitoring of internal and external risk events, (v) supporting risk response and mitigating activities, and preparing a corporate Operational Risk Report for review and discussion by the ORC. • The department is also responsible for business continuity management, and enterprise risk management functions.

Risk Committees

Figure 6 depicts IDA's management risk committee structure for financial and operational risks:

Figure 6: Management Risk Committee Structure for Financial and Operational Risks



Financial Risk Committees:

The Finance and Risk Committee (FRC), a Vice President level committee, provides a high-level governance structure for decisions that may have financial risks. The FRC is chaired by the Managing Director and WBG Chief Financial Officer (MDCFO) and approves, clears, or discusses: (a) risk policy and procedure documents related to financial integrity, income sustainability and balance sheet strength, and (b) issues and new business initiatives with policy implications related to IDA's risks in the areas of finance, which include country credit, market, counterparty, liquidity, model risks, and operational risks related to the finance business functions. The FRC helps to integrate individual components of finance and risk management activities by building on mechanisms and processes already in place and provides a forum for discussing and communicating significant risk related issues. The FRC meets regularly to discuss the financial performance, new products and services, and risk management of IDA.

The New Business Committee (NBC) is a standing committee of the FRC. The NBC provides advice, guidance and recommendations to the FRC, by performing due diligence over new financial products or services to ensure that Management has a full understanding of the rationale, costs, risks and rewards of the product or service being considered.

Operational Risk Committees:

The Enterprise Risk Committee (ERC) is a corporate committee that has oversight over operational and non-financial risks across IDA. Chaired by IDA's Managing Director and Chief Administrative Officer (MDCAO), it consists of a Vice President level committee members to review and discuss enterprise risk matters. Specifically, the Committee has a governance role over risk matters relating to corporate security, business continuity and IT security. The ERC also sponsors the further development of the enterprise risk management framework including an annual high-level survey of emerging top risks for IDA.

Operational Risk Committee (ORC) is the main governance committee for operational risk and provides a mechanism for an integrated review and response across IDA units on operational risks associated with people, processes, and systems including business continuity, and recognizing that business units remain responsible for managing operational risks. The Committee's key responsibilities include monitoring significant operational risk matters and events on a quarterly basis to ensure that appropriate risk-response measures are taken and reviewing and concluding on IDA's overall operational risk profile. The ORC is chaired by the CRO and escalates significant risks/decisions to the FRC and ERC.

Management of IDA's Risks

IDA assumes financial risks in order to achieve its development and strategic objectives. IDA's financial risk management framework is designed to enable and support the institution in achieving its goals in a financially sustainable manner. IDA manages credit, market and operational risks for its financial activities which include lending, borrowing and investing (**Table 22**). The primary financial risk to IDA is the country credit risk inherent in its loan and guarantee portfolio. IDA is also exposed to risks in its liquid asset and derivative portfolios, where the major risks are interest rate, exchange rate, commercial counterparty, and liquidity risks. IDA's operational risk management framework is based upon a structured and uniform approach to identify, assess and monitor key operational risks across business units. The Board, particularly the Audit Committee, periodically reviews trends in IDA's risk profiles and performance, as well as any major developments in risk management policies and controls.

Table 22: Summary of IDA's Specific Risk Categories

Types of Financial Risk	How the risk is managed
Credit Risk	
Country Credit Risk	IDA's credit-risk-bearing capacity and individual country exposure limits.
Counterparty Credit Risk	Counterparty credit limits and collateral.
Market Risk	
Interest Rate Risk	Interest rate derivatives to match the sensitivity of assets and liabilities.
Exchange Rate Risk	Currency derivatives to match the currency composition of assets and liabilities.
Liquidity Risk	Minimum liquidity target levels.
Operational Risk	Mitigating controls and appropriate risk response measures.

Capital Adequacy

IDA uses a solvency-based capital adequacy model, which mandates that IDA holds capital for credit risk, market risk and operational risk covering all activities and assets on its books. The main measure of capital adequacy is Deployable Strategic Capital (DSC), which is the capital available to support future commitments, over and above the current portfolio. IDA is required, by the Board, to keep the DSC at levels greater than or equal to zero percent. The DSC is calculated as the amount by which Total Resources Available (TRA) exceed Total Resources Required (TRR), plus a Conservation Buffer (CB). The TRA consists of IDA's existing equity plus its outstanding loan loss reserve. The TRR is the minimum capital required to cover expected and unexpected losses, (under a stressed but still plausible downside scenario), in connection with all of IDA's currently existing operations and assets. It also includes a capital allowance to reflect losses that result from valuing IDA's concessional loan portfolio in present value terms using market interest rates. This allowance is calculated using a stressed interest rate to account for a potential future rise in market interest rates. The CB is an extra buffer in the amount of 10 percent of TRA. As of June 30, 2019, the DSC was 35.3%, lower by 2.1% compared with June 30, 2018 (37.4%). The decrease in the ratio was mainly due to the increase in TRR which was primarily due to the increase in total exposure at default. See **Table 23** below.

Table 23: Deployable Strategic Capital Ratio

In billions of U.S. dollars except ratios in percentages

As of June 30,	2019	2018
Total Resources Available (TRA)	$ 167.6	$ 168.3
Total Resources Required (TRR)[a]	91.6	88.5
Conservation Buffer (CB)	16.8	16.8
Deployable Strategic Capital (DSC = TRA - TRR - CB)	$ 59.2	$ 63.0
Deployable Strategic Capital as a percentage of Total Resources Available	**35.3%**	**37.4%**

a. *TRR is increased for the $2.5 billion allocated to the Private Sector Window as it is utilized.*

Asset Coverage Principles

In addition to the DSC framework, IDA has policies in place to ensure alignment of its lending and borrowing activities. Specifically, the Board approved the following asset coverage principles:

- Management will monitor the level of assets available to satisfy all of IDA's borrowings and shall adjust future lending and grant commitments should the level of asset coverage fall below the level expected for a triple-A entity.
- Management will monitor IDA's liquidity to ensure its ability to satisfy its borrowing and commitment obligations even under stressed conditions taking into account the level expected for a triple-A entity without callable capital.
- If IDA's access to the capital markets or alternative sources of cash funding is impaired, then no additional loan, credit or grant commitments will be approved until access to cash funding, has resumed or all market debt is repaid.

Credit Risk

IDA faces two types of credit risk: country credit risk and counterparty credit risk. Country credit risk is the risk of loss due to a country not meeting its contractual obligations, and counterparty credit risk is the risk of loss attributable to a counterparty not honoring its contractual obligations. IDA is exposed to commercial as well as noncommercial counterparty credit risk.

Country Credit Risk

IDA's lending management framework encompasses the long-standing PBA mechanism and allocation framework agreed at each replenishment, complemented by additional considerations required when accessing debt markets to ensure adherence to risk management (capital adequacy) requirements.

While the PBA framework was not originally intended as a credit quality metric, it incorporates factors related to country credit risk. The PBA determines the volume of concessional IDA resources allocated to each country, based on performance in implementing policies that promote economic growth and poverty reduction, as assessed under the Country Policy and Institutional Assessment (CPIA). The CPIA includes economic management criteria, such as fiscal policy and debt policy and management.

In addition to these considerations in the PBA, IDA assesses the country credit risk of all its borrowers. Based on these risk ratings, to manage overall portfolio risk, the allocation outcomes of the PBA and other mechanisms are reviewed to ensure that they are compatible with the Deployable Strategic Capital Framework and Single Borrower Limit.

Single Borrower Limit

Portfolio concentration risk, which arises when a small group of borrowing countries account for a large share of loans outstanding, is a key consideration for IDA. Concentration risk is managed through the SBL, which caps exposure to any single borrowing country at 25 percent of equity, in line with the Basel-based maximum exposure limit.

For FY20 the SBL has been set at $41 billion (25 percent of $163 billion of equity as of June 30, 2019), the same as for FY19. Currently, the maximum country exposure levels compatible with IDA's overall capital adequacy target are lower than the SBL for all IDA-borrowing countries. As a consequence, the SBL is not currently a constraining factor.

As of June 30, 2019, the ten countries with the highest exposures accounted for 67% of IDA's total exposure (**Figure 3**). IDA's largest exposure to a single borrowing country, India, was $23 billion as of June 30, 2019 (**Table 14**). Monitoring these exposures relative to the SBL, however, requires consideration of the repayment profiles of existing loans, as well as disbursement profiles and projected new loans and guarantees.

Debt Relief

IDA has participated in two comprehensive debt relief initiatives, HIPC and MDRI, adopted by the global development community to reduce the debt burdens of developing countries. In each case, IDA agreed to provide debt relief in return for future compensation from members for forgone reflows, ensuring that IDA's financial capacity would not be reduced. For a borrower to be eligible for debt relief on its loans with IDA, they are required to maintain macroeconomic stability, carry out key structural and social reforms, and maintain all loans in accrual status.

Probable Losses, Overdue Payments and Non-Performing Loans

When a borrower fails to make payments on any principal, interest or other charges due to IDA, IDA may suspend disbursements immediately on all loans and grants to that borrower. IDA's current practice is to exercise this option using a graduated approach (**Table 24)**. These practices also apply to member countries eligible to borrow from both IDA and IBRD, and whose payments on IBRD loans may become overdue. It is IDA's practice not to reschedule interest or principal payments on its loans or participate in debt rescheduling agreements with respect to its loans. As of June 30, 2019, one of the IDA borrowing countries in the accrual portfolio had overdue payments beyond 45 days.

Table 24: Treatment of Overdue Payments

Overdue by 30 days	Where the borrower is the member country, no new loans or grants to the member country, or to any other borrower in the country, will be presented to the Board for approval nor will any previously approved loans or grants be signed, until payments for all amounts 30 days overdue or longer have been received. Where the borrower is not the member country, no new loans or grants to that borrower will be signed or approved.
Overdue by 45 days	In addition to the provisions cited above for payments overdue by 30 days, to avoid proceeding further on the notification process leading to suspension of disbursements, the country as borrower or guarantor and all borrowers in the country must pay not only all payments overdue by 30 days or more, but also all payments due regardless of the number of days since they have fallen due. Where the borrower is not the member country, no new loans or grants to, or guaranteed by, the member country, will be signed or approved.
Overdue by 60 days	In addition to the suspension of approval for new loans or grants and signing of previously approved loans or grants, disbursements on all grants or loans to or guaranteed by the member country are suspended until all overdue amounts are paid. This policy applies even when the borrower is not the member country. Under exceptional circumstances, disbursements can be made to a member country upon the Board's approval.
Overdue by more than six months	All loans made to or guaranteed by a member of IDA are placed in nonaccrual status, unless IDA determines that the overdue amount will be collected in the immediate future. Unpaid service charges and other charges not yet paid on loans outstanding are deducted from the income for the current period. To the extent that these payments are received, they are included in income. At the time of arrears clearance, a decision is made on the restoration of accrual status on a case-by-case basis; in certain cases, this decision may be deferred until after a suitable period of payment performance has passed.

As an exception to the practices set forth in **Table 24**, IDA has provided financing to countries with overdue payments, in very specific situations:

- IDA has provided grants from its Crisis Response Window to third party UN agencies for use in Somalia and Zimbabwe in response to major crises, and;
- IDA has financed a few regional projects, for the benefit of countries with overdue payments to IDA, through its Regional Program Window.

In addition, IDA may engage with countries with overdue payments when a very narrow and well-defined set of criteria are met, including a clear path to arrears clearance. For more details on exceptional financing, see Section III: IDA's Financial Resources.

The loan-loss provision is calculated using IDA's exposure, the expected default frequency (EDF), or probability of default, and the estimated loss in the event of default. Probable losses inherent in the loan portfolio attributable to country credit risk are covered by the accumulated provision for losses on loans and other exposures, including PSW exposures, while unexpected losses owing to country credit risk are covered by equity.

A key determinant in the provision for losses on loans and other exposures is IDA's borrowing country credit risk ratings. These ratings are IDA's own assessment of borrowers' ability and willingness to repay IDA on time and in full.

In FY19, IDA recorded a $316 million loan loss provisioning charge, compared with a $548 million charge of provision in FY18. As of June 30, 2019, IDA had $157 billion of loans outstanding, of which loans in non-accrual status represent 1.6%. IDA's total provision for losses on loans was $2.8 billion (excluding accumulated provision for losses on debt relief) which represents a provisioning rate of 1.8%. IDA's provisioning rate on loans for FY15 through FY19 has been between 1.0% to 1.8%. For a summary of countries with loans or guarantees in nonaccrual status as of June 30, 2019, see Notes to Financial Statements–Note F–Loans and Other Exposures.

Commercial Counterparty Credit Risk

IDA is exposed to commercial counterparty credit risk. This is the normal risk that counterparties fail to meet their payment obligations under the terms of the contract or other financial instruments. Effective management of counterparty credit risk is vital to the success of IDA's funding, investment, and asset/liability management activities. The monitoring and management of these risks is continuous as the market environment evolves.

IDA mitigates the counterparty credit risk from its investment and derivative holdings through the credit approval process, the use of collateral agreements and risk limits, and other monitoring procedures. The credit approval process involves evaluating counterparty and product specific creditworthiness, assigning internal credit ratings and limits, and determining the risk profile of specific transactions. Credit limits are set and monitored throughout the year. Counterparty exposure is updated daily, taking into account; current market values of assets held, estimates of potential future movements-of exposure for derivative instruments, and related counterparty collateral agreements. Collateral posting requirements are based on thresholds driven by public credit ratings. Collateral held includes cash and highly rated liquid investment securities.

IDA's liquid asset portfolio consists mostly of sovereign government bonds, debt instruments issued by sovereign government agencies, and time deposits with banks. More than half of these investments are with issuers and counterparties rated triple-A or double-A. (**Table 26**)

Derivative Instruments

In the normal course of its business, IDA enters into various derivative instruments to manage foreign exchange and interest rate risks. These instruments are also used to help borrowers to manage their financial risks. Derivative transactions are conducted with other financial institutions and, by their nature, entail commercial counterparty credit risk.

While the volume of derivative activity can be measured by the contracted notional value of derivatives, notional value is not an accurate measure of credit or market risk. IDA uses the estimated replacement cost of the derivative instruments, or potential future exposure (PFE), to measure credit risk with counterparties.

Under IDA's mark-to-market collateral arrangements, IDA receives collateral when mark-to-market exposure is greater than the ratings-based collateral threshold. As of June 30, 2019, IDA had received $11 million of cash collateral for its derivative transactions (June 30, 2018 – $2 million).

Since becoming a rated entity, IDA has started to expand the number of derivative agreements that it has with commercial counterparties. In these agreements, IDA is not required to post collateral as long as it maintains a triple-A credit rating. See Notes to Financial Statements - Note E–Derivative Instruments for more details.

Investment Securities

IDA's Board-approved General Investment Authorization provides the basic authority for IDA to invest its liquid assets. Furthermore, all investment activities are conducted in accordance with a more detailed set of Investment Guidelines set by management. The Investment Guidelines are approved by the MDCFO and implemented by the Treasurer. The most recent update was in FY18, to incorporate the changes required under the IDA18 hybrid financing model. Issuer and product investment eligibility and risk parameters relative to benchmarks are core components of these Guidelines. The Guidelines also include a consultative loss limit to reflect a level of tolerance for the risk of underperforming the benchmark in any fiscal year and a duration deviation metric. Clear lines of responsibility for risk monitoring and compliance are highlighted in the Guidelines. Credit risk appetite is conveyed through specific eligibility criteria (**Table 25**). IDA has procedures in place to monitor performance against this limit and potential risks, and it takes appropriate actions if the limit is reached. All investments are subject to additional conditions specified by the Chief Risk Officer department, as deemed necessary.

Table 25: Eligibility Criteria for IDA's Investments

Eligible Investments[a]	Description
Sovereigns	IDA may only invest in obligations issued or unconditionally guaranteed by governments of member countries with a minimum credit rating of AA-. However, no rating is required if government obligations are denominated in the national currency of the issuer.
Agencies	IDA may invest only in obligations issued by an agency or instrumentality of a government of a member country, a multilateral organization, or any other official entity other than the government of a member country, with a minimum credit rating of AA-.
Corporates and asset-backed securities	IDA may only invest in securities with a triple-A credit rating.
Time deposits[b]	IDA may only invest in time deposits issued or guaranteed by financial institutions, whose senior debt securities are rated at least A-.
Commercial Paper	IDA may only invest in short-term borrowings (less than 190 days) from commercial banks, corporates, and financial institutions with at least two Prime-1 ratings.
Securities lending, and borrowing, repurchases, resales, and reverse repurchases	IDA may engage in securities lending, against adequate collateral repurchases and reverse repurchases, against adequate margin protection, of the securities described under the sovereigns, agencies, and corporates and asset-backed security categories.
Collateral Assets	IDA may engage in collateralized forward transactions, such as swap, repurchase, resale, securities lending, or equivalent transactions that involve certain underlying assets not independently eligible for investment. In each case, adequate margin protection needs to be received.

a. All investments are subject to approval by the Chief Risk Officer department and must appear on the "Approved List" created by the department.

b. Time deposits include certificates of deposit, bankers' acceptances and other obligations issued or unconditionally guaranteed by banks or other financial institutions.

Commercial Counterparty Credit Risk Exposure

As a result of IDA's use of mark-to-market collateral arrangements for swap transactions, its residual commercial counterparty credit risk exposure is concentrated in the investment portfolio, in instruments issued by sovereign governments and non-sovereign holdings (including Agencies, Asset backed securities, Corporates, and Time Deposits). (**Table 26**).

The credit quality of IDA's investment portfolio remains concentrated in the upper end of the credit spectrum with 60% of the portfolio rated AA or above as of June 30, 2019, reflecting IDA's continued preference for highly rated securities and counterparties across all categories of financial instruments. Total commercial counterparty credit exposure, net of collateral held, was $32,292 million as of June 30, 2019.

Table 26: Commercial Credit Exposure, Net of Collateral Held, by Counterparty Rating

In millions of U.S. dollars, except rates in percentages

As of	June 30, 2019				June 30, 2018			
Counterparty Rating [a]	Sovereigns	Non-Sovereigns	Total Exposure	% of Total	Sovereigns	Non-Sovereigns	Total Exposure	% of Total
AAA	$ 2,744	$ 7,294	**$ 10,038**	31	$ 6,586	$ 5,003	**$ 11,589**	32
AA	1,613	7,579	**9,192**	29	2,659	6,861	**9,520**	27
A	9,435	3,626	**13,061**	40	9,752	4,783	**14,535**	41
BBB or below	-	1	**1**	*	30	3	**33**	*
Total	**$ 13,792**	**$ 18,500**	**$ 32,292**	**100**	**$ 19,027**	**$ 16,650**	**$ 35,677**	**100**

a. Average rating is calculated using available ratings for the three major rating agencies; however, if ratings are not available from each of the three rating agencies, IDA uses the average of the ratings available from any of such rating agencies or a single rating to the extent that an instrument or issuer (as applicable) is rated by only one rating agency.

** indicates percentage less than 0.5%*

For the contractual value, notional amounts and related credit risk exposure amounts by instrument see Notes to Financial Statements - Note E- Derivative Instruments.

Credit and Debit Valuation Adjustments

Most outstanding derivative positions are transacted over-the-counter and therefore valued using internally developed valuation models. For commercial and non-commercial counterparties where IDA has a net exposure (net receivable position), IDA calculates a

Credit Value Adjustment (CVA) to reflect credit risk. For net derivative positions with commercial and non-commercial counterparties where IDA is in a net payable position, IDA calculates a Debit Valuation Adjustment (DVA) to reflect its own credit risk.

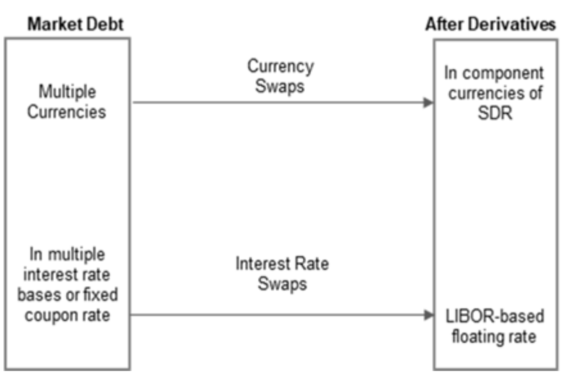
The CVA is calculated using the fair value of the derivative contracts, net of collateral received under credit support agreements, and the probability of counterparty default based on the Credit Default Swaps (CDS) spread and, where applicable, proxy CDS spreads. IDA does not currently hedge this exposure. The DVA calculation is generally consistent with the CVA methodology and incorporates IDA's own credit spread as observed through the CDS market. As of June 30, 2019, IDA recorded a CVA adjustment on its balance sheet of $2 million, and a DVA of less than $1 million, on outstanding derivatives.

Market Risk

IDA is exposed to changes in interest and exchange rates. The introduction of market debt financing into IDA's business model from IDA18 presents additional exposures. Accordingly, IDA has updated its ALM Framework in order to minimize its exposure to market risk associated with this new debt issuance. The impending discontinuance of LIBOR and the transition to alternative reference rates also presents a significant risk to IDA's activities.

IDA uses derivatives to manage its exposure to various market risks. These are used to align the interest and currency composition of its assets (loan and investment trading portfolios) with that of its liabilities (borrowing portfolio) and equity. **Figure 7** below illustrates the use of derivatives for market borrowing portfolios. Loan and investment portfolios are largely maintained in SDR and its component currencies.

Figure 7: Use of Derivatives for Market Borrowings



Interest Rate Risk

IDA is exposed to interest rate risk due to mismatches between its assets (loan and investment portfolios) and its liabilities (borrowing portfolio) both in terms of maturity and instrument type. Given IDA's lengthy disbursement profile, the duration of IDA's assets are relatively long. This long duration, combined with volatility in market interest rates, would result in significant year-on-year variability in the fair value of IDA's equity (difference between the fair value of IDA's assets and its liabilities). Management continues to monitor and evaluate mitigation measures**.** However, since the loan portfolio is not reported at fair value under U.S. GAAP the impact of this variability on IDA's reported Balance Sheet is not fully evident. **Table 27** provides a fair value estimate of IDA's financial assets and liabilities.

