International Development Association

Management's Discussion & Analysis
and
Financial Statements
June 30, 2016

INTERNATIONAL DEVELOPMENT ASSOCIATION

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

LIST OF BOXES, TABLES, AND FIGURES

Boxes

Tables

Figures

SECTION 1: EXECUTIVE SUMMARY

This document provides Management's Discussion and Analysis (MD&A) of the financial condition and results of operations for the International Development Association (IDA) for the fiscal year ended June 30, 2016 (FY16). At the end of this document is a Glossary of Terms. Key financial indicators for the past 5 years are provided in Box 1.

IDA is an international organization established in 1960 and is owned by its 173 member countries. It is the largest multilateral channel for providing concessional financing and knowledge services to the world's poorest countries, and is one of the five institutions of the World Bank Group (WBG).[1] Each of these institutions is legally and financially independent, with separate assets and liabilities. IDA is not liable for the obligations of the other institutions.

As of June 30, 2016, IDA had equity of $154.7 billion reflecting primarily the subscriptions and contributions (equity contributions) from its member countries since its inception. For FY16, IDA reported net income of $371 million. The net reported losses incurred by IDA during FY12 through FY15, primarily reflect the impact of grants provided to IDA's borrowers which are expensed immediately upon approval. Since the contributions from members more than offset grants provided by IDA, there is no net negative impact on IDA's equity from these grants over the longer term.

IDA currently operates as a revolving fund, taking into account long term financial sustainability considerations. With the exception of FY14, IDA had positive results from operating activities for each of the years between FY12 and FY16, ranging between $2,081 million in FY12 and $623 million in FY16. The FY14 net outflow of $741 million reflects a spike related to disbursements. See Box 1 and Table 1.

IDA is currently in its Seventeenth Replenishment of resources (IDA 17), and has completed its second year of the three year replenishment cycle. See Section 2 – Overview. Of the $57 billion of Commitment Authority under this replenishment (IDA's lending envelope), $45 billion has been made available for commitments, and $36 billion has already been committed as of June 30, 2016. See Section 3 – Funding and Resource Allocation. IDA16, the previous replenishment (FY12 - FY14), had a lending envelope of $51 billion. The increase in the IDA17 lending envelope as compared to IDA16, is in response to the increase in demand for IDA's lending products. As of June 30, 2016, IDA had $132.8 billion of net loans outstanding, a 14% increase as compared with June 30, 2012, reflecting IDA's strong lending activity.

[1] The other institutions of the WBG 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).

Box 1: Five-Year Summary of Selected Financial Data

As of and for the fiscal years ended June 30,

In millions of U.S. dollars, except ratios and data in percentages and months

	2016	2015	2014	2013	2012
Development Operations (Discussed in Section 5)					
Commitments of loans, grants and guarantees	$ 16,171	$18,