As of June 30, 2019, IDA's investment-trading portfolio (liquid asset portfolio) had a duration of eighteen months. During FY19, this portfolio experienced unrealized mark-to-market gains of $351 million as a result of the decrease in the yield curves of major currencies. In contrast, the portfolio experienced unrealized mark-to-market losses of $128 million in FY18, due to the increase in yield curves during that time.

Under IDA18, the investment-trading portfolio was adjusted to reflect the new financing model. The portfolio has transitioned from the previous tranche structure to a sub-portfolio structure which is comprised of a Stable portfolio, Discretionary portfolio and an Operational portfolio. See Section VII: Investment Activities.

Under the new integrated financing model, IDA employs the following strategies to continue to enhance its management of interest rate risk:

- The capital adequacy policies factor in the sensitivity to interest rates.
- Matching interest rates between assets and related funding to minimize open interest rate positions.
- The funding risk related to the mismatch between the maturity profile of the debt funding and the related assets is monitored through duration measurements and adjustments to capital requirements to cover this risk.

Alternative Reference Rate

In July 2017, the U.K. Financial Conduct Authority (FCA), regulator of the London Interbank Offered Rate (LIBOR), announced that banks would not be required to submit rates for LIBOR after 2021. The announcement created uncertainty about LIBOR's future and its implications for other rates and indices used as benchmarks.

IDA's investment, loan, and borrowing portfolios all have instruments that use LIBOR as a reference rate, as well as derivative transactions that support these portfolios. The planned replacement of LIBOR presents risks to the financial instruments IDA holds or originates. The risks related to the transition include valuation issues that may arise from the unavailability of suitable alternative reference rates, operational risk, and potential impacts on financial results.

Given the uncertainty about availability of suitable alternative reference rates, IDA is actively participating in industry working groups and collaborating with stakeholders to prepare for the change. IDA has an ongoing program to identify, evaluate and mitigate the risks involved with the transition of its transactions and products to alternative reference rates.

Exchange Rate Risk

IDA faces foreign exchange rate risk exposure as a result of the currency mismatch between its commitments for loans and grants, which are mainly denominated in SDRs; equity contributions from members, which are typically denominated in national currencies; and the portion of IDA's internal resources and expenditures that is denominated in U.S. dollars.

Changes in exchange rates affect the capital adequacy of IDA when the currency of the equity funding the loan portfolio is different from that of the loan exposure. Accordingly, the aim of IDA's exchange rate risk management is the protection of IDA's financial capacity, as measured by the capital adequacy framework.

The key components of IDA's foreign exchange risk mitigation framework include:

- Aligning the currency composition of the funding sources with the currency composition of IDA's assets.
- Non-SDR sources of funding will be hedged to SDRs, where required, to lock-in the SDR value. Adjusting the currency of funding sources when single currency credits are approved, in order to maintain the alignment of currency composition of loans to sources of funding.
- Aligning the currency composition of its equity to that of the currency composition of required capital ("Total Resources Required" measure in capital adequacy framework).

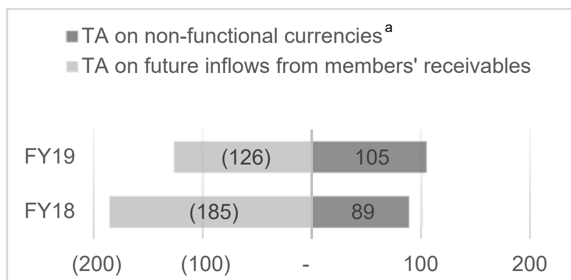
The reported levels of its assets, liabilities, income, and expenses in the financial statements are affected by exchange rate movements in all the currencies in which IDA transacts, relative to its reporting currency, the U.S. dollar. These movements are shown as currency translation adjustments. Translation adjustments relating to the revaluation of assets and liabilities denominated in SDR and SDR component currencies, (IDA's functional currencies), are reflected in Accumulated Other Comprehensive Income, in equity. Translation adjustments relating to non-functional currencies are reported in IDA's Statement of Income (see Note A: Summary of Significant Accounting and Related Policies in the Notes to the Financial Statements).

IDA uses currency forward contracts to convert future inflows from members' receivables provided in national currencies into the five currencies of the SDR basket. As of June 30, 2018, IDA had entered into $13.2 billion in notional foreign exchange forwards directly with market counterparts in order to manage exchange rate risk. IDA's economic hedges have been regularly rebalanced during FY19. For further details, see Notes to Financial Statements–Note E–Derivative Instruments.

The payable leg of the currency forward contracts economically hedging member equity contribution pledges is denominated in non-functional currencies. Accordingly, appreciation (depreciation) of these currencies against the U.S. dollar results in exchange rate losses (gains), which are reported in the Statement of Income. The translation adjustment on future inflows from members is the economic offset to the translation adjustment on non-functional currencies of currency forward contracts.

Figure 8: Translation Adjustment on non-functional currencies

(in millions of U.S. dollars)



a. *Reported in IDA's Statement of Income*

In FY19, the translation adjustment gains on non-functional currencies were due to the depreciation of the majority of the non-functional currencies against the U.S. dollar. The depreciation was more prominent in FY19 compared to FY18.

The difference between the reported translation adjustments and the effect of foreign exchange movements on the economic offsets (future inflows), primarily represent the effect of foreign exchange movements on the member equity contributions in non-functional currencies that are not economically hedged through forward contracts due to their relatively small contribution amount or the unpredictability of the expected payment date. These residual equity contributions are hedged using a currency correlation methodology under the overall currency management framework.

Liquidity Risk

Liquidity risk arises in the general funding of IDA's activities and in managing its financial position. It includes the risk of IDA being unable to fund its portfolio of assets at appropriate maturities and rates, and the risk of being unable to liquidate a position in a timely manner at a reasonable price.

IDA's liquidity management guidelines were revised in FY18 to reflect the integrated financing model under IDA18. IDA's aggregate liquid asset holdings are now kept above a specified prudential minimum to safeguard against cash flow interruptions. The Prudential Minimum is equal to 80% of 24 months of projected net outflows. For FY19 the prudential minimum was $15.9 billion. For FY20, the prudential minimum has been set at $18.8 billion.

IDA will hold liquidity above the prudential minimum to ensure sufficient liquidity under a wide range of shock scenarios as well as to give it flexibility in timing its borrowing transactions and to meet working capital needs.

Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

IDA recognizes the importance of operational risk management activities, which are embedded in its financial operations. As part of its business activities, IDA is exposed to a range of operational risks including physical security and staff health and safety, cyber security, business continuity, and external vendor risks. IDA's approach to managing operational risk includes a dedicated program for these risks and a robust process that includes identifying, assessing and prioritizing operational risks, monitoring and reporting relevant key risk indicators, aggregating and analyzing internal and external events, and identifying emerging risks that may affect business units and developing risk response and mitigating actions.

Section X: Fair Value Analysis

Fair Value Analysis and Results

Fair value reflects the most current and complete expectation and estimation of the value of assets and liabilities. It aids comparability and can be useful in decision-making. On a reported basis, IDA's loans and borrowings, in the form of concessional loans from members, are carried at amortized cost, while all instruments in its investment portfolio (trading and non-trading) and existing market debt are carried at fair value. Whilst IDA intends to hold its loans and borrowings to maturity, a fair value estimate of IDA's financial assets and liabilities along with their respective carrying values is presented in **Table 27**.

The fair value of these instruments is affected by changes in market variables such as interest rates, exchange rates, and credit risk. Management uses fair value to assess the performance of the investment-trading portfolio, and to manage various market risks, including interest rate risk and commercial counterparty credit risk. **Table 27** shows that IDA's equity on a fair value basis ($143 billion) is less than on a carrying value basis ($163 billion) primarily due to the $18.2 billion negative fair value adjustment on IDA's net loans outstanding. This negative fair value adjustment arises due to the concessional nature of IDA's loans; IDA's interest rates are below market rates for the given maturity of its loans and risk profile of the borrowers.

The fair value of loans is calculated using market-based methodologies, which incorporate the respective borrowers' Credit Default Swap (CDS) spreads and, where applicable, proxy CDS spreads. Basis adjustments are applied to market recovery levels to reflect IDA's recovery experience. The fair value of borrowings from members is calculated using a discounted cash flow method which relies on market observable inputs such as yield curves, foreign exchange rates, basis spreads and funding spreads.

Loan Portfolio

As of June 30, 2019, for the fair value basis, there was an $18.2 billion negative adjustment on IDA's net loans outstanding bringing the fair value to $133.8 billion. This compares with a $27.1 billion adjustment as of June 30, 2018, bringing the fair value to $118.5 billion. The $9 billion variance in the adjustment was driven primarily by the decrease in derived SDR interest rates.

Borrowings

The fair value of borrowings from members increased from $6.7 billion as of June 30, 2018 to $8.5 billion as of June 30, 2019. The increase was primarily driven by the new borrowings during the year and impact of decrease in interest rates.

Table 27: Fair Value Estimates and Reported Basis Value

In millions of U.S. dollars

As of June 30,	2019		2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Due from Banks	$ 138	$ 138	$ 523	$ 523
Investments (including securities purchased under resale agreements)	32,770	32,770	36,075	36,075
Net Loans Outstanding	151,921	133,764	145,656	118,508
Derivative assets, net	487	487	250	250
Receivable from affiliated organization	878	878	816	816
Other assets	2,359	2,359	1,346	1,346
Total Assets	**$ 188,553**	**$ 170,396**	**$ 184,666**	**$ 157,518**
Liabilities				
Borrowings				
Concessional partner loans	$ 6,770	$ 8,507	$ 5,811	$ 6,660
Market Borrowings	3,432	3,432	1,494	1,494
Securities sold/lent under repurchase agreements/securities lending agreements, and payable for cash collateral received	698	698	2,541	2,541
Derivative liabilities, net	22	22	296	296
Payable for grants	12,345	12,345	8,743	8,743
Payable to affiliated organization	522	522	479	479
Other liabilities	1,782	1,782	1,357	1,357
Total Liabilities	**$ 25,571**	**$ 27,308**	**$ 20,721**	**$ 21,570**
Equity	**$ 162,982**	**$ 143,088**	**$ 163,945**	**$ 135,948**
Total Liabilities and Equity	**$ 188,553**	**$ 170,396**	**$ 184,666**	**$ 157,518**

Section XI: Critical Accounting Policies and the Use of Estimates

IDA's significant accounting policies, as well as estimates made by Management, are integral to its financial reporting. While all of these policies require a certain level of judgment and estimates, significant policies require Management to make highly difficult, complex, and subjective judgments as these relate to matters inherently uncertain and susceptible to change. Note A to the financial statements contains a summary of IDA's significant accounting policies including a discussion of recently issued accounting pronouncements.

Fair Value of Financial Instruments

All fair value adjustments are recognized through the Income Statement. Since IDA has elected the fair value option for existing market debt instruments in its borrowing portfolio, starting July 1, 2018, upon adoption of ASU 2016-01, IDA will reflect the portion of the change in fair value of these instruments that results from a change in IDA's own credit in Other Comprehensive Income.

The fair values of financial instruments are based on a three-level hierarchy.

For financial instruments classified as Level 1 or 2, less judgment is applied in arriving at fair value measures as the inputs are based on observable market data. For financial instruments classified as Level 3, unobservable inputs are used. These require Management to make important assumptions and judgments in determining fair value measures. Investments measured at net asset value per share (or its equivalent) are not classified in the fair value hierarchy.

Derivative contracts include currency forward contracts, swaptions, plain vanilla swaps, and structured swaps are valued using the standard discounted cash flow methods using market observable inputs such as yield curves, foreign exchange rates and basis spreads.

In instances where management relies on instrument valuations supplied by external pricing vendors, there are procedures in place to validate the appropriateness of the models used as well as the inputs applied in determining those values.

The majority of IDA's financial instruments which are recorded at fair value are classified as Level 1 and Level 2 as of June 30, 2019, as the inputs are based on observable market data and less judgment is applied in arriving at fair value measures.

On a quarterly basis, the methodology, inputs and assumptions are reviewed to assess the appropriateness of the fair value hierarchy classification of each financial instrument. All the financial models used for input to IDA's financial statements are subject to both internal and periodic external verification and review by qualified personnel.

Provision for Losses on Loans and Other Exposures

IDA's accumulated provision for losses on loans and other exposures reflects the probable losses inherent in its nonaccrual and accrual portfolios after taking into consideration the expected relief under the HIPC Debt Initiative and MDRI and any provision for losses on the buy-down of loans. The provision required is a function of the expected default frequency and the assumed severity of the loss given default for each of the borrowers.

The expected default frequency is based on the borrower's assigned risk rating. The determination of a borrower's risk rating is based on a quantitative framework which relies primarily on considerations of political risk, external debt and liquidity, fiscal policy and public debt burden, balance of payments risks, economic structure and growth prospects, monetary and exchange rate policy, financial sector risks and corporate sector debt and other vulnerabilities. IDA periodically reassesses the adequacy of the accumulated provision for losses on loans and other exposures.

Adjustments to the accumulated provision are recorded as a charge or a release of provision in the Statement of Income. Actual losses may differ from expected losses due to unforeseen changes in any of the factors that affect borrowers' creditworthiness.

The Credit Risk Committee monitors aspects of country credit risk, in particular, reviewing the provision for losses on loans and guarantees taking into account, among other factors, any changes in exposure, risk ratings of borrowing member countries, or movements between the accrual and non-accrual portfolios.

Additional information on IDA's provisioning policy and the status of nonaccrual loans can be found in the Notes to Financial Statements-Note A-Summary of Significant Accounting and Related Policies and Note F- Loans and Other Exposures.

Provision for HIPC Debt Initiative and MDRI

The HIPC Debt Initiative is a comprehensive approach to reduce the external debt of the world's poorest, most heavily indebted countries. See Section VI: Other Development Activities and Programs and Section IX: Risk Management.

The list of countries potentially eligible under the HIPC framework has been limited. No new countries are considered for eligibility unless they met the criteria as at the end of 2004 as specified in the initiative.

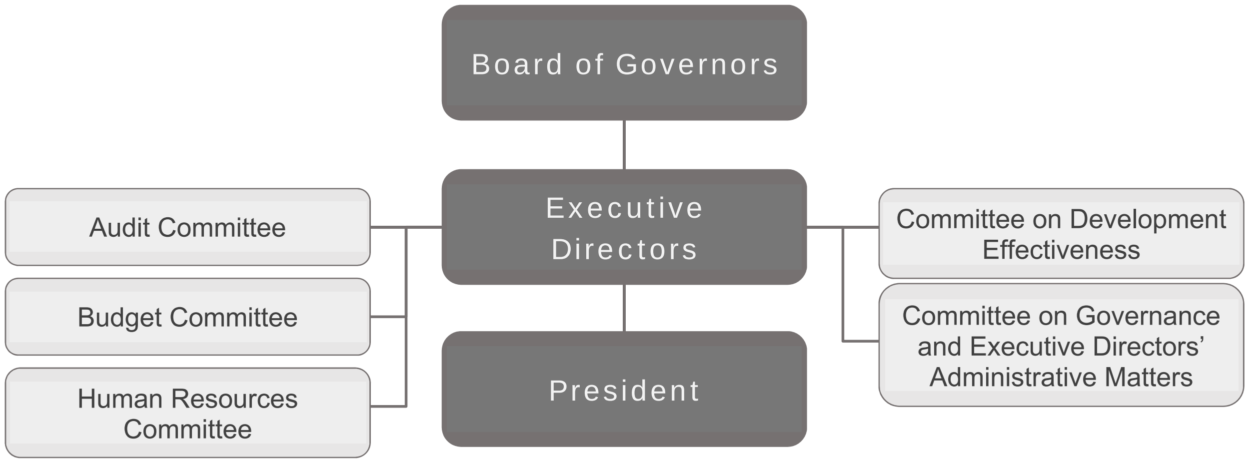
The MDRI, approved by the Board in June 2006, provides additional debt relief through cancellation of eligible debt owed to IDA by countries that reach the HIPC completion point.

IDA records a provision for all the estimated probable write-offs of loans outstanding for debt relief to be delivered under the HIPC Debt Initiative and MDRI. Donors have agreed to compensate IDA through member contributions for the foregone loan reflows under the HIPC Debt Initiative and MDRI.

The adequacy of the accumulated provision for the HIPC Debt Initiative and MDRI is based on both quantitative and qualitative analyses of various factors, including estimates of Decision and Completion Point dates of eligible countries. IDA periodically reviews these factors and reassesses the adequacy of the accumulated provision for the HIPC Debt Initiative and MDRI. Adjustments to the accumulated provision are recorded as a charge against or addition to income.

Section XII: Governance and Internal Controls

Figure 9: Governance Structure



General Governance

IDA's decision-making structure consists of the Board of Governors, the Executive Directors, the President, Management and staff. The Board of Governors is the highest decision-making authority. Governors are appointed by their member governments for a five-year term, which is renewable. The Board of Governors may delegate authority to the Executive Directors (referred to as the Board in this document) to exercise any of its powers, except for certain powers enumerated in the IDA Articles. IDA has its own policies and frameworks that are carried out by staff that share responsibilities for both IDA and IBRD.

Executive Directors

In accordance with the Articles, Executive Directors are appointed or elected every two years by their member governments. The Board currently has 25 Executive Directors who represent all 173-member countries. Executive Directors are neither officers nor staff of IDA. The President is the only member of the Board from management, and he serves as a non-voting member and as Chairman of the Board.

The Board is required to consider proposals made by the President on IDA loans, grants and guarantees and on other policies that affect its general operations. The Board is also responsible for presenting to the Board of Governors, at the Annual Meetings, audited accounts, an administrative budget, and an annual report on operations and policies and other matters.

The Board and its committees are in continuous sessions at the main World Bank offices in Washington DC, as business requires. Each committee's terms of reference establish its respective roles and responsibilities. As committees do not vote on issues, their role is primarily to serve the Board in discharging its responsibilities.

The committees are made up of eight members and function under their respective terms of reference. These committees are as follows:

- Audit Committee - assists the Boards in overseeing the IDA's finances, accounting, risk management and internal controls (See further explanation below).
- Budget Committee - assists the Boards in approving the World Bank's budget and in overseeing the preparation and execution of the IDA's business plans. The committee provides guidance to management on strategic directions of IDA.
- Committee on Development Effectiveness - supports the Boards in assessing the IDA's development effectiveness, providing guidance on strategic directions of IDA, monitoring the quality and results of operations.
- Committee on Governance and Executive Directors' Administrative Matters - assists the Boards in issues related to the governance of IDA, the Boards' own effectiveness, and the administrative policy applicable to Executive Directors' offices.
- Human Resources Committee- strengthens the efficiency and effectiveness of the Board in discharging its oversight responsibility on the World Bank's human resources strategy, policies and practices, and their alignment with the business needs of the organization.

Audit Committee

Membership

The Audit Committee consists of eight Executive Directors. Membership in the Audit Committee is determined by the Board, based on nominations by the Chairman of the Board, following informal consultation with Executive Directors.

Key Responsibilities

The Audit Committee is appointed by the Board for the primary purpose of assisting the Board in overseeing IDA's finances, accounting, risk management, internal controls and institutional integrity. Specific responsibilities include:

- Oversight of the integrity of IDA's financial statements.
- Appointment, qualifications, independence and performance of the External Auditor.
- Performance of the Internal Audit Department.
- Adequacy and effectiveness of financial and accounting policies and internal controls and the mechanisms to deter, prevent and penalize fraud and corruption in IDA operations and corporate procurement.
- Effective management of financial, fiduciary and compliance risks in IDA.
- Oversight of the institutional arrangements and processes for risk management across IDA

In carrying out its role, the Audit Committee discusses financial issues and policies that affect IDA's financial position and capital adequacy, with Management, external auditors, and internal auditors. It also recommends the annual audited financial statements for approval to the Board. The Audit Committee monitors and reviews developments in corporate governance and its own role on an ongoing basis.

Executive Sessions

Under the Audit Committee's terms of reference, it may convene an executive session at any time, without Management's presence. The Audit Committee meets separately in executive session with the external and internal auditors.

Access to Resources and to Management

Throughout the year, the Audit Committee receives a large volume of information to enable it to carry out its duties and meets both formally and informally throughout the year to discuss relevant matters. It has complete access to Management, and reviews and discusses with Management topics considered in its terms of reference.

The Audit Committee has the authority to seek advice and assistance from outside legal, accounting, or other advisors as it deems necessary.

Business Conduct

The WBG promotes a positive work environment in which staff members understand their ethical obligations to the institution. In support of this commitment, the institution has in place a Code of Conduct. The WBG has both an Ethics Helpline and a Fraud and Corruption hotline. A third-party service offers many methods of worldwide communication. Reporting channels include telephone, mail, email, or confidential submission through a website.

IDA has in place procedures for receiving, retaining, and handling recommendations and concerns relating to business conduct identified during the accounting, internal control, and auditing processes.

WBG staff rules clarify and codify the staff's obligations in reporting suspected fraud, corruption, or other misconduct that may threaten the operations or governance of the WBG. These rules also offer protection from retaliation.

Auditor Independence

The appointment of the external auditor for IDA is governed by a set of Board-approved principles. These include:

- Limits on the external auditor's provision of non-audit-related services;
- Requiring all audit-related services to be pre-approved on a case-by-case basis by the Board, upon recommendation of the Audit Committee; and
- Renewal of the external audit contract every five years, with a limit of two consecutive terms and mandatory rotation thereafter.

In FY17, the Board approved amendments to the policy on the appointment of an external auditor which now permits the external auditor to provide non-prohibited, non-audit related services subject to monetary limits.

Broadly, the list of prohibited non-audit services include those that would put the external auditor in the roles typically performed by management and in a position of auditing their own work, such as accounting services, internal audit services, and provision of investment advice. The total non-audit services fees over the term of the relevant external audit contract shall not exceed 70 percent of the audit fees over the same period.

Communication between the external auditor and the

Audit Committee is ongoing and carried out as often as deemed necessary by either party. The Audit Committee meets periodically with the external auditor and individual committee members have independent access to the external auditor. IDA's external auditors also follow the communication requirements with the Audit Committee set out under generally accepted auditing standards in the United States.

External Auditors

The external auditor is appointed to a five-year term, with a limit of two consecutive terms, and is subject to annual reappointment based on the recommendation of the Audit Committee and approval of a resolution by the Board. FY18 was the final year of KPMG LLP's second term as IDA's external auditor.

Following a mandatory rebidding of the external audit contract, IDA's Board approved the appointment of Deloitte & Touche, LLP as IDA's external auditor for a five-year term commencing in FY19.

Senior Management Changes

Effective February 1, 2019, Jim Yong Kim resigned as the President of the World Bank Group. David Malpass was appointed as the President of the World Bank Group effective April 9, 2019.

Effective December 1, 2018, Arunma Oteh retired as Vice President and Treasurer of IDA. Jingdong Hua was appointed as Vice President and Treasurer of IDA, effective January 1, 2019.

Effective December 3, 2018, Joaquim Levy retired as Managing Director and WBG Chief Financial Officer (MDCFO). On July 12, 2019, Anshula Kant was appointed as the new MDCFO. Bernard Lauwers has been the acting MDCFO and will continue in that role until Ms. Kant assumes her position.

Effective February 1, 2019:

- Bernard Lauwers accepted a special assignment with the office of the Chief Executive Officer, and Jorge Familiar was appointed as the new Vice President and World Bank Group Controller.
- Akihiko Nishio was appointed as Vice President, Development Finance (DFi), succeeding Axel Van Trotsenburg who was appointed as the new Vice President for Latin America & Caribbean region.

Internal Controls

Internal Control over Financial Reporting

Each fiscal year, Management evaluates the internal control over financial reporting to determine whether any changes made in these controls during the fiscal year materially affect, or would be reasonably likely to materially affect, IDA's internal control over financial reporting. The internal control framework promulgated by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), "Internal Control - Integrated Framework (2013)" provides guidance for designing, implementing and conducting internal control and assessing its effectiveness. IDA uses the 2013 COSO framework to assess the effectiveness of the internal control over financial reporting. As of June 30, 2019, management maintained effective internal control over financial reporting. See "Management's report regarding effectiveness of Internal Control over Financial Reporting" on page 52.

IDA's internal control over financial reporting was audited by Deloitte & Touche, LLP, and their report expresses an unqualified opinion on the effectiveness of IDA's internal control over financial reporting as of June 30, 2019. See Independent Auditor's Report on page 54.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed is gathered and communicated to Management as appropriate, to allow timely decisions regarding required disclosure by IDA. Management conducted an evaluation of the effectiveness of such controls and procedures and the President and the MDCFO have concluded that these controls and procedures were effective as of June 30, 2019.

Appendix

Glossary of Terms

Blend Borrower: IDA Member that is eligible to borrow from IDA on the basis of per capita income and is also eligible to borrow from IBRD. Given the access to both sources of funds, blend borrowers are expected to limit IDA funding to social sector projects and to use IBRD resources for projects in the other sectors.

Board: The Executive Directors as established by IDA's Articles of Agreement.

Commitment Authority: Total value of resources available during a particular replenishment including member equity contributions, borrowings, internal resources, IBRD transfers, IFC grants and other resources.

Completion Point: When conditions specified in the legal notification sent to a country are met and the country's other creditors have confirmed their full participation in the HIPC debt relief initiative. When a country reaches its Completion Point, IDA's commitment to provide the total debt relief for which the country is eligible, becomes irrevocable.

Consultative Loss Limit: Reflects a level of IDA's tolerance for risk of underperforming the benchmark in any fiscal year.

Deputies: Representatives of IDA's contributing partners, known as "the IDA Deputies".

Duration: Duration provides an indication of the interest rate sensitivity of a fixed income security to changes in its underlying yield.

Encashment: Draw down (payment in cash) of a demand note in accordance with a schedule agreed for each replenishment.

Externally Financed Output (EFO): An instrument for receiving external contributions to support the Bank's work program, typically, for amounts under $1 million, however larger amounts can also be received.

Graduate Member: A member country that was once eligible to borrow from IDA, however due to improvements in the member's economic results is no longer eligible to borrow from IDA and is deemed to have "graduated" to IBRD.

Instrument of Commitment (IoC): The instrument through which a government commits to make a subscription or a subscription and contribution to IDA's resources.

Net Disbursements: Loans and grant disbursements net of repayments and prepayments.

Prudential Minimum: The minimum amount of liquidity that IDA is required to hold. It represents 80% of twenty-four months coverage as calculated at the start of every fiscal year.

Replenishment: The process of regular review of the adequacy of IDA resources and authorization of additional subscriptions**.** Under IDA's Articles, replenishments are required to be approved by IDA's Board of Governors by a two-thirds majority of the total voting power.

Special Drawing Rights (SDR): The SDR is an international reserve asset, created by the International Monetary Fund in 1969 to supplement the existing official reserves of member countries. The SDR is defined as a basket of currencies, consisting of the Chinese Renminbi, Euro, Japanese Yen, Pound Sterling, and U.S. dollar. The basket composition is reviewed every five years to ensure that it reflects the relative importance of currencies in the world's trading and financial systems.

Voting Rights: IDA's voting rights consist of a combination of membership and subscription votes.

World Bank: The World Bank consists of IBRD and IDA.

World Bank Group (WBG): The World Bank Group consists of the IBRD, IDA, IFC, MIGA and ICSID.

List of Tables, Figures and Boxes

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International Development Association (IDA)
FINANCIAL STATEMENTS AND INTERNAL CONTROL REPORTS

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June 30, 2019

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The World Bank
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street N.W.
Washington, D.C. 20433
U.S.A.

(202) 477-1234
Cable Address: INTBAFRAD
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Management's Report Regarding Effectiveness of Internal Control over Financial Reporting

August 8, 2019

The management of the International Development Association (IDA) is responsible for the preparation, integrity, and fair presentation of its published financial statements. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and include amounts based on informed judgments and estimates made by management.

The financial statements have been audited by an independent audit firm, which was given unrestricted access to all financial records and related data, including minutes of all meetings of the Executive Directors and their Committees. Management believes that all representations made to the independent auditors during their audit of IDA's financial statements and audit of its internal control over financial reporting were valid and appropriate. The independent auditors' reports accompany the audited financial statements.

Management is responsible for establishing and maintaining effective internal control over financial reporting for financial statement presentations in conformity with accounting principles generally accepted in the United States of America. Management maintains a comprehensive system of controls intended to ensure that transactions are executed in accordance with management's authorization, assets are safeguarded, and financial records are reliable. The system of internal control contains monitoring mechanisms, and actions are taken to correct deficiencies identified. Management believes that internal control over financial reporting supports the integrity and reliability of the external financial statements.

There are inherent limitations in the effectiveness of any internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective internal controls can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal controls may vary over time.

IDA assessed its internal control over financial reporting for financial statement presentation in conformity with accounting principles generally accepted in the United States of America as of June 30, 2019. This assessment was based on the criteria for effective internal control over financial reporting described in the *Internal Control-Integrated Framework* (*2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based upon this assessment, management believes that IDA maintained effective internal control over financial reporting presented in conformity with accounting principles generally accepted in the United States of America as of June 30, 2019. The independent audit firm that audited the financial statements has issued an Independent Auditors' Report which expresses an opinion on IDA's internal control over financial reporting.

The Executive Directors of IDA have appointed an Audit Committee responsible for monitoring the accounting practices and internal controls of IDA. The Audit Committee is comprised entirely of Executive Directors who are independent of IDA's management. The Audit Committee is responsible for recommending to the Executive Directors the selection of independent auditors. It meets periodically with management, the independent auditors, and the internal auditors to ensure that they are carrying out their responsibilities. The Audit Committee is responsible for performing an oversight role by reviewing and monitoring the financial, accounting and auditing procedures of IDA in addition to reviewing IDA's financial reports. The independent auditors and the internal auditors have full and free access to the Audit Committee, with or without the presence of management, to discuss the adequacy of internal control over financial reporting and any other matters which they believe should be brought to the attention of the Audit Committee.

David Malpass
President

Bernard Lauwers
Acting Managing Director and World Bank Group Chief Financial Officer

Jorge Familiar
Vice President and World Bank Group Controller

Deloitte.

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INDEPENDENT AUDITORS' REPORT

President and Board of Executive Directors
International Development Association:

We have audited the internal control over financial reporting of the International Development Association ("IDA") as of June 30, 2019, based on the criteria established in the *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Management's Responsibility for Internal Control over Financial Reporting

Management is responsible for designing, implementing, and maintaining effective internal control over financial reporting, and for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying Management's Report Regarding Effectiveness of Internal Control Over Financial Reporting.

Auditors' Responsibility

Our responsibility is to express an opinion on IDA's internal control over financial reporting based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

An audit of internal control over financial reporting involves performing procedures to obtain audit evidence about whether a material weakness exists. The procedures selected depend on the auditor's judgment, including the assessment of the risks that a material weakness exists. An audit includes obtaining an understanding of internal control over financial reporting and testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction, of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, IDA maintained, in all material respects, effective internal control over financial reporting as of June 30, 2019, based on the criteria established in the *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Report on Consolidated Financial Statements

We also have audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheet as of June 30, 2019, and the related statements of income, comprehensive income, changes in accumulated deficit and cash flows for the year ended June 30, 2019 of IDA, and our report dated August 8, 2019 expressed an unmodified opinion on those financial statements.

Deloitte & Touche LLP

August 8, 2019

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INDEPENDENT AUDITORS' REPORT

President and Board of Executive Directors
International Development Association:

We have audited the accompanying financial statements of the International Development Association ("IDA"), which comprise the balance sheet as of June 30, 2019, and the related statements of income, comprehensive income, changes in accumulated deficit, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to IDA's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IDA as of June 30, 2019, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Predecessor Auditors' Opinion on 2018 Financial Statements

The financial statements of IDA as of and for each of the years in the two year period ended June 30, 2018, before the effects of the adjustments to retrospectively apply the change in presentation of derivative balances as discussed in Note A to the financial statements, were audited by other auditors whose report, dated August 9, 2018, expressed an unmodified opinion on those statements. We have audited the adjustments to the 2018 financial statements to retrospectively apply the change in accounting for the presentation of derivative balances in 2018, as discussed in Note A to the financial statements. In our opinion, such retrospective adjustments are appropriate and have been properly applied. However, we were not engaged to audit, review, or apply any procedures to the 2018 financial statements of IDA other than with respect to the retrospective adjustments, and accordingly, we do not express an opinion or any other form of assurance on the 2018 financial statements taken as a whole.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the 2019 financial statements as a whole. The summary statement of loans and the statement of voting power and subscriptions and contributions as of June 30, 2019 ("supplemental information") listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the financial statements. This supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such 2019 information has been subjected to the auditing procedures applied in our audit of the 2019 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2019 financial statements or to the 2019 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such 2019 information is fairly stated in all material respects in relation to the 2019 financial statements as a whole. The 2018 supplemental information was subjected to auditing procedures by other auditors whose report, dated August 9, 2018, referred to above, stated that such information is fairly stated in all material respects in relation to the 2018 financial statements as a whole.

Report on Internal Control over Financial Reporting

We have also audited, in accordance with auditing standards generally accepted in the United States of America, IDA's internal control over financial reporting as of June 30, 2019, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated August 8, 2019 expressed an unmodified opinion on IDA's internal control over financial reporting.

Deloitte & Touche LLP

August 8, 2019

BALANCE SHEET

June 30, 2019 and June 30, 2018

Expressed in millions of U.S. dollars

	2019	2018
Assets		
Due from Banks—Notes C and L		
Unrestricted cash	$ 112	$ 495
Restricted cash	26	28
	138	523
Investments (including securities transferred under repurchase or securities lending agreements of $702 million - June 30, 2019; $2,321 million - June 30, 2018)—Notes C, G and L	32,770	36,056
Securities Purchased Under Resale Agreements—Notes C and L	-	19
Derivative Assets, net—Notes A, C and E	487	250
Receivable from Affiliated Organization—Note G	878	816
Other Receivables		
Receivable from investment securities traded—*Note C*	1,230	277
Accrued interest and commitment charges	400	392
	1,630	669
Loans Outstanding (Summary Statement of Loans, Notes F and L)		
Total Loans	215,604	211,271
Less: Undisbursed balance	(59,051)	(61,243)
Loans outstanding	156,553	150,028
Less: Accumulated provision for losses on loans	(4,638)	(4,383)
Add: Deferred loans origination costs	6	11
Net loans outstanding	151,921	145,656
Other Assets—Note H	729	677
Total Assets	$ 188,553	$ 184,666

	2019	2018
Liabilities		
Borrowings—Notes D and L		
Concessional partner loans (at amortized cost)	$ 6,770	$ 5,811
Market borrowings (at fair value)	3,432	1,494
	10,202	7,305
Securities Sold Under Repurchase Agreements, Securities Lent under Securities Lending Agreements, and Payable for Cash Collateral Received—Note C and L	698	2,541
Derivative Liabilities, net —Notes A, C and E	22	296
Payable for Development Grants—Note I	12,345	8,743
Payable to Affiliated Organization—Note G	522	479
Other Liabilities		
Payable for investment securities purchased—*Note C*	887	556
Accounts payable and miscellaneous liabilities—*Notes F and H*	895	801
	1,782	1,357
Total Liabilities	25,571	20,721
Equity		
Members' Subscriptions and Contributions (Statement of Voting Power and Subscriptions and Contributions and Note B)		
Unrestricted	267,562	268,382
Restricted	324	328
Subscriptions and contributions committed	267,886	268,710
Less:		
Subscriptions and contributions receivable	(30,138)	(39,596)
Cumulative discounts/ acceleration credits on subscriptions and contributions	(3,670)	(3,653)
Subscriptions and contributions paid-in	234,078	225,461
Nonnegotiable, Noninterest-bearing Demand Obligations on Account of Members' Subscriptions and Contributions		
Unrestricted	(11,187)	(9,989)
Restricted	(50)	(51)
	(11,237)	(10,040)
Deferred Amounts to Maintain Value of Currency Holdings	(244)	(244)
Accumulated Deficit (Statement of Changes in Accumulated Deficit)	(57,207)	(50,557)
Accumulated Other Comprehensive Income—Note J	(2,408)	(675)
Total Equity	162,982	163,945
Total Liabilities and Equity	$ 188,553	$ 184,666

The Notes to Financial Statements are an integral part of these Statements.

STATEMENT OF INCOME

For the fiscal years ended June 30, 2019, June 30, 2018 and June 30, 2017

Expressed in millions of U.S. dollars

	2019	2018	2017
Interest revenue			
Loans, net—Note F	$ 1,462	$ 1,376	$ 1,232
Investments, net—Notes C, E, G and L	466	420	391
Other, net	(8)	-	-
Borrowings, net—Notes C and D	(218)	(149)	(102)
Interest revenue, net of borrowing expenses	1,702	1,647	1,521
Provision for losses on loans and other exposures—Note F	(316)	(548)	56
Non-interest revenue			
Revenue from externally funded activities—Notes G and H	783	741	647
Commitment charges—Notes F	13	8	1
Other	12	10	7
Total	808	759	655
Non-interest expenses			
Administrative—Notes G, H and K	(2,241)	(2,184)	(2,121)
Contributions to special programs—Note G	(21)	(21)	(25)
Other	12	(41)	(10)
Total	(2,250)	(2,246)	(2,156)
Transfers from affiliated organizations and others—Notes G and H	258	203	599
Development grants—Note I	(7,694)	(4,969)	(2,577)
Non-functional currency translation adjustment gains (losses), net	105	89	(49)
Unrealized mark-to-market gains (losses) on Investments-Trading portfolio, net—Notes E and L	351	(128)	(367)
Unrealized mark-to-market gains (losses) on Non-Trading portfolios, net			
Asset-liability management—Notes E and L	359	(17)	54
Investments—Note L	32	(21)	(32)
Other	(5)	-	-
Total	386	(38)	22
Net Loss	**$** (6,650)	**$** (5,231)	**$** (2,296)

The Notes to Financial Statements are an integral part of these Statements.

STATEMENT OF COMPREHENSIVE INCOME

For the fiscal years ended June 30, 2019, June 30, 2018 and June 30, 2017

Expressed in millions of U.S. dollars

	2019	2018	2017
Net Loss	$ (6,650)	$ (5,231)	$ (2,296)
Other Comprehensive Loss—Note J			
Currency translation adjustments on functional currencies	(1,735)	1,364	(820)
Net Change in Debit Valuation Adjustment (DVA) on Fair Value option elected liabilities	2	-	-
Comprehensive Loss	$ (8,383)	$ (3,867)	$ (3,116)

STATEMENT OF CHANGES IN ACCUMULATED DEFICIT

For the fiscal years ended June 30, 2019, June 30, 2018 and June 30, 2017

Expressed in millions of U.S. dollars

	2019	2018	2017
Accumulated Deficit at beginning of the fiscal year	$ (50,557)	$ (45,326)	$ (43,030)
Net loss for the year	(6,650)	(5,231)	(2,296)
Accumulated Deficit at end of the fiscal year	$ (57,207)	$ (50,557)	$ (45,326)

The Notes to Financial Statements are an integral part of these Statements.

Statement of Cash Flows

For the fiscal years ended June 30, 2019, June 30, 2018 and June 30, 2017

Expressed in millions of U.S. dollars

	2019	2018	2017
Cash flows from investing activities			
Loans			
Disbursements	$ (13,562)	$ (11,540)	$ (10,613)
Principal repayments	5,277	5,042	4,513
Principal prepayments	51	51	51
Non-trading securities—Investments			
Principal payments received	122	126	113
Net cash used in investing activities	(8,112)	(6,321)	(5,936)
Cash flows from financing activities			
Members' subscriptions and contributions	7,421	9,335	6,893
Medium and long-term borrowings (new issues)	872	3,603	786
Short-term borrowings (new issues), original maturities greater than 90 days	1,724	-	-
Net short-term borrowings (original maturities less than 90 days)	140	-	-
Net derivatives- borrowings	(2)	11	-
Net cash provided by financing activities	10,155	12,949	7,679
Cash flows from operating activities			
Net loss	(6,650)	(5,231)	(2,296)
Adjustments to reconcile net loss to net cash used in operating activities			
Provision for losses on loans and other exposures	316	548	(56)
Non-functional currency translation adjustment (gains) losses, net	(105)	(89)	49
Unrealized mark-to-market (gains) losses on non-trading portfolios, net	(386)	38	(22)
Other non-interest expenses	(12)	41	10
Amortization of discount on borrowings	88	53	35
Changes in:			
Investments—Trading, net	2,956	(4,208)	(708)
Net investment securities traded/purchased	(643)	286	(123)
Net derivatives—Investments	(14)	(329)	42
Net derivatives—Asset-liability management	127	(4)	210
Net securities purchased/sold under resale/repurchase agreements and payable for cash collateral received	(1,811)	188	430
Net receivable from affiliated organizations	(26)	(11)	104
Payable for development grants	3,697	2,117	522
Accrued interest and commitment charges	(13)	(28)	(33)
Other assets	379	(466)	(144)
Accounts payable and miscellaneous liabilities	(332)	504	27
Net cash used in operating activities	(2,429)	(6,591)	(1,953)
Effect of exchange rate changes on unrestricted and restricted cash	1	3	20
Net (decrease) increase in unrestricted and restricted cash—Note A	(385)	40	(190)
Unrestricted cash and restricted cash at beginning of the fiscal year	523	455	645
Unrestricted and restricted cash at end of the fiscal year	$ 138	$ 495	$ 455

STATEMENT OF CASH FLOWS

For the fiscal years ended June 30, 2019, June 30, 2018 and June 30, 2017

Expressed in millions of U.S. dollars

	2019	2018	2017
Supplemental disclosure			
Increase (Decrease) in ending balances resulting from exchange rate fluctuations:			
Loans outstanding	$ (1,696)	$ 1,410	$ (588)
Investment portfolio	(334)	92	(208)
Derivatives—Asset-liability management	293	5	(139)
Borrowings	12	(16)	(67)
Principal repayments written off under Heavily Indebted Poor Countries (HIPC) Debt Initiative	10	10	9
Loans prepaid—carrying value	54	54	54
Interest paid on borrowings	88	49	46

The Notes to Financial Statements are an integral part of these Statements.

SUMMARY STATEMENT OF LOANS

June 30, 2019

Amounts expressed in millions of U.S. dollars

Borrower or guarantor	*Total loans*	*Undisbursed loans* [a]	*Loans outstanding*	*Percentage of loans outstanding* [c]
Afghanistan	$ 344	$ -	$ 344	$ 0.22 %
Albania	624	*	624	0.40
Angola	566	26	540	0.35
Armenia	1,073	26	1,047	0.67
Azerbaijan	416	*	416	0.27
Bangladesh	22,495	6,875	15,620	9.97
Benin	1,532	525	1,007	0.64
Bhutan	277	2	275	0.18
Bolivia	947	195	752	0.48
Bosnia and Herzegovina	1,074	40	1,034	0.66
Botswana	1	-	1	*
Burkina Faso	2,502	951	1,551	0.99
Burundi	140	-	140	0.09
Cabo Verde, Republic of	431	104	327	0.21
Cambodia	1,152	576	576	0.37
Cameroon	2,103	862	1,241	0.79
Central African Republic	164	61	103	0.07
Chad	179	-	179	0.11
China	1,455	-	1,455	0.93
Comoros	38	25	13	0.01
Congo, Democratic Republic of	2,046	843	1,203	0.77
Congo, Republic of	360	181	179	0.11
Côte d'Ivoire	3,042	1,958	1,084	0.69
Djibouti	282	123	159	0.10
Dominica	100	64	36	0.02
Dominican Republic	2	-	2	*
Ecuador	2	-	2	*
Egypt, Arab Republic of	537	-	537	0.34
El Salvador	3	-	3	*
Equatorial Guinea	22	-	22	0.01
Eritrea	434	-	434	0.28
Eswatini	1	-	1	*
Ethiopia	13,420	4,572	8,848	5.65
Gambia, The	159	42	117	0.08
Georgia	1,049	22	1,027	0.66
Ghana	4,975	982	3,993	2.55
Grenada	130	9	121	0.08
Guinea	606	239	367	0.23
Guinea-Bissau	278	160	118	0.08
Guyana	116	38	78	0.05
Honduras	1,105	184	921	0.59
India	26,306	3,707	22,599	14.43
Indonesia	1,069	-	1,069	0.68
Iraq	302	-	302	0.19
Jordan	111	13	98	0.06
Kenya	10,337	3,603	6,734	4.30
Kosovo	223	159	64	0.04
Kyrgyz Republic	863	209	654	0.42
Lao People's Democratic Republic	889	251	638	0.41
Lebanon	100	75	25	0.02
Lesotho	571	224	347	0.22

Summary Statement of Loans
June 30, 2019

Amounts expressed in millions of U.S. dollars

Borrower or guarantor	*Total loans*	*Undisbursed loans* [a]	*Loans outstanding*	*Percentage of loans outstanding* [c]
Liberia	$ 664	$ 244	$ 420	0.27 %
Madagascar	2,272	602	1,670	1.07
Malawi	1,628	677	951	0.61
Maldives	100	16	84	0.05
Mali	2,253	515	1,738	1.11
Mauritania	437	53	384	0.25
Mauritius	2	-	2	*
Moldova	865	242	623	0.40
Mongolia	719	146	573	0.37
Montenegro	40	-	40	0.03
Morocco	3	-	3	*
Mozambique	3,292	322	2,970	1.90
Myanmar	2,611	1,239	1,372	0.88
Nepal	3,926	1,201	2,725	1.74
Nicaragua	913	259	654	0.42
Niger	1,975	836	1,139	0.73
Nigeria	14,462	5,250	9,212	5.88
North Macedonia	225	-	225	0.14
Pakistan	18,293	4,301	13,992	8.94
Papua New Guinea	631	205	426	0.27
Paraguay	4	-	4	*
Philippines	58	-	58	0.04
Rwanda	2,352	647	1,705	1.09
Samoa	116	11	105	0.07
São Tomé and Príncipe	11	-	11	0.01
Senegal	3,684	1,298	2,386	1.52
Serbia	286	-	286	0.18
Sierra Leone	532	215	317	0.20
Solomon Islands	115	77	38	0.02
Somalia	413	-	413	0.26
South Sudan	84	5	79	0.05
Sri Lanka	4,067	1,044	3,023	1.93
St. Kitts and Nevis	1	-	1	*
St. Lucia	143	61	82	0.05
St. Vincent and the Grenadines	120	87	33	0.02
Sudan	1,205	-	1,205	0.77
Syrian Arab Republic	14	-	14	0.01
Tajikistan	568	231	337	0.22
Tanzania	9,851	2,821	7,030	4.49
Timor-Leste	60	31	29	0.02
Togo	244	161	83	0.05
Tonga	50	8	42	0.03
Tunisia	3	-	3	*
Turkey	7	-	7	*
Uganda	4,967	1,614	3,353	2.14
Uzbekistan	2,390	1,074	1,316	0.84
Vanuatu	103	24	79	0.05
Vietnam	17,570	4,588	12,982	8.29
Yemen, Republic of	1,576	27	1,549	0.99
Zambia	1,746	684	1,062	0.68
Zimbabwe	461	-	461	0.30
Subtotal—Members [c]	**$ 215,065**	**$ 58,742**	**$ 156,323**	**99.85 %**

Summary Statement of Loans

June 30, 2019

Amounts expressed in millions of U.S. dollars

Borrower or guarantor	*Total loans*	*Undisbursed loans* [a]	*Loans outstanding*	*Percentage of loans outstanding* [c]
African Trade Insurance Agency [b]	$ 8	$ -	$ 8	0.01 %
Bank Of The States Of Central Africa [b]	60	22	38	0.02
Caribbean Development Bank [b]	12	-	12	0.01
West African Development Bank [b]	382	210	172	0.11
Subtotal—Regional development banks	**$ 462**	**$ 232**	**$ 230**	**0.15 %**
Private Sector Window (PSW) Loans	77	77	-	-
Total—June 30, 2019 [c]	**$ 215,604**	**$ 59,051**	**$ 156,553**	**100.00 %**
Total—June 30, 2018	**$ 211,271**	**$ 61,243**	**$ 150,028**	

** Indicates amount less than $0.5 million or 0.005 percent*

NOTES

a. Of the undisbursed balance at June 30, 2019, IDA has entered into irrevocable commitments to disburse $369 million ($446 million—June 30, 2018).

b. The loans to these regional development banks and agencies are for the benefit of members of IDA or territories of members of IDA.

c. May differ from the calculated amounts or sum of individual figures shown due to rounding.

The Notes to Financial Statements are an integral part of these Statements.

STATEMENT OF VOTING POWER AND SUBSCRIPTIONS AND CONTRIBUTIONS

June 30, 2019

Amounts expressed in millions of U.S. dollars

Member [a]	*Number of votes*	*Percentage of total votes*		*Subscriptions and contributions committed* [b]
Part I Members				
Australia	352,907	1.24		5,035.63
Austria	252,065	0.89		3,609.75
Belgium	310,148	1.09		4,953.40
Canada	751,964	2.65		12,250.15
Denmark	262,912	0.93		3,948.65
Estonia	51,776	0.18		17.27
Finland	180,220	0.63		2,095.37
France	1,076,432	3.79		18,966.50
Germany	1,521,007	5.36		27,258.44
Greece	57,143	0.20		212.34
Iceland	62,920	0.22		92.15
Ireland	104,607	0.37		813.67
Italy	646,025	2.28		10,581.18
Japan	2,368,422	8.34		46,945.03
Kuwait	118,651	0.42		1,056.60
Latvia	58,278	0.21		16.10
Lithuania	51,627	0.18		14.43
Luxembourg	78,879	0.28		395.74
Netherlands	561,549	1.98		9,707.18
New Zealand	78,353	0.28		381.96
Norway	294,472	1.04		4,310.73
Portugal	70,654	0.25		317.86
Russian Federation	90,647	0.32		749.70
Slovenia	60,323	0.21		46.00
South Africa	74,314	0.26		237.17
Spain	302,966	1.07		4,632.29
Sweden	578,162	2.04		8,800.66
Switzerland	365,119	1.29		5,775.35
United Arab Emirates	1,367	0.00		5.58
United Kingdom	1,865,947	6.57		31,925.87
United States	2,891,199	10.20		53,242.92
Subtotal—Part I Members [b]	**15,541,055**	**54.76**	**%**	**$ 258,395.67**
Part II Members				
Afghanistan	59,204	0.21		1.50
Albania	61,859	0.22		0.37
Algeria	116,182	0.41		30.57
Angola	153,438	0.54		8.41
Argentina	405,920	1.43		156.22
Armenia	65,146	0.23		0.69
Azerbaijan	69,886	0.25		1.14
Bahamas, The	59,906	0.21		8.54
Bangladesh	150,243	0.53		8.08
Barbados	62,860	0.22		2.36
Belize	19,834	0.07		0.27
Benin	60,820	0.21		0.78
Bhutan	58,732	0.21		0.08
Bolivia, Plurinational State of	75,994	0.27		1.65
Bosnia and Herzegovina	52,455	0.18		2.48

STATEMENT OF VOTING POWER AND SUBSCRIPTIONS AND CONTRIBUTIONS

June 30, 2019

Amounts expressed in millions of U.S. dollars

Member [a]	*Number of votes*	*Percentage of total votes*	*Subscriptions and contributions committed* [b]
Botswana	51,149	0.18	1.63
Brazil	477,996	1.68	842.93
Burkina Faso	63,810	0.22	0.80
Burundi	55,801	0.20	1.10
Cabo Verde, Republic of	43,840	0.15	0.13
Cambodia	71,089	0.25	1.60
Cameroon	60,782	0.21	1.61
Central African Republic	48,910	0.17	0.77
Chad	52,210	0.18	0.78
Chile	58,505	0.21	39.12
China	639,287	2.25	1,112.08
Colombia	94,824	0.33	24.90
Comoros	47,140	0.17	0.13
Congo, Democratic Republic of	82,699	0.29	4.61
Congo, Republic of	52,210	0.18	0.74
Costa Rica	27,985	0.10	0.28
Côte d’Ivoire	67,377	0.24	1.56
Croatia	88,373	0.31	5.94
Cyprus	71,625	0.25	25.07
Czech Republic	125,900	0.44	139.35
Djibouti	48,116	0.17	0.26
Dominica	58,892	0.21	0.14
Dominican Republic	27,780	0.10	0.58
Ecuador	50,151	0.18	0.94
Egypt, Arab Republic of	131,110	0.46	18.64
El Salvador	46,516	0.16	0.49
Equatorial Guinea	6,167	0.02	0.41
Eritrea	44,036	0.16	0.14
Eswatini	22,322	0.08	0.42
Ethiopia	49,232	0.17	0.70
Fiji	19,809	0.07	0.76
Gabon	2,093	0.01	0.63
Gambia, The	55,208	0.19	0.42
Georgia	62,770	0.22	0.97
Ghana	86,677	0.31	3.15
Grenada	26,427	0.09	0.13
Guatemala	40,696	0.14	0.56
Guinea	37,287	0.13	1.33
Guinea-Bissau	44,500	0.16	0.22
Guyana	71,323	0.25	1.26
Haiti	52,038	0.18	1.10
Honduras	52,855	0.19	0.43
Hungary	196,307	0.69	155.61
India	818,208	2.88	436.16
Indonesia	249,419	0.88	111.21
Iran, Islamic Republic of	115,867	0.41	24.21
Iraq	70,212	0.25	1.13
Israel	85,565	0.30	121.85
Jordan	24,865	0.09	0.41
Kazakhstan	23,297	0.08	8.50

STATEMENT OF VOTING POWER AND SUBSCRIPTIONS AND CONTRIBUTIONS
June 30, 2019

Amounts expressed in millions of U.S. dollars

Member [a]	*Number of votes*	*Percentage of total votes*	*Subscriptions and contributions committed* [b]
Kenya	77,960	0.27	2.43
Kiribati	43,592	0.15	0.10
Korea, Republic of	269,605	0.95	2,337.41
Kosovo, Republic of	48,357	0.17	0.85
Kyrgyz Republic	64,522	0.23	0.58
Lao People's Democratic Republic	48,910	0.17	0.73
Lebanon	8,562	0.03	0.56
Lesotho	54,505	0.19	0.23
Liberia	52,038	0.18	1.12
Libya	44,771	0.16	1.41
Madagascar	67,377	0.24	1.39
Malawi	56,040	0.20	0.98
Malaysia	103,243	0.36	59.81
Maldives	55,046	0.19	0.05
Mali	62,445	0.22	1.36
Marshall Islands	4,902	0.02	0.01
Mauritania	52,210	0.18	0.78
Mauritius	72,736	0.26	1.35
Mexico	142,236	0.50	168.34
Micronesia, Federated States of	18,424	0.06	0.03
Moldova	56,582	0.20	0.88
Mongolia	45,818	0.16	0.30
Montenegro	56,819	0.20	0.75
Morocco	103,422	0.36	5.56
Mozambique	62,670	0.22	2.06
Myanmar	82,096	0.29	2.57
Nepal	54,710	0.19	0.73
Nicaragua	62,982	0.22	0.44
Niger	52,210	0.18	0.76
Nigeria	103,869	0.37	19.45
North Macedonia	47,095	0.17	1.09
Oman	56,788	0.20	1.42
Pakistan	235,088	0.83	50.83
Palau	3,804	0.01	0.03
Panama	10,185	0.04	0.03
Papua New Guinea	67,754	0.24	1.28
Paraguay	46,493	0.16	0.44
Peru	89,473	0.32	18.10
Philippines	144,457	0.51	28.78
Poland	564,123	1.99	127.63
Romania	96,010	0.34	5.19
Rwanda	52,038	0.18	1.12
Samoa	43,901	0.15	0.14
São Tomé and Principe	49,519	0.17	0.12
Saudi Arabia	932,483	3.29	2,765.59
Senegal	72,243	0.25	2.65
Serbia	86,096	0.30	7.10
St. Kitts and Nevis	13,868	0.05	0.17
St. Lucia	30,532	0.11	0.23
St. Vincent and the Grenadines	49,929	0.18	0.12

STATEMENT OF VOTING POWER AND SUBSCRIPTIONS AND CONTRIBUTIONS

June 30, 2019

Amounts expressed in millions of U.S. dollars

Member [a]	*Number of votes*	*Percentage of total votes*	*Subscriptions and contributions committed* [b]
Sierra Leone	63,638	0.22	1.04
Singapore	50,734	0.18	253.83
Slovak Republic	90,751	0.32	33.97
Solomon Islands	43,901	0.15	0.13
Somalia	10,506	0.04	0.95
South Sudan	52,447	0.18	0.45
Sri Lanka	104,139	0.37	4.36
Sudan	65,003	0.23	1.50
Syrian Arab Republic	11,027	0.04	1.19
Tajikistan	53,918	0.19	0.54
Tanzania	68,943	0.24	2.32
Thailand	109,402	0.39	14.38
Timor-Leste	45,123	0.16	0.44
Togo	61,840	0.22	1.19
Tonga	49,514	0.17	0.11
Trinidad and Tobago	81,067	0.29	2.13
Tunisia	2,793	0.01	1.89
Turkey	167,396	0.59	196.44
Tuvalu	6,338	0.02	0.02
Uganda	50,392	0.18	2.31
Ukraine	115,569	0.41	8.06
Uzbekistan	73,936	0.26	1.93
Vanuatu	50,952	0.18	0.31
Vietnam	61,168	0.22	2.23
Yemen, Republic of	68,976	0.24	2.20
Zambia	84,527	0.30	3.66
Zimbabwe	105,982	0.37	6.41
Subtotal—Part II Members [b]	**12,844,256**	**45.24%**	**$ 9,490**
Total—June 30, 2019 [b]	**28,385,311**	**100.00%**	**$ 267,886**
Total—June 30, 2018	**27,897,259**		**$ 268,710**

NOTES

a. See Notes to Financial Statements—Note A for an explanation of the two categories of membership

b. May differ from the calculated amounts or sum of individual figures shown due to rounding.

The Notes to Financial Statements are an integral part of these Statements.

NOTES TO FINANCIAL STATEMENTS

PURPOSE AND AFFILIATED ORGANIZATIONS

The International Development Association (IDA) is an international organization established in 1960. IDA's main goal is reducing poverty through promoting sustainable economic development in the less developed countries of the world that are members of IDA, by extending concessionary and non-concessionary financing in the form of grants, loans and guarantees, and by providing related technical assistance. The activities of IDA are complemented by those of three affiliated organizations, the International Bank for Reconstruction and Development (IBRD), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA). Each of these organizations is legally and financially independent from IDA, with separate assets and liabilities, and IDA is not liable for their respective obligations. Transactions with these affiliates are disclosed in the notes that follow. The principal purpose of IBRD is to promote sustainable economic development and reduce poverty in its member countries, primarily by providing loans, guarantees and related technical assistance for specific projects and for programs of economic reform in developing member countries. IFC's purpose is to encourage the growth of productive private enterprises in its member countries through loans and equity investments in such enterprises without a member's guarantee. MIGA's purpose is to encourage the flow of investments for productive purposes between member countries and, in particular, to developing member countries by providing guarantees against noncommercial risks for foreign investment in its developing member countries.

IDA is immune from taxation pursuant to Article VIII, Section 9, *Immunities from Taxation*, of IDA's Articles of Agreement.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING AND RELATED POLICIES

IDA's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

The preparation of financial statements in conformity with U.S. GAAP requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Due to the inherent uncertainty involved in making those estimates, actual results could differ from these estimates. Significant judgment has been used in the valuation of certain financial instruments and the determination of the adequacy of the accumulated provisions for debt relief and losses on loans and other exposures (irrevocable commitments, guarantees, repaying project preparation facilities and deferred drawdown options-DDOs that are effective).

On August 8, 2019, the Executive Directors approved these financial statements for issue, which was also the date through which IDA's Management evaluated subsequent events.

Certain reclassifications of the prior year's information have been made to conform with the current year's presentation.

Effective June 30, 2019, the presentation of derivative instruments on IDA's Balance Sheet was aligned with the preferable accounting treatment and the prevailing market practice of netting derivative asset and liability positions and the related cash collateral received by counterparty when a legally enforceable master netting agreement exists, and the other conditions set out in ASC Topic 210-20, *Balance Sheet—Offsetting*, are met.

This is a change from the historical presentation, where interest rate swaps were presented on the Balance Sheet on a net basis by instrument, and currency swaps were presented on a gross basis, which reflected the way in which swaps are routinely settled in on-going business.

The change to a net presentation has been made in the current period and the presentation of the prior period has been aligned for comparability. See table below for details of the adjustments made to the June 30, 2018 Balance Sheet. There was no impact to total equity, operating activities in the Statement of Cash Flows or any line item within the Statement of Income, Statement of Comprehensive Income or Statement of Changes in Accumulated Deficit. See Note E —Derivative Instruments, for additional details on the accounting for derivative instruments.

In millions U.S. dollars

	June 30, 2018 As reported	*Adjustments*	*June 30, 2018 Adjusted*
Derivative Assets			
Asset-liability management	$ 15,715	$ (15,715)	$ -
Borrowings	1	(1)	-
Investments	6,198	(6,198)	-
Net derivative positions at counterparty level after cash collateral received		250	250
	21,914	**(21,664)**	**250**
Total Assets	**$ 206,330**	**$ (21,664)**	**$ 184,666**
Securities sold under repurchase agreements, securities lent under securities lending agreements, and payable for cash collateral received	2,543	(2)	2,541
Derivative Liabilities			
Asset-liability management	$ 15,745	$ (15,745)	$ -
Borrowings	15	(15)	-
Investments	6,198	(6,198)	-
Net derivative positions at counterparty level after cash collateral received		296	296
	21,958	**(21,662)**	**296**
Total Liabilities	**$ 42,385**	**$ (21,664)**	**$ 20,721**
Total Equity	**$ 163,945**	**$ -**	**$ 163,945**
Total Liabilities and Equity	**$ 206,330**	**$ (21,664)**	**$ 184,666**

Translation of Currencies

IDA's financial statements are expressed in terms of U.S. dollars for the purpose of summarizing its financial position and the results of its operations for the convenience of its members and other users.

IDA conducts its operations in Special Drawing Rights (SDR) and its component currencies of U.S. dollar, Euro, Japanese yen, Pound Sterling and Chinese Renminbi. These constitute the functional currencies of IDA.

Assets and liabilities are translated at market exchange rates in effect at the end of the accounting period. Revenue and expenses are translated at either the market exchange rates in effect on the dates of revenue and expense recognition, or at an average of the exchange rates in effect during each month. Translation adjustments relating to the revaluation of loans, borrowings, development grants payable and all other assets and liabilities denominated in either SDR or the component currencies of SDR, are reflected in Accumulated Other Comprehensive Income. Translation adjustments relating to non-functional currencies are reported in the Statement of Income.

Members' Subscriptions and Contributions

Recognition

Members' subscriptions and contributions committed for each IDA replenishment are initially recorded both as subscriptions and contributions committed and, correspondingly, as subscriptions and contributions receivable. Prior to effectiveness, only a portion of the value of Instruments of Commitment (IoCs) received as specified in the replenishment resolution is recorded as subscriptions and contributions committed. Upon effectiveness, the remainder of the value of IoCs received is subsequently recorded as subscriptions and contributions committed.

IoCs can contain unqualified or qualified commitments. Under an unqualified commitment, a contributing member agrees to pay a specified amount of its subscription and contribution without requiring appropriation legislation. A qualified commitment is subject to the contributing member obtaining the necessary appropriation legislation. Subscriptions and contributions made under IoCs become available for commitment for loans, grants and guarantees by IDA for a particular replenishment in accordance with the IDA commitment authority framework as approved by the Executive Directors.

A replenishment becomes effective when IDA receives IoCs from members whose subscriptions and contributions aggregate to a specified portion of the full replenishment. Amounts not yet paid in at the date of effectiveness, are recorded as subscriptions and contributions receivable and shown as a reduction of subscriptions and contributions committed. These receivables become due throughout the replenishment period, generally three years, in accordance with an agreed payment schedule. The actual payment of receivables when they become due may be subject to the budgetary appropriation processes for certain members.

The subscriptions and contributions receivable are settled through payment of cash or deposit of nonnegotiable, non interest bearing demand notes. The notes are encashed by IDA on an approximately *pro rata* basis either as provided in the relevant replenishment resolution over the disbursement period of the loans and grants committed under the replenishment, or as needed.

In certain replenishments, donors receive discounts when they pay a particular contribution amount before the relevant due date, and acceleration credits when they pay their full contribution amount before the due date. IDA retains the related revenue on these early payments, with subscriptions and contributions committed being recorded at contribution amounts received grossed up for discounts and acceleration credits. The discounts and acceleration credits are deducted in arriving at the subscriptions and contributions paid-in.

Under the Seventeenth Replenishment of IDA's Resources (IDA17), IDA's Executive Directors approved the use of a limited amount of concessional debt funding, referred to as concessional partner loans, which is continuing in the Eighteenth Replenishment of IDA's Resources (IDA18). The borrowing terms of this concessional debt funding aim to match the concessional features of IDA's loans. Proceeds received under this arrangement have two separate components: (1) a borrowing component and (2) a grant component, for which voting rights are allocated to providers of the concessional partner loans. The borrowing component of the concessional partner loans is recognized and reported at amortized cost (see borrowings section for more details). The grant component is a function of the terms of the loan and the discount rate agreed upon during the replenishment discussions. This grant component is recorded as equity based on the proceeds received.

For the purposes of its financial resources, the membership of IDA is divided into two categories: (1) Part I members, which make payments of subscriptions and contributions provided to IDA in convertible currencies that may be freely used or exchanged by IDA in its operations and (2) Part II members, which make payments of ten percent of their initial subscriptions in freely convertible currencies, and the remaining 90 percent of their initial subscriptions, and all additional subscriptions and contributions in their own currencies or in freely convertible currencies. Certain Part II members provide a portion of their subscriptions and contributions in the same manner as mentioned in (1) above. IDA's Articles of Agreement and subsequent replenishment resolutions provide that the currency of any Part II member paid in by it may not be used by IDA for projects financed by IDA and located outside the territory of the member except by agreement between the member and IDA. The national currency portion of subscriptions of Part II members is recorded as restricted under Members' subscriptions and contributions unless released under an agreement between the member and IDA or used for administrative expenses. The cash paid and notes deposited in nonconvertible local currencies for the subscriptions of Part II members are recorded either as Restricted cash under Due from Banks, or as restricted notes included under Non-negotiable, Non interest bearing Demand Obligations on Account of Member subscriptions and contributions.

Following adoption by the Board of Governors on April 21, 2006 of a resolution authorizing additions to IDA's resources to finance the MDRI (Multilateral Debt Relief Initiative), pledges received in the form of IoCs for financing the MDRI are recorded and accounted for in their entirety. Therefore, the full value of all IoCs received is recorded as Subscriptions and contributions committed. Correspondingly, the IoCs are recorded as Subscriptions and contributions receivable and deducted from equity.

Withdrawal of Membership

Under IDA's Articles of Agreement, a member may withdraw from membership in IDA at any time. When a government ceases to be a member, it remains liable for all financial obligations undertaken by it to IDA, whether as a member, borrower, guarantor or otherwise. The Articles provide that upon withdrawal, IDA and the government shall proceed to a settlement of accounts. If agreement is not reached within six months, standard arrangements are provided. Under these arrangements, IDA would pay to the government the lower of the member's total paid-in subscriptions and contributions or the member's proportionate share of IDA's net assets. These funds would be paid as a proportionate share of all principal repayments received by IDA on loans made during the period of the government's membership.

Valuation of Subscriptions and Contributions

The subscriptions and contributions provided through the Third Replenishment are expressed in terms of "U.S. dollars of the weight and fineness in effect on January 1, 1960" (1960 dollars). Following the abolition of gold as a common denominator of the monetary system and the repeal of the provision of the U.S. law defining the par value of the U.S. dollar in terms of gold, the pre-existing basis for translating 1960 dollars into current dollars or any other currency disappeared. The Executive Directors of IDA decided, that until such time as the relevant provisions of the Articles of Agreement are amended, the words "U.S. dollars of the weight and fineness in effect on January 1, 1960" in Article II, Section 2(b) of the Articles of Agreement of IDA are interpreted to mean the SDR introduced by the International Monetary Fund as the SDR was valued in terms of U.S. dollars immediately before the introduction of the basket method of valuing the SDR on July 1, 1974, such value being equal to $1.20635 for one SDR (the 1974 SDR). The Executive Directors also decided to apply the same standard of value to amounts expressed in 1960 dollars in the relevant resolutions of the Board of Governors.

The subscriptions and contributions provided through the Third Replenishment are expressed on the basis of the 1974 SDR. Prior to the decision of the Executive Directors, IDA had valued these subscriptions and contributions on the basis of the SDR at the current market value of the SDR.

The subscriptions and contributions provided under the Fourth Replenishment and thereafter are expressed in members' currencies or SDRs and are payable in members' currencies. Subscriptions and contributions made available for disbursement in cash to IDA are translated at market exchange rates in effect on the dates they were made available. Subscriptions and contributions not yet available for disbursements are translated at market exchange rates in effect at the end of the accounting period.

Maintenance of Value

Article IV, Section 2(a) and (b) of IDA's Articles of Agreement provides for maintenance of value payments on account of the local currency portion of the initial subscription whenever the par value of the member's currency or its foreign exchange value has depreciated or appreciated to a significant extent, so long as, and to the extent that, such currency shall not have been initially disbursed or exchanged for the currency of another member. The provisions of Article IV, Section 2(a) and (b) have by agreement been extended to cover additional subscriptions and contributions of IDA through the Third Replenishment, but are not applicable to those of the Fourth and subsequent replenishments.

The Executive Directors decided on June 30, 1987 that settlements of maintenance of value, which would result from the resolution of the valuation issue on the basis of the 1974 SDR, would be deferred until the Executive Directors decide to resume such settlements. These amounts are shown as Deferred Amounts to Maintain Value of Currency Holdings and deducted from equity; any changes relate solely to translation adjustments.

Nonnegotiable, Noninterest-bearing Demand Obligations on Account of Members' Subscriptions and Contributions

Payments on these instruments are due to IDA upon demand and these instruments are held in bank accounts in IDA's name. These instruments are carried and reported at face value as a reduction to equity on the Balance Sheet.

Loans and Other Exposures

In fulfilling its mission, IDA makes concessional and non-concessional loans to the poorest countries. These loans and other exposures (exposures) are made to, or guaranteed by, member governments or to the government of a territory of a member (except for loans which have been made to regional development institutions for the benefit of members or territories of members of IDA). In order to qualify for lending on IDA terms, a country's per capita income must be below a certain cut-off level ($1,145 for the fiscal year ended June 30, 2019 and $1,165 for the fiscal year ended June 30, 2018) and the country may have only limited or no access to IBRD lending.

Loans are carried in the financial statements at amortized cost, less an accumulated provision for loan losses, plus the deferred loan origination costs. Commitment charges on the undisbursed balance of loans, are recognized in revenue as earned. Incremental direct costs associated with originating loans are capitalized and amortized over the life of the loans.

It is IDA's practice not to reschedule service charge, interest or principal payments on its loans or participate in debt rescheduling agreements with respect to its loans.

IDA considers all exposures in nonaccrual status to be impaired. It is the policy of IDA to place into nonaccrual status all loans and other exposures made to, or guaranteed by, a member or to the territory of a member if principal or charges with respect to any such loan and other exposures are overdue by more than six months, unless IDA's Management determines that the overdue amount will be collected in the immediate future. In addition, if loans by IBRD to a member government are placed into nonaccrual status, all loans and other exposures to that member will also be placed into nonaccrual status by IDA. On the date a member's loans and other exposures are placed into nonaccrual status, unpaid charges that had been accrued on loans are deducted from the revenue from loans of the current period.

Revenue on nonaccrual loans is included in the Statement of Income only to the extent that payments have actually been received by IDA. If collectability risk is considered to be particularly high at the time of arrears clearance, the member's loans and other exposures may not automatically emerge from nonaccrual status, even though the member's eligibility for new loans may have been restored. In such instances, a decision on the restoration of accrual status is made on a case-by-case basis after a suitable period of payment or policy performance has passed from the time of arrears clearance.

The repayment obligations of loans funded from resources through the Fifth Replenishment are expressed in the loan agreements in terms of 1960 dollars. In June 1987, the Executive Directors decided to value those loans at the rate of $1.20635 per 1960 dollar on a permanent basis. Loans funded from resources provided under the Sixth Replenishment and thereafter are denominated in SDRs, with the exception of loans provided under the Single Currency Lending program, which allows IDA recipients to denominate new IDA loans in one of the five constituent currencies of the SDR basket.

Buy-down of Loans

The Investment Partnership for Polio program to fund the immunization of children in high-risk polio countries has a funding mechanism that allows the purchase of oral vaccines from the proceeds of loans, which are subsequently converted to grant terms under the "buy-down mechanism", upon attainment of agreed performance goals.

Pursuant to the applicable buy-down terms, IDA enters into an arrangement with third party donors who make payments on the borrower's service and commitment charges through a trust fund, until the borrower reaches agreed performance goals. At that time, the trust fund buys down the related loans for an amount equivalent to the present value of the remaining cash flows of the related loans, based on appropriate discount rates. The trust fund subsequently cancels the purchased loans, thereby converting them to grant terms.

IDA records a provision for losses on loans equivalent to the difference between the carrying amount of the loans to be bought down and the estimated amount to be received, when all performance goals as well as conditions necessary to effect the buy-down have been completed. The provision is recorded as a reduction of disbursed and outstanding loans under the accumulated provision for losses on loans and other exposures, and as a corresponding expense. Upon purchase of the loans, the applicable portion of the loans will be written-off and the related accumulated provision for losses on loans and other exposures will be reduced accordingly.

Development Grants

Development grants are currently recorded as an expense, and a liability is recognized, upon approval of the development grant by the Executive Directors. However, effective from the quarter ending September 30, 2019, as a result of ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made,* development grants made by IDA that are deemed to be conditional, will be expensed when all the conditions have been met, which generally occurs at the time of disbursement. Development grants that are deemed to be unconditional, will continue to be expensed upon approval.

Commitment charges on the undisbursed balance of development grants, are recognized in revenue as earned.

Project Preparation Advances

Project Preparation Advances (PPAs) are advances made to borrowers to finance project preparation costs pending the approval of follow-on development operations. If approved under grant terms, these amounts are charged to expenses upon approval by Management. To the extent there are follow-on loans or grants, these PPAs are refinanced out of the proceeds of the loans and grants. Accordingly, the PPA grant amounts initially charged to expense are reversed upon approval of the follow-on development grants or loans.

Guarantees

Financial guarantees are commitments issued by IDA to guarantee payment performance by a member country (the debtor) to a third party in the event that a member government (or government-owned entity) fails to perform its contractual obligations to a third party.

Guarantees are regarded as outstanding when the underlying financial obligation of the borrower is incurred, and called when a guaranteed party demands payment under the guarantee. IDA would be required to perform under its guarantees if the payments guaranteed are not made by the borrower and the guaranteed party called the guarantee by demanding payment from IDA in accordance with the terms of the guarantee.

For guarantees, at inception of the guarantees, IDA records the fair value of the obligation to stand ready and a corresponding guarantee fee receivable, included in Accounts payable and miscellaneous liabilities and Other Assets, respectively, on the Balance Sheet. Upfront guarantee fees received are deferred and amortized over the life of the guarantee.

In the event that a sovereign guarantee is called, IDA has the contractual right to require payment from the member country.

IDA records a contingent liability for the probable losses related to guarantees outstanding. This provision, as well as the unamortized balance of the deferred guarantee fees, and the unamortized balance of the obligation to stand ready, are included in Accounts payable and miscellaneous liabilities on the Balance Sheet.

HIPC Debt Initiative

The HIPC Debt Initiative was launched in 1996 as a joint effort by bilateral and multilateral creditors to ensure that reform efforts of HIPCs would not be put at risk by unsustainable external debt burdens.

Under the Enhanced HIPC Framework, implementation mechanisms include: (i) partial forgiveness of IDA debt service as it comes due, and ii) in the case of countries with a substantial amount of outstanding IBRD debt, partial repayment with IDA resources (excluding transfers from IBRD) of outstanding IBRD debt.

Upon signature by IDA of the country specific legal notification, immediately following the decision by the Executive Directors of IDA to provide debt relief to the country (the Decision Point), the country becomes eligible for debt relief up to the nominal value equivalent of one third of the net present value of the total HIPC debt relief committed to the specific country. A Completion Point is reached when the conditions specified in the legal notification are met and the country's other creditors have confirmed their full participation in the debt relief initiative. When the country reaches its Completion Point, IDA's commitment to provide the total debt relief for which the country is eligible, becomes irrevocable. IDA's provisioning policy for the HIPC Debt Initiative is discussed below.

Donors compensate IDA on a "pay-as-you-go" basis to finance IDA's forgone loan reflows (principal and service charge repayments) under the HIPC Debt Initiative. This means that for the debt relief provided by writing off the principal and charges during a replenishment, the donors compensate IDA for the forgone reflows through additional contributions in the relevant replenishment. These additional resources are accounted for, as equity, as subscriptions and contributions because they carry voting rights.

MDRI

Debt relief provided under the MDRI, which is characterized by the write-off of eligible loans upon qualifying borrowers reaching the HIPC Completion Point date, is in addition to existing debt relief commitments provided by IDA and other creditors under the HIPC Debt Initiative. When a country reaches Completion Point, the applicable loans are written off. This write off occurs at the beginning of the quarterly period following the date on which the country reaches Completion Point. For forgone repayments under MDRI, donors established a separate MDRI replenishment spanning fiscal years 2007 through 2044 and pledged to compensate IDA for the costs of providing debt relief under MDRI on a "dollar-for-dollar" basis. These additional resources are accounted for as subscriptions and contributions.

Accumulated Provision for Losses on Loans and Other Exposures

The accumulated provision for losses on loans and other exposures also includes the accumulated provision for HIPC Debt Initiative and MDRI.

HIPC Debt Initiative and MDRI

The adequacy of the accumulated provision for the HIPC Debt Initiative and MDRI is based on both quantitative and qualitative analyses of various factors, including estimates of decision and completion point dates. IDA periodically reviews these factors and reassesses the adequacy of the accumulated provision for the HIPC Debt Initiative and MDRI. Adjustments to the accumulated provision are recorded as a charge to or release of provision in the Statement of Income.

Upon approval by the Executive Directors of IDA of debt relief for a country under the Enhanced HIPC Initiative, the principal component of the estimated debt relief costs is recorded as a reduction of the disbursed and outstanding loans under the accumulated provision for losses, and as a charge to the Statement of Income. This estimate is subject to periodic revision. The accumulated provision for HIPC Debt Initiative is written off as and when debt relief is provided.

Following the Executive Directors' approval of IDA's participation in the MDRI in June 2006, IDA fully provided for the estimated probable write-off of the principal component of debt relief to be delivered under the MDRI for the HIPC eligible countries confirmed by the Executive Directors as eligible for relief at that time.

The provision is recorded as a reduction of the disbursed and outstanding loans under the accumulated provision for losses and as a charge to expenses. The applicable loans are written off when the country reaches the Completion Point and the related provision reduced accordingly.

Loans and Other Exposures

Delays in receiving loan payments result in present value losses since IDA does not charge fees or additional interest on any overdue service charges or interest. These present value losses are equal to the difference between the present value of payments of service charges, interest and other charges made according to the related loan’s contractual terms and the present value of its expected future cash flows. Except for debt relief provided under the HIPC Debt Initiative and MDRI, and any provision for losses under the mechanism to buy-down loans, it is IDA’s practice not to write off its loans. To date, no loans have been written off, other than under the HIPC Debt Initiative, MDRI and the buy-down mechanism. The risk of losses associated with nonpayment of principal amounts due is included in the accumulated provision for losses on loans and other exposures.

Management determines the appropriate level of the accumulated provision for losses, which reflects the probable losses inherent in IDA’s exposures. Probable losses comprise estimates of losses arising from default and non payment of principal amounts due, as well as present value losses due to delay in receiving payments when compared to the schedule of payments.

Several steps are taken to determine the appropriate level of provision. First, the exposures are disaggregated into two groups: exposures in accrual status and exposures in nonaccrual status. In each group, the net exposures for each borrower (defined as the nominal amount of loans disbursed and outstanding less the accumulated provision for loss under the HIPC Debt Relief Initiative, MDRI and the buy-down mechanism, plus other applicable exposures) are then assigned the credit risk rating of that borrower. With respect to countries with exposures in accrual status, these exposures are grouped according to the assigned borrower risk rating. The determination of borrowers' ratings is based on both quantitative and qualitative factors. Countries are rated using IDA’s internal comprehensive credit risk rating methodology. Second, each risk rating is mapped to an expected default frequency (probability of default) based on historical experience. Finally, the provision required is calculated by multiplying the net exposures by the expected default frequency and by the assumed severity of loss given default. The severity of loss given default, which is assessed periodically, and is based on the historical experience of IDA, is dependent on the borrower’s eligibility, namely: IDA, Blend (IBRD and IDA) and IBRD, with the highest severity associated with IDA, borrower’s eligibility is assessed at least annually. IDA reassesses the adequacy of the accumulated provision and the reasonableness of the inputs used, on a periodic basis, at least annually, and adjustments to the accumulated provision are recorded as a charge to or release of provision in the Statement of Income. This methodology is also applied to countries with exposures in nonaccrual status; however, at times, to reflect certain distinguishing circumstances of a particular nonaccrual situation, Management may use different input assumptions for a particular country. In light of the IDA18 replenishment which commenced on July 1, 2017, IDA’s management completed a review of the credit risk rating methodology used for IDA’s loan loss provisioning. The review resulted in a refinement of the rating methodology, consisting of the adoption of more granular scale at the lower end of the ratings spectrum. The impact of this refinement is disclosed in Note F – Loans and Other Exposures.

When a member country prepays its outstanding loans, it may receive a discount equivalent to the difference between the outstanding carrying amount and the present value of the remaining cash flows. In such instances, IDA records a provision for losses on loans equivalent to the discount provided, at the time when the prepayment terms are agreed between IDA and the member country.

Statement of Cash Flows

For the purpose of IDA's Statement of Cash Flows, cash is defined as the amount of Unrestricted cash and Restricted cash under the Due from banks line on the Balance Sheet.

Investments

Investment securities are classified based on Management's intention on the date of purchase, their nature, and IDA's policies governing the level and use of such investments. Until June 30, 2014, all investment securities were held in a trading portfolio. During the year ended June 30, 2015, IDA also purchased a security from IFC which is held in a non-trading portfolio. While IDA does not plan to sell the security, IDA elected to measure it at fair value, so that all its investment securities would be measured on the same basis. All investment securities and related financial instruments held by IDA are carried and reported at fair value, or at face value which approximates fair value. Where available, quoted market prices are used to determine the fair value of trading securities. Examples include most government and agency securities, Asset-backed Securities (ABS), Mortgage-backed Securities To-Be-Announced (TBA securities) and futures contracts. For instruments for which market quotations are not available, fair values are determined using model-based valuation techniques, whether internally generated or vendor-supplied, that include the standard discounted cash flow method using market observable inputs such as yield curves, credit spreads, and constant prepayment rates. Where applicable, unobservable inputs such as constant prepayment rates, probability of default and loss severity are used. Unless quoted prices are available, time deposits are reported at face value, which approximates fair value, as they are short term in nature. The first-in first-out method is used to determine the cost of securities sold in computing the realized gains and losses on these instruments.

Interest revenue is included in the Investments, net line in Statement of Income. Unrealized mark-to-market gains and losses for investment securities and related financial instruments held in the investment portfolio are included in the Statement of Income.

IDA may require collateral in the form of approved liquid securities from individual counterparties or cash, under legal agreements that provide for collateralization, in order to mitigate its credit exposure to these counterparties. For collateral received in the form of cash from counterparties, IDA invests the amounts received and records the investment and a corresponding obligation to return the cash. Collateral received in the form of liquid securities is only recorded on IDA's Balance Sheet to the extent that it has been transferred under securities lending agreements in return for cash.

Securities Purchased Under Resale Agreements, Securities Sold Under Repurchase Agreements, Securities Lent Under Securities Lending Agreements and Payable for Cash Collateral Received

Securities purchased under resale agreements, securities sold under repurchase agreements and securities lent under securities lending agreements are recorded at face value, which approximates fair value, as they are short term in nature. IDA receives securities purchased under resale agreements, monitors the fair value of the securities and, if necessary, closes out transactions and enters into new repriced transactions. The securities transferred to counterparties under the repurchase and security lending arrangements and the securities transferred to IDA under the resale agreements have not met the accounting criteria for treatment as a sale. Therefore, securities transferred under repurchase agreements and security lending arrangements are retained as assets on the Balance Sheet, and securities received under resale agreements are not recorded on the Balance Sheet. Securities lent under securities lending agreements and sold under securities repurchase agreements as well as securities purchased under resale agreements are presented on a gross basis, which is consistent with the manner in which these instruments are settled. The interest earned with respect to securities purchased under resale agreements is included in Investments, net, line in the Statement of Income. The interest expense pertaining to the securities sold under repurchase agreements and security lending arrangements, is included in the Borrowings, net line in the Statement of Income.

Borrowings

IDA introduced long term borrowings through concessional partner loans for the first time under IDA17, which commenced on July 1, 2014. The borrowing terms of the concessional partner loans aim to match the concessional features of IDA's loans. These borrowings are unsecured and unsubordinated fixed rate debt in SDR component currencies. IDA may prepay some or the entire outstanding amounts without penalty. These borrowings are carried and reported at amortized cost.

Starting with IDA18, IDA commenced issuing debt instruments in the capital markets. IDA has elected to adopt the fair value option for all such instruments. Changes in fair value have been recognized in the related Unrealized mark-to-market gains and losses on non-trading portfolios, net, line in the Statement of Income for the period ending June 30, 2018. Since the fair value option has been elected for these instruments, starting in the quarter ending September 30, 2018, changes in the portion of the fair value that relate to IDA's own credit risk, will be reported in Other Comprehensive Income (OCI) as a Debit Valuation Adjustment (DVA). The DVA on fair value option elected liabilities is measured by revaluing each liability to determine the changes in fair value of that liability arising from changes in IDA's cost of funding relative to LIBOR (see Accounting and Reporting Developments for additional details).

Plain vanilla bonds and discount notes, if any, are valued using the standard discounted cash flow method which relies on market observable inputs such as yield curves, foreign exchange rates, basis spreads and funding spreads. Where available, quoted market prices are used to determine the fair value of short-term notes, if any.

For the purpose of the Statement of Cash Flows, new issuances and retirements pertaining to short term borrowings, if any, which have a maturity of less than 90 days, are presented on a net basis. In contrast, short term borrowings which have a maturity greater than 90 days are presented on a gross basis.

Interest expense relating to all debt instruments in IDA's borrowing portfolio is measured on an effective yield basis and is reported as part of the Borrowings, net line in the Statement of Income.

For presentation purposes, amortization of discounts and premiums is also included in the Borrowings, net line in the Statement of Income.

Accounting for Derivatives

IDA has elected not to designate any hedging relationships for accounting purposes. Rather, all derivative instruments are marked to fair value on the Balance Sheet, with changes in fair value accounted for through the Statement of Income.

Through March 31, 2019, the presentation of derivative instruments on IDA's Balance Sheet was consistent with the manner in which these instruments are settled; interest rate swaps are settled on a net basis and were presented on a net basis and currency swaps are settled on a gross basis and were presented on a gross basis. Starting from June 30, 2019, the presentation of derivative instruments on IDA's Balance Sheet has been changed to align with the preferable accounting treatment and prevailing market and industry practice of netting derivative asset and liability positions and the related cash collateral received by counterparty when a legally enforceable master netting agreement exists, and the other conditions set out in *ASC Topic 210-20, Balance Sheet—Offsetting*, are met. In addition, in the Notes to the financial statements, unless stated differently, derivatives are presented on a net basis by instrument.

A master netting agreement is an industry standard agreement with a counterparty that permits multiple transactions governed by that agreement to be terminated or accelerated and settled through a single payment in a single currency in the event of a default (e.g., bankruptcy, failure to make a required payment or securities transfer or deliver collateral when due). Obligations under master netting agreements are often secured by collateral posted under an industry standard credit support annex to the master netting agreement. Upon default by the counterparty, the collateral agreement grants an entity the right to set-off any amounts payable by the counterparty against any posted collateral.

IDA uses derivative instruments in its investment trading portfolio to manage interest rate and currency risks. These derivatives are carried and reported at fair value. Interest revenue (expenses) are reflected as part of Interest revenue, while unrealized mark-to-market gains and losses on these derivatives are reflected as part of the Unrealized mark-to-market gains (losses) on Investments-Trading portfolio, net line in the Statement of Income.

IDA also uses derivatives in its loan, asset-liability management and borrowing portfolios. In the asset-liability management portfolio, currency forward contracts are used to manage foreign exchange fluctuation risks. In the loan and borrowing portfolios, interest rate swaps are being used to modify the interest rate characteristics of this portfolio. The interest component of these derivatives is recognized as an adjustment to the loan revenue and borrowing costs over the life of the derivative contracts and is included in Loans, net and Borrowings, net lines on the Statement of Income. Changes in fair values of these derivatives are accounted for through the Statement of Income as Unrealized mark-to-market gains and losses on non-trading portfolios, net.

For the purpose of the Statement of Cash Flows, IDA has elected to report the cash flows associated with the derivative instruments that are used to economically hedge its borrowings and investments, in a manner consistent with the presentation of the related borrowing and investment cash flows.

Derivative contracts include currency forward contracts, TBA securities, swaptions, exchange traded options and futures contracts, currency swaps and interest rate swaps. Currency swaps and interest rate swaps are primarily plain vanilla instruments. Currency and interest rate swaps are valued using the standard discounted cash flow methods using market observable inputs such as yield curves, foreign exchange rates, basis spreads and funding spreads.

Most outstanding derivative positions are transacted over-the-counter and are therefore valued using internally developed valuation models. For commercial and non-commercial counterparties where IDA has a net exposure (net receivable position), IDA calculates a Credit Value Adjustment (CVA) to reflect credit risk. For net derivative positions with commercial and non-commercial counterparties where IDA is in a net payable position, IDA calculates a DVA to reflect its own credit risk. The CVA is calculated using the fair value of the derivative contracts, net of collateral received under credit support agreements, and the probability of counterparty default based on the Credit Default Swap (CDS) spread and, where applicable, proxy CDS spreads. The DVA calculation is generally consistent with the CVA methodology and incorporates IDA's own credit spread as observed through the CDS market.

Valuation of Financial Instruments

IDA has an established and documented process for determining fair values. Fair value is based upon quoted market prices for the same or similar securities, where available.

Financial instruments for which quoted market prices are not readily available are valued based on discounted cash flow models and other established valuation models. These models primarily use market-based or independently sourced market parameters such as yield curves, interest rates, volatilities, foreign exchange rates and credit curves, and may incorporate unobservable inputs. Selection of these inputs may involve some judgment. In instances where Management relies on instrument valuations supplied by external pricing vendors, there are procedures in place to validate the appropriateness of the models used as well as the inputs applied in determining those values.

To ensure that the valuations are appropriate where internally-developed models are used, IDA has various internal controls in place.

As of June 30, 2019 and June 30, 2018, IDA had no financial assets or liabilities measured at fair value on a non-recurring basis.

Fair Value Hierarchy

Financial instruments are categorized based on the priority of the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), the next highest priority to observable market-based inputs or inputs that are corroborated by market data (Level 2) and the lowest priority to unobservable inputs that are not corroborated by market data (Level 3).

Financial assets and liabilities recorded at fair value on the Balance Sheet are categorized based on the inputs to the valuation techniques as follows:

Level 1: Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Financial assets and liabilities whose values are based on quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in non-active markets; or pricing models for which all significant inputs are observable, either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

IDA's policy is to recognize transfers in and transfers out of levels as of the end of the reporting period in which they occur.

Accounting for Contributions to Special Programs

IDA recognizes an expense for Contributions to Special Programs, when these have been incurred.

Transfers

Transfers from IBRD's net income, and, grants made from the retained earnings of IFC to IDA are recorded through the Statement of Income and as a receivable on the Balance Sheet upon approval by the Board of Governors of IBRD and upon execution of a grant agreement between IFC and IDA, respectively. In addition, IDA periodically receives transfers from trust funds and private institutions. IDA does not assign any voting rights for these transfers and grants.

Temporary restrictions relating to these transfers may arise from the timing of receipt of cash, or donor imposed restrictions as to use. When the cash is received and any other restrictions on the transfers and grants are complied with, the temporary restrictions are removed.

Donor Contributions to Trust Funds

For those IDA-executed trust funds where IDA acts as an intermediary agent, undisbursed third party donor contributions are recorded as assets held on behalf of the specified beneficiaries, with corresponding liabilities. Amounts disbursed from these trust funds are recorded as expenses with the corresponding amounts recognized as revenue. For Recipient-executed trust funds, since IDA acts as a trustee, no assets or liabilities relating to these activities are recorded on the Balance Sheet.

In some trust funds, execution is split between Recipient-executed and IDA-executed portions. Decisions on assignment of funding resources between the two types of execution may be made on an ongoing basis; therefore the execution of a portion of these available resources may not yet be assigned.

IDA also acts as a financial intermediary to provide specific administrative or financial services with a limited fiduciary or operational role. These arrangements, referred to as Financial Intermediary Funds, include, for example, administration of debt service trust funds, financial intermediation and other more specialized limited fund management roles. For these arrangements, funds are held and disbursed in accordance with instructions from donors or, in some cases, an external governance structure or a body operating on behalf of donors. For Financial Intermediary Funds, since IDA acts as a trustee, no assets or liabilities relating to these activities are recorded on IDA's Balance Sheet.

Accounting and Reporting Developments

Evaluated Accounting Standards:

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* and subsequent related amendments. The ASUs provide a common framework for revenue recognition for U.S. GAAP and supersede most of the existing revenue recognition guidance in U.S. GAAP. For IDA, the ASUs became effective from the quarter ended September 30, 2018.

IDA primarily earns revenue from financial instruments, which is not within the scope of the ASUs. In Addition, IDA has a revenue sharing arrangement with IBRD that is not in the scope of the ASUs. The ASUs did not have an impact on IDA's financial statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. The ASU makes targeted amendments to existing guidance on recognition and measurement of financial instruments that primarily affect the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. The new guidance requires that changes in the fair value of financial liabilities measured under the fair value option that are attributable to instrument-specific credit risk are reported in Other Comprehensive Income. The ASU became effective for IDA from the quarter ended September 30, 2018. Given the immateriality of the amounts, no transition adjustment was recorded to reclassify amounts relating to IDA's own credit on fair value option elected liabilities, previously included in Accumulated deficit, to Accumulated other comprehensive loss. The adoption of the ASU also required changes to the Statement of Comprehensive Income, Note D - Borrowings and Note J –Accumulated Other Comprehensive Income, which are related to DVA. Further amendments were made to Note F – Loans and other exposures, in line with the ASU's disclosure requirements.

In June 2018, the FASB issued ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU, which applies to all entities that receive or make contributions, clarifies and improves current guidance about whether a transfer of assets should be accounted for as a contribution or an exchange transaction, and provides additional guidance about how to determine whether a contribution is conditional. For contributions received, the ASU became effective from the quarter ended September 30, 2018. IDA has evaluated the ASU and determined that the guidance on contributions received has no impact on its financial statements. IDA also evaluated the impact of the portion of the ASU applicable to contributions made, which will be effective from the quarter ending September 30, 2019. As a result of this ASU, most development grant agreements signed after July 1, 2019 that fall within the scope of this ASU will be expensed when all conditions have been met, which generally occurs at the time of disbursement. Development grants that are deemed to be unconditional, will continute to be expensed upon approval.

Given the immateriality of the amounts subject to reclassification under the following ASUs, IDA has applied the requirements prospectively upon effectiveness, from the quarter ended September 30, 2018:

> In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. The ASU provides classification guidance on eight specific cash flow classification issues for which U.S. GAAP did not provide guidance. For IDA, the ASU became effective from the quarter ended September 30, 2018. This ASU has no impact on IDA's financial statements as of June, 30, 2019.
>
> In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted cash*. The ASU requires that the amounts of restricted cash and cash equivalents are included in the total of cash and cash equivalents at the beginning and end of the period in the Statement of Cash Flows. For IDA, the ASU became effective from the quarter ended September 30, 2018.

Accounting Standards Under Evaluation:

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The ASU and its subsequent amendments, introduce a new model for the accounting of credit losses of loans and other financial assets measured at amortized cost. Current U.S. GAAP requires an "incurred loss" methodology for recognizing credit losses. The new model, referred to as the current expected credit loss (CECL) model, requires an entity to estimate the credit losses expected over the life of an exposure, considering historical information, current information, and reasonable and supportable forecasts. Additionally, the ASUs require enhanced disclosures about credit quality and significant estimates and judgments used in estimating credit losses. For IDA, the ASUs will be effective beginning from the quarter ending September 30, 2020. IDA is currently evaluating the impact of the ASUs on its financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820) – Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement,* which amends the disclosure requirements of ASC 820. The guidance will be effective for IDA from the quarter ending September 30, 2020, with early adoption permitted. IDA is currently evaluating the impact of the ASU on its financial statements.

NOTE B—MEMBERS' SUBSCRIPTIONS AND CONTRIBUTIONS, AND MEMBERSHIP

The movement in subscriptions and contributions paid-in is summarized below:

Table B1: Subscriptions and contributions paid-in

In millions of U.S. dollars

	June 30, 2019	June 30, 2018
Beginning of the fiscal year	$ 225,461	$ 215,403
Cash contributions received [a]	3,431	4,849
Demand obligations received	5,404	5,171
Translation adjustment	(218)	38
End of the fiscal year	$ 234,078	$ 225,461

a. Includes any restricted cash subscriptions.

During the fiscal year ended June 30, 2019, IDA encashed demand obligations totaling $3,990 million ($4,486 million—fiscal year ended June 30, 2018).

NOTE C—INVESTMENTS

Overview

The investment securities held by IDA are designated as either trading or non-trading. These securities are carried and reported at fair value, or at face value which approximates fair value.

As of June 30, 2019, the majority of IDA's Investments comprised government and agency obligations (70%), with all the instruments being classified as either Level 1 or Level 2 within the fair value hierarchy. As of June 30, 2019, exposure to one counterparty was in excess of 10 % of the total Investments-Trading. This related to Japanese instruments, which represented 21% of Investments-Trading.

In addition, as of June 30, 2019, the majority of the instruments were denominated in U.S. dollars (36%), Euro (24%), Japanese yen (22%), Chinese Renminbi (8%) and Pound sterling (6%). IDA uses derivative instruments to align the currency composition of the investment portfolio to the SDR basket of currencies and to manage other currency and interest rate risks in the portfolio. After considering the effects of these derivatives, the investment portfolio had an average repricing of 2.9 years and the following currency composition of U.S. dollars (40%), Euro (28%), Japanese Yen (14%), Chinese Renminbi (9%) and Pound sterling (9%). The credit quality of IDA's investment portfolio remains concentrated in the upper end of the credit spectrum with 60% of the portfolio rated AA and above as of June 30, 2019, reflecting IDA's continued preference for highly rated securities and counterparties across all categories of financial instruments.

A summary of IDA's Investments and the currency composition is as follows:

Table C1: Investments-composition

In millions of U.S. dollars

	June 30, 2019	June 30, 2018
Trading		
Government and agency obligations	$ 22,820	$ 27,702
Time deposits	7,499	6,875
Asset-backed securities (ABS)	1,730	667
	$ 32,049	$ 35,244
Non-trading (at fair value)		
Debt securities	721	812
Total	$ 32,770	$ 36,056

The following table summarizes the currency composition of IDA's Investment:

Table C2: Investments-Currency composition

In millions of U.S. dollars

	June 30, 2019		June 30, 2018	
	Carrying Value	Average Repricing (years) [a]	*Carrying Value*	Average Repricing (years) [a]
Chinese Renminbi	$ 2,619	$ 2.00	$ 2,455	$ 2.92
Euro	7,888	1.50	8,614	2.01
Japanese yen	7,297	0.54	7,137	0.71
Pound sterling	2,026	1.71	2,899	1.63
U.S. dollar	11,692	5.89	13,130	4.26
Other	1,248	0.68	1,821	0.53
Total	$ 32,770	$ 2.87	$ 36,056	$ 2.51

a. The average repricing represents the remaining period to the contractual repricing or maturity date, whichever is earlier.This indicates the average length of time for which interest rates are fixed.

IDA manages its investments on a net portfolio basis. The following table summarizes IDA's net portfolio position:

Table C3: Net investment portfolio position

In millions of U.S. dollars

	June 30, 2019	June 30, 2018
Investments		
Trading	$ 32,049	$ 35,244
Non-trading (at fair value)	721	812
Total	32,770	36,056
Securities purchased under resale agreements	-	19
Securities sold under repurchase agreements, securities lent under securities lending agreements, and payable for cash collateral received [a]	(709)	(2,543)
Derivative Assets		
Currency swaps and currency forward contracts	7	68
Interest rate swaps	*	6
Other [b]	4	2
Total	11	76
Derivative Liabilities		
Currency swaps and currency forward contracts	(75)	(66)
Interest rate swaps	(2)	(10)
Other [b]	(*)	(*)
Total	(77)	(76)
Cash held in investment portfolio [c]	105	482
Receivable from investment securities traded	1,230	277
Payable for investment securities purchased	(887)	(556)
Net Investment Portfolio	$ 32,443	$ 33,735

a. Includes $11 million of cash collateral received from counterparties under derivative agreements ($2 million - June 30, 2018).
b. These relate to TBA Securities, swaptions, exchange traded options and futures contracts.
c. This amount is included in Unrestricted cash under Due from Banks on the Balance Sheet.
** Indicates amount less than $0.5 million.*

The following table summarizes the currency composition of IDA's Net Investment Portfolio

Table C4: Net investment portfolio-Currency composition

In millions of U.S. dollars

	June 30, 2019		June 30, 2018	
	Carrying Value	Average Repricing (years) [a]	Carrying Value	Average Repricing (years) [a]
Chinese Renminbi	$ 2,762	1.89	$ 3,632	2.02
Euro	9,149	1.33	8,624	2.04
Japanese yen	4,668	0.64	4,809	0.89
Pound sterling	2,877	1.25	3,071	1.53
U.S. dollar	12,930	5.59	13,593	4.10
Other	57	0.17	6	(0.94)
Total	$ 32,443	2.90	$ 33,735	2.65

a. The average repricing represents the remaining period to the contractual repricing or maturity date, whichever is earlier.This indicates the average length of time for which interest rates are fixed.

IDA uses derivative instruments to manage currency and interest rate risk in the investment portfolio. For details regarding these instruments, see Note E—Derivative Instruments.

As of June 30, 2019, there were short sales totaling $42 million ($19 million—June 30, 2018) included in Payable for investment securities purchased on the Balance Sheet. These are reported at fair value on a recurring basis.

Fair Value Disclosures

The following tables present IDA's fair value hierarchy for investment assets and liabilities measured at fair value on a recurring basis:

Table C5: Fair value hierarchy of investment assets and liabilities
In millions of U.S. dollars

	Fair Value Measurements on a Recurring Basis As of June 30, 2019			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments—Trading				
Government and agency obligations	$ 8,708	$ 14,112	$ -	$ 22,820
Time deposits	269	7,230	-	7,499
ABS	-	1,730	-	1,730
Total Investments—Trading	8,977	23,072	-	32,049
Investments—Non-trading (at fair value)	-	721	-	721
Securities purchased under resale agreements	-	-	-	-
Total	$ 8,977	$ 23,793	$ -	$ 32,770
Liabilities:				
Securities sold under repurchase agreements and securities lent under security lending agreements [a]	$ -	$ 698	$ -	$ 698
Total	$ -	$ 698	$ -	$ 698

a. Excludes amount payable for cash collateral received ($11 million).

In millions of U.S. dollars

	Fair Value Measurements on a Recurring Basis As of June 30, 2018			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments—Trading				
Government and agency obligations	$ 12,541	$ 15,161	$ -	$ 27,702
Time deposits	299	6,576	-	6,875
ABS	-	667	-	667
Total Investments—Trading	12,840	22,404	-	35,244
Investments—Non-trading (at fair value)	-	812	-	812
Securities purchased under resale agreements	-	19	-	19
Total	$ 12,840	$ 23,235	$ -	$ 36,075
Liabilities:				
Securities sold under repurchase agreements and securities lent under security lending agreements [a]	$ -	$ 2,541	$ -	$ 2,541
Total	$ -	$ 2,541	$ -	$ 2,541

a. Excludes amount payable for cash collateral received ($2 million).

During the fiscal years ended June 30, 2019 and June 30, 2018, there were no securities transferred between levels of the fair value hierarchy.

Presented below is the difference between the aggregate fair value and aggregate contractual principal balance of non-trading securities in the investment portfolio:

Table C6: Investment portfolio-Non-trading securities

In millions of U.S. dollars

	Fair value	Principal amount due	Difference
June 30, 2019	$ 721	$ 721	$ -
June 30, 2018	$ 812	$ 843	$ (31)

The maturity structure of IDA's non-trading investment portfolio was as follows:

Table C7: Maturity structure of non-trading securities

In millions of U.S. dollars

Period	*June 30, 2019*	*June 30, 2018*
Less than 1 year	$ 124	$ 122
Between		
1 - 2 years	125	124
2 - 3 years	113	125
3 - 4 years	96	113
4 - 5 years	77	96
Thereafter	186	263
	$ 721	$ 843

Commercial Credit Risk

For the purpose of risk management, IDA is party to a variety of financial transactions, certain of which involve elements of credit risk. Credit risk exposure represents the maximum potential loss due to possible non performance by obligors and counterparties under the terms of the contracts. For all securities, IDA limits trading to a list of authorized dealers and counterparties. In addition, credit limits have been established for counterparties by type of instrument and maturity category.

Swap Agreements: Credit risk is mitigated through a credit approval process, volume limits, monitoring procedures and the use of mark-to-market collateral arrangements. IDA may require collateral in the form of cash or other approved liquid securities from individual counterparties to mitigate its credit exposure. As of June 30, 2019, IDA had received cash collateral of $10 million related to swap agreements (Nil – June 30, 2018).

IDA has entered into master derivative agreements, which contain legally enforceable close-out netting provisions. These agreements may further reduce the gross credit risk exposure related to the swaps. Credit risk with financial assets subject to a master derivative arrangement is further reduced under these agreements to the extent that payments and receipts with the counterparty are netted at settlement. The reduction in exposure as a result of these netting provisions can vary due to the impact of changes in market conditions on existing and new transactions. The extent of the reduction in exposure may therefore change substantially within a short period of time following the balance sheet date. For more information on netting and offsetting provisions, see Note E—Derivative Instruments.

The following is a summary of the collateral received by IDA related to swap transactions:

Table C8: Collateral received

In millions of U.S. dollars

	June 30, 2019	*June 30, 2018*
Collateral received		
Cash	$ 10	$ -
Securities	-	-
Total collateral received	$ 10	$ -
Collateral permitted to be repledged	$ 10	$ -
Amount of collateral repledged	-	-
Amount of Cash Collateral invested	-	-

Securities Lending: IDA may engage in securities lending and repurchases, against adequate collateral, as well as securities borrowing and reverse repurchases (resales) of government and agency obligations, and ABS.

These transactions have been conducted under legally enforceable master netting arrangements, which allow IDA to reduce its gross credit exposure related to these transactions. As of June 30, 2019, there were no amounts which could potentially be offset as a result of legally enforceable master netting arrangements ($19 million— June 30, 2018).

Transfers of securities by IDA to counterparties are not accounted for as sales as the accounting criteria for the treatment as a sale have not been met. Counterparties are permitted to repledge these securities until the repurchase date.

Securities lending agreements and repurchase agreements expose IDA to several risks, including counterparty risk, reinvestment risk, and risk of a collateral gap (increase or decrease in the fair value of collateral pledged). IDA has procedures in place to ensure that trading activity and balances under these agreements are below predefined counterparty and maturity limits, and to actively monitor net counterparty exposure, after collateral, through daily mark-to-market. Whenever the collateral pledged by IDA related to its borrowings under securities lending agreements and repurchase agreements declines in value, the transaction is re-priced as appropriate by returning cash or pledging additional collateral.

The following is a summary of the carrying amount of the securities transferred under repurchase or securities lending agreements, and the related liabilities:

Table C9: Amounts related to securities transferred under repurchase or securities lending agreements

In millions of U.S. dollars

	June 30, 2019	*June 30, 2018*	*Financial Statement Presentation*
Securities transferred under repurchase or securities lending agreements	$ 702	$ 2,321	Included under Investments - Trading on the Balance Sheet
Liabilities relating to securities transferred under repurchase or securities lending agreements	$ 698	$ 2,541	Included under Securities Sold under Repurchase Agreements, Securities Lent under Securities Lending Agreements, and Payable for Cash Collateral Received on the Balance Sheet.

As of June 30, 2019, none of the liabilities relating to securities transferred under repurchase or securities lending Agreements remained unsettled at that date ($226 million— June 30, 2018). There were no replacement trades entered into in anticipation of maturing trades of a similar amount ($202 million— June 30, 2018).

The following tables present the disaggregation of the gross obligation by class of collateral pledged and the remaining contractual maturities for repurchase agreements or securities lending transactions that are accounted for as secured borrowings:

Table C10: Composition of liabilities related to securities transferred under repurchase or securities lending agreements

In millions of U.S. dollars

	As of June 30, 2019		
	Remaining contractual maturity of the agreements		
	Overnight and continuous	*Up to 30 days*	*Total*
Repurchase or Securities Lending agreements			
Government and agency obligations	$ 698	$ -	$ 698
Total liabilities for Securities sold under repurchase agreements and Securities Lent under Securities Lending Agreements	$ 698	$ -	$ 698

In millions of U.S. dollars

	As of June 30, 2018		
	Remaining contractual maturity of the agreements		
	Overnight and continuous	*Up to 30 days*	*Total*
Repurchase or Securities Lending agreements			
Government and agency obligations	$ 1,853	$ 688	$ 2,541
Total liabilities for Securities sold under repurchase agreements and Securities Lent under Securities Lending Agreements	$ 1,853	$ 688	$ 2,541

In the case of resale agreements, IDA received collateral in the form of liquid securities and is permitted to repledge these securities. While these transactions are legally considered to be true purchases and sales, the securities received are not recorded on IDA's balance sheet as the accounting criteria for treatment as a sale have not been met. As of June 30, 2019, there were no securities purchased under resale agreements. As of June 30, 2018, for the securities purchased under resale agreements, none of these securities remained unsettled on that date. In addition, IDA received securities with a fair value $19 million, and none of these securities had been transferred under repurchase or securities lending agreements.

NOTE D—BORROWINGS

IDA's borrowings comprise both concessional partner loans made by IDA's members as well as market borrowings.

Concessional partner loans are unsecured and unsubordinated fixed rate debt in SDR component currencies. IDA may prepay some or the entire outstanding amounts without penalty. These borrowings are carried and reported at amortized cost, and have original maturities of 25 or 40 years, with the final maturity being 2058. This does not include the effect of the amounts relating to proceeds received under the grant component of the concessional partner loan agreements, for which voting rights have been received. These amounts are reflected in equity.

Table D1: Borrowings-concessional partner loans outstanding

In millions of U.S dollars

	Concessional Partner Loans outstanding		
	Principal at face value	*Net unamortized premium (discount)*	*Net carrying value*
June 30, 2019	$ 8,462	$ (1,692)	$ 6,770
June 30, 2018	$ 7,461	$ (1,650)	$ 5,811

During the fiscal year ended June 30, 2018, IDA issued its first bond in the international capital markets. This bond has a notional principal value of $1.5 billion and carries a fixed interest rate of 2.75%. It is denominated in U.S. dollars and has a tenor of 5 years maturing in 2023. IDA has elected the fair value option for this instrument. As part of IDA's asset-liability management strategy, IDA also entered into derivative transactions to convert the fixed rate bond into a floating rate instrument.

During March 2019, IDA started issuing short-term borrowings in the international capital markets. These short-term borrowings have maturities ranging from 34 days to 1 year. IDA has elected the fair value option for these instruments. As of June 30, 2019, IDA had $1.9 billion of short-term borrowings outstanding.

As of June 30, 2019, all of the instruments in IDA's borrowing portfolio were classified as Level 2, within the fair value hierarchy. In addition, these instruments were denominated in U.S. dollars, Japanese yen, Pound Sterling and Euro (44%, 31%, 14% and 11% respectively).

For details regarding the derivatives used in the borrowing portfolio, see Note E—Derivative Instruments.

The following table provides a summary of the interest rate characteristics of IDA's borrowings:

Table D2: Borrowings - Interest rate composition

In millions of U.S. dollars

	June 30, 2019	WAC [a] (%)	June 30, 2018	WAC [a] (%)
Fixed	$ 10,143	2.23 %	$ 7,308	2.31 %
Variable	-	-	-	
Borrowings [b]	$ 10,143	2.23 %	$ 7,308	2.31 %
Fair Value Adjustment	59		(3)	
Total Borrowings	$ 10,202		$ 7,305	

a. WAC refers to weighted average cost.
b. At amortized cost.

The currency composition of debt in IDA's borrowing portfolio before derivatives was as follows:

Table D3: Borrowings - Currency composition before derivatives

	June 30, 2019	June 30, 2018
Euro	11 %	14 %
Japanese Yen	31	31
Pound Sterling	14	19
U.S. dollar	44	36
	100 %	100 %

The maturity structure of IDA's borrowings outstanding was as follows:

Table D4: Borrowings - Maturity structure

In millions of U.S. dollars

Period	June 30, 2019	June 30, 2018
Between		
Less than 1 year	$ 1,919	$ -
1 - 2 years	111	44
2 - 3 years	122	113
3 - 4 years	1,690	124
4 - 5 years	138	1,630
Thereafter	7,914	7,044
Total [a]	$ 11,894	$ 8,955

a. For June 30, 2019, total includes net unamortized discount of $1,692 million ($1,650 million—June 30, 2018) for Concessional Partner Loans.

IDA's borrowings have original maturities ranging from 34 days to 40 years with the final maturity in 2058.

Fair Value Disclosures

The table below presents the fair value of IDA's borrowings for disclosure purposes, along with their respective carrying amounts:

Table D5: Borrowings-Fair value and carrying amounts

In millions of U.S. dollars

	June 30, 2019		June 30, 2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Concessional partner loans	$ 6,770	$ 8,507	$ 5,811	$ 6,660
Market borrowings	3,432	3,432	1,494	1,494
	$ 10,202	$ 11,939	$ 7,305	$ 8,154

The following table provides information on the unrealized mark-to-market gains or losses on market borrowings included in the Statement of Income as well as where those amounts are included in the Statement of Income:

Table D6: Unrealized mark-to-market gains or losses relating to market borrowings

In millions of U.S. dollars

Unrealized mark-to-market gains (losses)	*2019*	*2018*	*2017*
Statement of Income			
Unrealized mark-to-market (losses) gains on non-trading portfolios, net	$ (63)	$ 3	$ -

Presented below is the difference between the aggregate fair value and aggregate contractual principal balance of borrowings:

Table D7: Borrowings-Fair value and contractual principal balance

In millions of U.S. dollars

	Fair Value	*Principal Due Upon Maturity*	*Difference* [a]
June 30, 2019	$ 11,939	$ 11,846	$ 93
June 30, 2018	$ 8,154	$ 8,961	$ (807)

a. Includes $48 million for market borrowing at fair value as of June 30, 2019 ($(6) million – June 30, 2018)

NOTE E—DERIVATIVE INSTRUMENTS

IDA uses derivative instruments in its investment, loan and borrowing portfolios, for asset/liability management purposes, and to assist clients in managing risks.

The following table summarizes IDA's use of derivatives in its various financial portfolios.

Portfolio	Derivative instruments used	Purpose/Risk being managed
Risk management purposes:		
Investments—Trading	Interest rate swaps, currency forward contracts, currency swaps, options, swaptions, futures contracts, and TBA securities	Manage currency and interest rate risk in the portfolio.
Other assets/liabilities	Currency forward contracts, currency swaps and interest rate swaps	Manage foreign exchange and interest rate risks.
Loans	Interest rate swaps	Manage interest rate risk in the portfolio.
Borrowings	Interest rate swaps	Manage interest rate risk in the portfolio.
Other purposes:		
Client operations	Structured swaps	Assist clients in managing risks.

As discussed in Note A, unless stated differently, the derivatives in the related tables of Note E are presented on a net basis by instrument. A reconciliation to the Balance Sheet presentation is shown where appropriate.

Offsetting assets and liabilities

IDA enters into International Swaps and Derivatives Association, Inc. (ISDA) master netting agreements with substantially all of its derivative counterparties. These legally enforceable master netting agreements give IDA the right to liquidate securities held as collateral and to offset receivables and payables with the same counterparty, in the event of default by the counterparty.

The following tables summarize information on derivative assets and liabilities (before and after netting adjustments) that are reflected on IDA's Balance Sheet as of June 30, 2019 and June 30, 2018. Gross amounts in the tables represent the amounts receivable (payable) for instruments which are in a net asset (net liability) position. The effects of legally enforceable master netting agreements are applied on an aggregate basis to the total derivative asset and liability positions. The net derivative asset positions have been further reduced by the cash and securities collateral received.

Table E1: Derivatives assets and liabilities before and after netting adjustments

In millions of U.S. dollars

	June 30, 2019					
	Located on the Balance Sheet					
	Derivative Assets			Derivative Liabilities		
	Gross Amounts	Gross Amounts Offset	Net Amounts	Gross Amounts	Gross Amounts Offset	Net Amounts
Interest rate swaps	$ 297	$ (244)	$ 53	$ 89	$ (80)	$ 9
Currency swaps [a]	12,539	(11,948)	591	6,143	(5,982)	161
Other [b]	4	-	4	*	-	*
Total	$ 12,840	$ (12,192)	$ 648 [d]	$ 6,232	$ (6,062)	$ 170 [d]
Less:						
Amounts subject to legally enforceable master netting agreements			$ 150 [e]			$ 148 [f]
Cash collateral received [c]			11			-
Net derivative positions on the Balance Sheet			$ 487			$ 22
Less:						
Securities collateral received [c]			-			
Net derivative exposure after collateral			$ 487			

In millions of U.S. dollars

	June 30, 2018					
	Located on the Balance Sheet					
	Derivative Assets			Derivative Liabilities		
	Gross Amounts	Gross Amounts Offset	Net Amounts	Gross Amounts	Gross Amounts Offset	Net Amounts
Interest rate swaps	$ 236	$ (229)	$ 7	$ 396	$ (370)	$ 26
Currency swaps [a]	9,511	(9,055)	456	12,880	(12,395)	485
Other [b]	2	-	2	*	-	*
Total	$ 9,749	$ (9,284)	$ 465 [d]	$ 13,276	$ (12,765)	$ 511 [d]
Less:						
Amounts subject to legally enforceable master netting agreements			$ 213 [e]			$ 215 [f]
Cash collateral received [c]			2			-
Net derivative positions on the Balance Sheet			250			296
Less:						
Securities collateral received [c]			-			
Net derivative exposure after collateral			$ 250			

a. Includes currency forward contracts.

b. These include swaptions, exchange traded options, futures contracts and TBA securities.

c. Does not include excess collateral received.

d. Total is based on amounts where derivatives have been net by instrument.

e. Includes $2 million CVA adjustment ($* million-June 30, 2018).

f. Includes $* million DVA adjustment ($2 million-June 30, 2018).

* *Indicates amount less than $0.5 million.*

The following table provides information about the notional amounts and credit risk exposures, at the instrument level, of IDA's derivative instruments.

Table E2: Notional amounts and credit risk exposure of the derivative instruments:
In millions of U.S. dollars

Type of contract	*June 30, 2019*	*June 30, 2018*
Investments - Trading		
Interest rate swaps		
Notional principal	$ 338	$ 978
Credit exposure	*	6
Currency swaps (including currency forward contracts)		
Credit exposure	7	68
Other [a]		
Notional long position	10,466	4,960
Notional short position	3,598	5,209
Credit exposure	2	2
Asset-liability management		
Currency forward contracts (including currency swaps)		
Credit exposure	584	388
Other derivatives [b]		
Interest rate swaps		
Notional principal	3,080	3,021
Credit exposure	53	1
Currency swaps		
Credit exposure	*	-
Total credit exposure at the instrument level		
Interest rate swaps	53	7
Currency swaps (including currency forward contracts)	591	456
Other derivatives [b]	2	2
Total exposure	$ 646	$ 465

a. Includes swaptions. exchange traded options, futures contracts and TBA securities. Exchange traded instruments are generally subject to daily margin requirements and are deemed to have no material credit risk. All options and futures contracts are interest rate contracts.

b.Include Borrowing, PSW and Loan swaps

** Indicates amount less than $0.5 million.*

Under almost all of its International Swaps and Derivative Association (ISDA) Master Agreements, IDA is not required to post collateral as long as it maintains liquidity holdings at predetermined levels that are a proxy for a triple-A credit rating. After becoming a rated entity, IDA has started to enter into derivative agreements with commercial counterparties in which IDA is not required to post collateral as long as it maintains a triple-A rating. The aggregate fair value of all derivative instruments with credit- risk related contingent features that are in a liability position as of June 30, 2019 is $10 million ($298 million —June 30, 2018). As of June 30, 2019, IDA was not required to post any collateral in accordance with the relevant agreements.

If the credit-risk related contingent features underlying these agreements were triggered to the extent that IDA would be required to post collateral as of June 30, 2019, the amount of collateral that would need to be posted would be $9 million ($62 million—June 30, 2018). Subsequent triggers of contingent features would require posting of additional collateral, up to a maximum of $10 million as of June 30, 2019 ($298 million—June 30, 2018).

Amounts of gains and losses on the Asset-liability management derivative instruments and their location on the Statement of Income are as follows:

Table E3: Unrealized mark-to-market gains or losses on non-trading derivatives
In millions of U.S. dollars

		Gains (Losses) Fiscal Year Ended June 30,		
	Statement of Income Location	*2019*	*2018*	*2017*
Interest rate swaps	**Unrealized mark-to-market gains (losses) on Non-Trading portfolios, net**	$ 58	$ (3)	$ -
Currency forward contracts and currency swaps		359	(17)	54
Total		$ 417	$ (20)	$ 54

The majority of the instruments in IDA's investment portfolio are held for trading purposes. Within the trading portfolio, IDA holds highly rated fixed income instruments as well as derivatives. The trading portfolio is primarily held to ensure the availability of funds to meet future cash flow requirements and for liquidity management purposes.

The following table provides information on the amount of gains and losses on IDA's investment trading portfolio (derivative and non-derivative instruments), and their location on the Statement of Income:

Table E4: Unrealized mark-to-market gains or losses on investment trading portfolio
In millions of U.S. dollars

		Gains (Losses) Fiscal Year Ended June 30,		
	Statement of Income Location	*2019*	*2018*	*2017*
Type of instrument				
Fixed income (including related derivatives)	**Unrealized mark-to-market (losses) gains on Investment-Trading portfolios, net**	$ 351	$ (128)	$ (367)

Fair Value Disclosures

IDA's fair value hierarchy for derivative assets and liabilities measured at fair value on a recurring basis is as follows:

Table E5: Derivative assets and liabilities fair value hierarchy

In millions of U.S. dollars

	Fair Value Measurements on a Recurring Basis As of June 30, 2019			
	Level 1	*Level 2*	*Level 3*	*Total*
Derivative assets:				
Currency swaps and currency forward contracts [a]	$ -	$ 591	$ -	$ 591
Interest rate swaps	-	53	-	53
Other [b]	2	2	-	4
	2	646	-	648
Less:				
Amounts subject to legally enforceable master netting agreements [c]				150
Cash collateral received				11
Net derivative position on the Balance Sheet				487
Derivative liabilities:				
Currency swaps and currency forward contracts	$ -	$ 161	$ -	$ 161
Interest rate swaps	-	9	-	9
Other [b]	-	*	-	*
	-	170	-	170
Less:				
Amounts subject to legally enforceable master netting agreements [d]				148
Net derivative position on the Balance Sheet				22

In millions of U.S. dollars

	Fair Value Measurements on a Recurring Basis As of June 30, 2018			
	Level 1	*Level 2*	*Level 3*	*Total*
Derivative assets:				
Currency swaps and currency forward contracts [a]	$ -	$ 456	$ -	$ 456
Interest rate swaps	-	7	-	7
Other [b]	-	2	-	2
	-	465	-	465
Less:				
Amounts subject to legally enforceable master netting agreements [c]				213
Cash collateral received				2
Net derivative position on the Balance Sheet				250
Derivative liabilities:				
Currency swaps and currency forward contracts	$ -	$ 485	$ -	$ 485
Interest rate swaps	-	26	-	26
Other [b]	-	*	-	*
	-	511	-	511
Less:				
Amounts subject to legally enforceable master netting agreements [d]				215
Net derivative position on the Balance Sheet				296

a. Includes structured swaps
b. These include swaptions, exchange traded options, futures contracts and TBA securities.
c. Includes $2 million CVA adjustment ($ million-June 30, 2018).*
d. Includes $ million DVA adjustment ($2 million-June 30, 2018).*
** Indicates amounts less than $0.5 million*

Inter-level transfers

During the fiscal years ended June 30, 2019 and June 30, 2018, there were no inter-level transfers in the derivatives portfolio.

NOTE F—LOANS AND OTHER EXPOSURES

IDA's loans and other exposures are generally made to, or guarantted by, member countries of IDA. Loans are carried at amortized cost. Based on IDA's internal credit quality indicators, the majority of the loans outstanding are in the Medium and High risk classes.

As of June 30, 2019, loans outstanding totaling $2,527 million (representing about 1.6% of the portfolio) from five borrowers, were in nonaccrual status.

Maturity Structure

The maturity structure of loans outstanding was as follows:

Table F1: Loans outstanding - Maturity structure

In millions of U.S. dollars

June 30, 2019			*June 30, 2018*		
July 01, 2019 through June 30, 2020	$	7,281	July 01, 2018 through June 30, 2019	$	6,718
July 01, 2020 through June 30, 2024		29,020	July 01, 2019 through June 30, 2023		27,126
July 01, 2024 through June 30, 2029		38,284	July 01, 2023 through June 30, 2028		36,471
Thereafter		81,968	Thereafter		79,713
Total	$	156,553	Total	$	150,028

Currency Composition

Loans outstanding had the following currency composition:

Table F2: Loans outstanding - Currency composition

In millions of U.S. dollars

	June 30, 2019		*June 30, 2018*	
Euro	$	2,285	$	1,327
U.S. dollar		5,964		4,996
SDR		148,304		143,705
	$	156,553	$	150,028

Credit Quality of Sovereign Loans

Based on an evaluation of IDA's exposures, management has determined that IDA has one portfolio segment – Sovereign Exposures. IDA's loans constitute the majority of the Sovereign Exposures portfolio segment.

IDA's country risk ratings are an assessment of its borrowers' ability and willingness to repay IDA on time and in full. These ratings are internal credit quality indicators. Individual country risk ratings are derived on the basis of both quantitative and qualitative analyses. The components considered in the analysis can be grouped broadly into eight categories: political risk, external debt and liquidity, fiscal policy and public debt burden, balance of payments risks, economic structure and growth prospects, monetary and exchange rate policy, financial sector risks, and corporate sector debt and vulnerabilities. For the purpose of analyzing the risk characteristics of IDA's exposures, these exposures are grouped into three classes in accordance with assigned borrower risk ratings, which relate to the likelihood of loss: Low, Medium and High risk classes, as well as exposures in nonaccrual status. IDA considers all exposures in nonaccrual status to be impaired.

IDA's borrower country risk ratings are key determinants in the provision for loan losses. Country risk ratings are determined in review meetings that take place several times a year. All countries are reviewed at least once a year, or more frequently if circumstances warrant, to determine the appropriate ratings.

IDA considers loans to be past due when a borrower fails to make payment on any principal, interest or other charges due to IDA on the dates provided in the contractual loan agreement.

The following tables provide an aging analysis of loans outstanding:

Table F3: Loans-Aging structure

In millions of U.S. dollars

	June 30, 2019							
Days past due	*Up to 45*	*46-60*	*61-90*	*91-180*	*Over 180*	*Total Past Due*	*Current*	*Total*
Risk Class								
Low	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,469	$ 1,469
Medium	-	-	-	-	-	-	24,176	24,176
High	2	-	*	-	-	2	128,379	128,381
Loans in accrual status	2	-	*	-	-	2	154,024	154,026
Loans in nonaccrual status	12	1	5	22	1,319	1,359	1,168	2,527
Total	$ 14	$ 1	$ 5	$ 22	$ 1,319	$ 1,361	$ 155,192	$ 156,553

In millions of U.S. dollars

	June 30, 2018							
Days past due	*Up to 45*	*46-60*	*61-90*	*91-180*	*Over 180*	*Total Past Due*	*Current*	*Total*
Risk Class								
Low	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,065	$ 2,065
Medium	-	-	-	-	-	-	25,815	25,815
High	1	-	-	-	-	1	119,596	119,597
Loans in accrual status	1	-	-	-	-	1	147,476	147,477
Loans in nonaccrual status	11	2	5	23	1,241	1,282	1,269	2,551
Total	$ 12	$ 2	$ 5	$ 23	$ 1,241	$ 1,283	$ 148,745	$ 150,028

** Indicates amount lessthan $0.5 million.*

Accumulated Provision for Losses on Loans and Other Exposures

Provision for Losses on Loans and Other Exposures

Management determines the appropriate level of accumulated provision for losses, which reflects the probable losses inherent in IDA's exposures. Probable losses comprise estimates of losses arising from default and nonpayment of principal amounts due, as well as present value losses. Management reassesses the adequacy of the accumulated provision and the reasonableness of the inputs used, on a periodic basis, at least annually, and adjustments are recorded as a charge against or addition to revenue.

Provision for HIPC Debt Initiative and MDRI includes provisions which are based on quantitative and qualitative analyses of various factors, including estimates of Decision Point and Completion Point dates. These factors are reviewed periodically as part of the reassessment of the adequacy of the accumulated provision for loss. Provisions are released as qualifying debt service becomes due and is forgiven under the HIPC Debt Initiative, and are reduced by the amount of the eligible loans written off when the country reaches Completion Point, and becomes eligible for MDRI debt relief.

A key determinant in the provision for losses on loans and other exposures is IDA's borrowing country credit risk ratings. These ratings are IDA's own assessment of borrowers' ability and willingness to repay IDA on time and in full. In light of the IDA18 replenishment, IDA's management refined its approach to the credit risk rating of IDA's sovereign borrowers. The net impact of this refinement on IDA's accumulated provision at June 30, 2018, was $409 million. Changes to the accumulated provision for losses on loans and other exposures for the fiscal years ended are summarized below:

Table F4: Accumulated provisions

In millions of U.S. dollars

	June 30, 2019				June 30, 2018			
	Loans	Debt relief under HIPC/MDRI	Other	Total	Loans	Debt relief under HIPC/MDRI	Other	Total
Accumulated provision, beginning of the fiscal year	$ 2,439	$ 1,944	$ 56	$ 4,439	$ 1,913	$ 1,940	$ 25	$ 3,878
Provision, net - charge (release) [a]	417	(115)	14	316	510	7	31	548
Loans written off under:								
Prepayments	(3)	-	-	(3)	(3)	-	-	(3)
HIPC/MDRI	-	(10)	-	(10)	-	(10)	-	(10)
Translation adjustment	(27)	(7)	*	(34)	19	7	*	26
Accumulated provision, end of the period	$ 2,826	$ 1,812	$ 70	$ 4,708	$ 2,439	$ 1,944	$ 56	$ 4,439
Composed of accumulated provision for losses on:								
Loans in accrual status	$ 2,524	$ 105		$ 2,629	$ 2,160	$ 117		$ 2,277
Loans in nonaccrual status	302	1,707		2,009	279	1,827		2,106
Total	$ 2,826	$ 1,812		$ 4,638	$ 2,439	$ 1,944		$ 4,383
Loans:								
Loans in accrual status				$ 154,026				$ 147,477
Loans in nonaccrual status				2,527				2,551
Total				$ 156,553				$ 150,028

a. For the fiscal year ended June, 2019, the provision includes: $3 million for the discount on prepayment of loans from one IDA graduate country ($3 million - June 30, 2018).

** Indicates amount less than $0.5 million.*

	Reported as Follows	
	Balance Sheet	**Statement of Income**
Accumulated Provision for Losses on:		
Loans	Accumulated provision for losses on loans	Provision for losses on loans and other exposures, net
Debt Relief under HIPC/MDRI	Accumulated provision for losses on loans	Provision for losses on loans and other exposures, net
Other Exposures	Other liabilities	Provision for losses on loans and other exposures, net

Loans to be written off under MDRI

During the fiscal years ended June 30, 2019 and June 30, 2018, there were no loans written off under the MDRI.

Overdue Amounts

As of June 30, 2019, there were no principal or charges under loans in accrual status which were overdue by more than three months.

The following tables provide a summary of selected financial information related to loans in nonaccrual status:

Table F5: Loans in nonaccrual status

In millions of U.S. dollars

							Overdue amounts	
Borrower	*Nonaccrual since*	*Recorded investment* [a]	*Average recorded investment* [b]	*Principal Outstanding*	*Provision for debt relief*	*Provision for loan losses* [c]	*Principal*	*Charges*
Eritrea	March 2012	$ 434	$ 435	$ 434	$ 295	$ 28	$ 75	$ 26
Somalia	July 1991	413	414	413	387	5	259	88
Sudan	January 1994	1,205	1,207	1,205	1,025	36	762	225
Syrian Arab Republic	June 2012	14	14	14	-	3	10	1
Zimbabwe	October 2000	461	462	461	-	230	253	59
Total - June 30, 2019		$ 2,527	$ 2,532	$ 2,527	$ 1,707	$ 302	$ 1,359	$ 399
Total - June 30, 2018		$ 2,551	$ 2,576	$ 2,551	$ 1,827	$ 279	$ 1,282	$ 383

a. A loan loss provision has been recorded against each of the loans in nonaccrual status.

b. Represents the average for the fiscal years. For the fiscal year ended June 30, 2017: $2,503 million.

c. Loan loss provisions are determined after taking into account accumulated provision for debt relief.

In millions of U.S. dollars

	Fiscal Year Ended June 30,		
	2019	*2018*	*2017*
Service charge revenue not recognized as a result of loans being in nonaccrual status	$ 19	$ 19	$ 19

During the fiscal years ended June 30, 2019 and June 30, 2018, no loans were placed into nonaccrual status.

During the fiscal year ended June 30, 2019, service charge revenue recognized on loans in nonaccrual status was less than $1 million, (Nil—fiscal year ended June 30, 2018 and $3 million—fiscal year ended June 30, 2017).

Guarantees

Guarantees of $2,200 million were outstanding as of June 30, 2019 ($1,808 million – June 30, 2018). This amount includes $106 million relating to the Private Sector Window (PSW) ($36 million—June 30, 2018). The outstanding amount of guarantees represents the maximum potential undiscounted future payments that IDA could be required to make under these guarantees, and is not included on the Balance Sheet. The guarantees issued by IDA have original maturities ranging between 4 and 22 years, and expire in decreasing amounts through 2039.

As of June 30, 2019, liabilities related to IDA's obligations under guarantees of $147 million ($123 million— June 30, 2018), have been included in Other liabilities on the Balance Sheet. These include the accumulated provision for guarantee losses of $58 million ($47 million— June 30, 2018).

During the fiscal years ended June 30, 2019 and June 30, 2018, no guarantees provided by IDA were called.

Segment Reporting

Based on an evaluation of its operations, Management has determined that IDA has only one reportable segment.

Concentration Risk

Loan revenue comprises service charges and interest charges on outstanding loan balances. For the fiscal year ended June 30, 2019, loan revenue from three countries of $249 million, $182 million and $147 million, respectively were in excess of ten percent of total loan revenue.

The following table presents IDA's loans outstanding and associated loan revenue by geographic region as of and for the stated:

Table F6: Loans outstanding and revenue by geographic region

In millions of U.S. dollars

	June 30, 2019		June 30, 2018	
Region	*Loans Outstanding*	*Service and Interest Charges*	*Loans Outstanding*	*Service and Interest Charges*
Africa	$ 65,359	$ 491	$ 59,220	$ 438
East Asia and Pacific	19,442	202	19,638	197
Europe and Central Asia	7,700	117	7,389	111
Latin America and the Caribbean	2,701	30	2,605	28
Middle East and North Africa	2,689	22	2,891	23
South Asia	58,662	600	58,285	579
Total	$ 156,553	$ 1,462	$ 150,028	$ 1,376

Buy-down of Loans

During the fiscal years ended June 30, 2019 and June 30, 2018, there were no loans purchased under the buy-down mechanism by the Global Program to Eradicate Poliomyelitis Trust Fund.

Fair Value Disclosures

IDA's loans are carried and reported at amortized cost. The table below presents the fair value of loans for disclosure purposes, along with their respective carrying amounts:

Table F7: Loans-Fair value and carrying amounts

In millions of U.S. dollars

	June 30, 2019		June 30, 2018	
	Carrying Value	*Fair Value*	*Carrying Value*	*Fair Value*
Net Loans Outstanding	$ 151,921	$ 133,764	$ 145,656	$ 118,508

NOTE G—TRANSACTIONS WITH AFFILIATED ORGANIZATIONS

IDA transacts with affiliated organizations as a recipient of transfers and grants, administrative and derivative intermediation services as well as through cost sharing of IBRD's sponsored pension and other postretirement benefit plans.

Transfers and Grants

Cumulative transfers and grants made to IDA as of June 30, 2019 were $19,406 million ($19,148 million—June 30, 2018). Details by transferor are as follows:

Table G1: Cumulative transfers and grants

In millions of U.S. dollars

Transfers from	*Beginning of the fiscal year*	*Transfers during the fiscal year*	*End of the fiscal year*
Total	$ 19,148	$ 258	$ 19,406
Of which from:			
IBRD	15,249	248	15,497
IFC	3,672	-	3,672

Receivables and Payables

The total amounts receivable from or (payable to) affiliated organizations comprised:

Table G2: IDA's receivables and Payables with affiliated organizations
In millions of U.S. dollars

	June 30, 2019			June 30, 2018		
	IBRD	IFC	Total	IBRD	IFC	Total
Administrative Services [a]	$ (327)	$ -	$ (327)	$ (339)	$ -	$ (339)
Derivative Transactions						
Derivative assets, net	365	-	365	327	8	335
Derivative liabilities, net	(71)	(1)	(72)	(80)	(9)	(89)
PSW-Blended Finance Facility	-	1	1	-	-	-
Pension and Other Postretirement Benefits	683	-	683	676	-	676
Investments	-	721	721	-	812	812
	$ 650	$ 721	$ 1,371	$ 584	$ 811	$ 1,395

a. Includes $195 million for the fiscal year ended June 30, 2019 ($140 million-June 30, 2018) receivable from IBRD for IDA's share of investments associated with Post-Retirement Contribution Reserve Fund (PCRF), which is a fund established to stabilize contributions made to the pension plans.

The receivables from (payables to) these affiliated organizations are reported in the Balance Sheet as follows:

Receivables / Payables related to:	Reported as:
Receivable for pension and other postretirement benefits	Receivable from affiliated organization
Net receivables (payables) for derivative transactions	Derivative assets/liabilities, net
Payable for administrative services [a]	Payable to affiliated organization

a. Includes amounts receivable from IBRD for IDA's share of investments associated with PCRF. This receivable is included in Receivable from affiliated organization on the Balance Sheet.

Administrative Services: The payable to IBRD represents IDA's share of joint administrative expenses, net of other revenue jointly earned. The allocation of expenses is based upon an agreed cost sharing formula, and amounts are settled quarterly. Beginning from the period ending September 30, 2016, the allocation of expenses jointly incurred by IBRD and IDA also includes Contributions to special programs.

During the fiscal year ended June 30, 2019, IDA's share of joint administrative expenses and contributions to special programs totaled $1,795 million ($1,745 million—fiscal year ended June 30, 2018 and $1,746 million—fiscal year ended June 30, 2017). This amount excludes IDA- executed trust fund expenses of $467 million ($460 million—fiscal year ended June 30, 2018 and $400 million—fiscal year ended June 30, 2017).

Other revenue: Includes IDA's share of other revenue jointly earned with IBRD during the fiscal year ended June 30, 2019 totaling $316 million ($281 million—fiscal year ended June 30, 2018 and $247 million—fiscal year ended June 30, 2017). This amount excludes IDA- executed trust fund revenue of $467 million ($460 million—fiscal year ended June 30, 2018 and $400 million—fiscal year ended June 30, 2017). The allocation of revenue is based upon an agreed revenue sharing formula, and amounts are settled quarterly.

The amount of fee revenue associated with services provided to other affiliated organizations is included in Other revenue on the Statement of Income, as follows:

Table G3: Fee revenue from affiliated organizations
In millions of U.S. dollars

	Fiscal Year Ended June 30,		
	2019	2018	2017
Fees charged to IFC	$ 77	$ 66	$ 61
Fees charged to MIGA	5	5	5

Pension and Other Postretirement Benefits: The receivable from IBRD represents IDA's net share of prepaid costs for pension and other postretirement benefit plans and Post-Employment Benefits Plan (PEBP) assets. These will be realized over the lives of the plan participants.

Derivative transactions: These relate to currency forward contracts entered into by IDA with IBRD acting as the intermediary with the market and primarily convert donors' expected contributions in national currencies under the Sixteenth and Seventeenth replenishments of IDA's resources into the five currencies of the SDR basket.

Investments – non-trading

During the fiscal year ended June 30, 2015, IDA purchased a debt security issued by IFC for a principal amount of $1,179 million, amortizing over a period of 25 years. The investment carries a fixed interest rate of 1.84% and has a weighted average maturity of 4 years. As of June 30, 2019, the principal amount due on the debt security was $721 million ($843 million—fiscal year ended June 30, 2018), and it had a fair value of $721 million ($812 million—fiscal year ended June 30, 2018). The investment is reported under Investments in the Balance Sheet. During the fiscal year ended June 30, 2019, IDA recognized interest income of $14 million ($17 million—fiscal year ended June 30, 2018 and $19 million—fiscal year ended June 30, 2017).

PSW

As part of the IDA18 replenishment, IDA's Executive Directors approved the creation of a $2.5 billion IDA18 IFC-MIGA PSW to mobilize private sector investments in IDA-only countries and IDA-eligible Fragile and Conflict Affected States (FCS). Under the fee arrangement for the PSW, IDA will receive fee income for transactions executed under this window and will reimburse IFC and MIGA for the related costs incurred in administering these transactions. The following tables provide a summary of all PSW related transactions under which IDA has an exposure as of June 30, 2019:

Table G4: Summary of PSW related transactions

In millions of U.S. dollars

Facility	Notional	Net Asset/ (Liability) position	Description	Balance Sheet Location
Local Currency Facility	$ 25	$ (1)	Currency swaps with IFC to support local currency denominated loans	Derivative assets/ liabilities, net

In millions of U.S. dollars

Facility	Exposure	Accumulated Provision	Description	Balance Sheet Location
MIGA Guarantee Facility	$ 89	$ 5	Expanding the coverage of MIGA Political Risk Insurance (PRI) products through shared first-loss or risk participation similar to reinsurance	Off Balance Sheet item
Blended Finance Facility	17	2	Sharing the first loss to support IFC's Small Loan Guarantee Program in PSW eligible countries	Off Balance Sheet item
Blended Finance Facility	1	N/A	Funding for IFC's PSW equity investment	Other assets

NOTE H—TRUST FUNDS ADMINISTRATION

IDA, alone or jointly with one or more of its affiliated organizations, administers on behalf of donors, including members, their agencies and other entities, funds restricted for specific uses in accordance with administration agreements with donors. Specified uses include, for example, co-financing of IDA lending projects, debt reduction operations for IDA members, technical assistance for borrowers including feasibility studies and project preparation, global and regional programs, and research and training programs. These funds are held in trust by IDA and/or IBRD, and are held in a separate investment portfolio which is not commingled with IDA and/or IBRD funds.

Trust fund execution may be carried out in one of two ways: Recipient-executed or IDA-executed.

Recipient-executed trust funds involve activities carried out by a recipient third-party "executing agency". IDA enters into agreements with and disburses funds to such recipients, who then exercise spending authority to meet the objectives and comply with terms stipulated in the agreements.

IDA-executed trust funds involve execution of activities by IDA as described in relevant administration agreements with donors, which define the terms and conditions for use of the funds. Spending authority is exercised by IDA, under the terms of the administration agreements. The executing agency services provided by IDA vary and include for example, activity preparation, analytical and advisory activities and project-related activities, including procurement of goods and services.

The following table summarizes the expenses pertaining to IDA-executed trust funds:

Table H1: Expenses pertaining to IDA-executed trust funds

In millions of U.S. dollars

	Fiscal Year Ended June 30,		
	2019	*2018*	*2017*
IDA-executed trust funds expenses	$ 467	$ 460	$ 400

These amounts are included in Administrative expenses and the corresponding revenue is included in Revenue from externally funded activities in the Statement of Income. Administrative expenses primarily relate to staff cost, travel and consultant fees.

The following table summarizes undisbursed contributions made by third party donors to IDA-executed trust funds, recognized on the Balance Sheet:

Table H2: Undisbursed contributions made by third party donors to IDA-executed trust funds

In millions of U.S. dollars

	June 30, 2019	*June 30, 2018*
IDA-executed trust funds	$ 519	$ 476

These amounts are included in Other Assets and the corresponding liabilities are included in Accounts payable and miscellaneous liabilities on the Balance Sheet.

Revenues

IDA's revenues for the administration of trust fund operations were as follows:

Table H3: IDA's revenues for the administration of trust fund operations

In millions of U.S. dollars

	Fiscal Year Ended June 30,		
	2019	*2018*	*2017*
Revenues	$ 46	$ 48	$ 42

These amounts are included in Other non-interest revenue in the Statement of Income.

Amounts collected from donor contributions but not yet earned totaling $61 million at June 30, 2019 ($56 million—June 30, 2018) are included in Other Assets and in Accounts payable and miscellaneous liabilities, correspondingly, on the Balance Sheet.

Transfers Received

Under the agreements governing the administration of certain trust funds, IDA may receive any surplus assets as transfers upon the termination of these trust funds. In addition, as loans are repaid to trust funds, in certain cases the repayments are transferred to IDA. During the fiscal year ended June 30, 2019 funds recorded as Transfers from affiliated organizations and others under these arrangements totaled $10 million (less than $1 million—fiscal years ended June 30, 2018 and June 30, 2017 respectively).

NOTE I—DEVELOPMENT GRANTS

For the fiscal years ended June 30, 2019 and June 30, 2018, the commitment charge rate on the undisbursed balances of IDA grants was set at nil percent.

A summary of changes to the amounts payable for development grants is presented below:

Table I1: Grants payable

In millions of U.S. dollars

	June 30, 2019		June 30, 2018	
Balance, beginning of the fiscal year	$	8,743	$	6,583
Commitments[a]		7,680		4,964
Disbursements (including PPA grant activity)		(3,984)		(2,847)
Translation adjustment		(94)		43
Balance, end of the fiscal year	$	12,345	$	8,743

a. Excludes $14 million Pandemic Emergency Financing Facility (PEF) disbursements made from PEF Financial Intermediary Funds. ($5 million - June 30, 2018)

NOTE J—ACCUMULATED OTHER COMPREHENSIVE INCOME

Comprehensive income consists of net income (loss) and other gains and losses affecting equity that, under U.S. GAAP, are excluded from net income (loss). For IDA, comprehensive income (loss) is comprised of net income (loss), currency translation adjustments on functional currencies and the DVA on fair value option elected liabilites. These items are presented in the Statement of Comprehensive Income.

The following table presents the changes in Accumulated Other Comprehensive Income balances:

Table J1: Changes in AOCI

In millions of U.S. dollars

	Fiscal Year Ended June 30,					
	2019		2018		2017	
Balance, beginning of the fiscal year	$	(675)	$	(2,039)	$	(1,219)
Currency translation adjustments on functional currencies		(1,735)		1,364		(820)
DVA on Fair Value option elected liabilities		2		-		-
Balance, end of the fiscal year	$	(2,408)	$	(675)	$	(2,039)

NOTE K—PENSION AND OTHER POSTRETIREMENT BENEFITS

The staff of IBRD perform functions for both IBRD and IDA, but all staff compensation is paid directly by IBRD. Accordingly, a portion of IBRD's staff and associated administrative costs is allocated to IDA based on an agreed cost sharing ratio computed every year using various indicators. The methodology for computing this share ratio is approved by the Executive Directors for both institutions.

IBRD, along with IFC and MIGA sponsor the Staff Retirement Plan and Trust (SRP), the Retired Staff Benefits Plan and Trust (RSBP) and the PEBP that cover substantially all of their staff members.

The SRP provides regular defined pension benefits and also includes a cash balance component. The RSBP provides certain health and life insurance benefits to eligible retirees. The PEBP provides certain pension benefits administered outside the SRP.

June 30 is used as the measurement date for these pension and other postretirement benefit plans. All costs, assets and liabilities associated with these plans are allocated between IBRD, IFC, and MIGA based upon their employees' respective participation in the plans.

While IDA is not a participating entity to these benefit plans, IDA shares in the costs and reimburses IBRD for its proportionate share of any contributions made to these plans by IBRD, as part of IBRD's allocation of staff and associated administrative costs to IDA based on an agreed cost sharing ratio. During the fiscal year ended June 30, 2018, IDA's share of IBRD's costs relating to all the three plans totaled $299 million ($322 million—fiscal year ended June 30, 2018 and $426 million—fiscal year ended June 30, 2017).

The cost of any potential future liability arising from these plans would be shared by IBRD and IDA using the applicable share ratio. As of June 30, 2019, the SRP and the RSBP were underfunded by $1407 million and $297 million, respectively. The PEBP, after reflecting IBRD and IDA's share of assets which are included in IBRD's investment portfolio of $1,177 million, was underfunded by $925 million.

NOTE L—OTHER FAIR VALUE DISCLOSURES

The table below presents IDA's estimates of fair value of its financial assets and liabilities along with their respective carrying amounts.

Table L1: Fair value and carrying amounts of financial assets and liabilities

In millions of U.S. dollars

	June 30, 2019		*June 30, 2018*	
	Carrying Value	*Fair Value*	*Carrying Value*	*Fair Value*
Assets				
Due from Banks	$ 138	$ 138	$ 523	$ 523
Investments (including securities purchased under resale agreements)	32,770	32,770	36,075	36,075
Net Loans Outstanding	151,921	133,764	145,656	118,508
Derivative Assets, net	487	487	250	250
Liabilities				
Borrowings				
Concessional partner loans	6,770	8,507	5,811	6,660
Market borrowings	3,432	3,432	1,494	1,494
Securities sold/ lent under repurchase agreements/ securities lending agreements and payable for cash collateral received	698	698	2,541	2,541
Derivative Liabilities, net	22	22	296	296

Valuation Methods and Assumptions

As of June 30, 2019 and June 30, 2018, IDA had no financial assets or liabilities measured at fair value on a non–recurring basis.

For additional fair value disclosures regarding Investments, Borrowings, Derivative assets and liabilities, refer to Note C—Investments, Note D—Borrowings and Note E—Derivative Instruments, respectively.

Due from Banks: The carrying amount of unrestricted and restricted cash is considered a reasonable estimate of the fair value of these positions.

Unrealized Mark-to-Market Gains (Losses) on Trading and Non-Trading Portfolios, Net

The following table reflects the components of the unrealized mark-to-market gains or losses on IDA's trading and non-trading portfolios, net.

Table L2: Components of unrealized mark-to-market gains or losses

In millions of U.S. dollars

	Fiscal Year Ended June 30, 2019		
	Realized gains (losses)	*Unrealized gains (losses) excluding realized amounts [a]*	*Unrealized gains (losses)*
Investments- Trading—Note E	$ (34)	$ 385	$ 351
Non-trading portfolios, net			
Asset-liability management—Note E	-	359	359
Investment portfolio—Note C	-	32	32
Other [b]	-	(5)	(5)
Total	$ -	$ 386	$ 386

In millions of U.S. dollars

	Fiscal Year Ended June 30, 2018		
	Realized gains (losses)	*Unrealized gains (losses) excluding realized amounts [a]*	*Unrealized gains (losses)*
Investments- Trading—Note E	$ (195)	$ 67	$ (128)
Non-trading portfolios, net			
Asset-liability management—Note E	-	(17)	(17)
Investment portfolio—Note C	-	(21)	(21)
Total	$ -	$ (38)	$ (38)

In millions of U.S. dollars

	Fiscal Year Ended June 30, 2017		
	Realized gains (losses)	*Unrealized gains (losses) excluding realized amounts [a]*	*Unrealized gains (losses)*
Investments- Trading—Note E	$ 233	$ (600)	$ (367)
Non-trading portfolios, net			
Asset-liability management—Note E	-	54	54
Investment portfolio—Note C	-	(32)	(32)
Total	$ -	$ 22	$ 22

a. Adjusted to exclude amounts reclassified to realized gains/losses.
b. Other is comprised of mark to market gains or losses on the borrowing and loan portfolios

NOTE M—CONTINGENCIES

From time to time, IDA may be named as a defendant or co-defendant in legal actions on different grounds in various jurisdictions The outcome of any existing legal action, in which IDA has been named as a defendant or co-defendant, as of and for the fiscal year ended June 30, 2019, is not expected to have a material adverse effect on IDA's financial position, results of operations or cash flows.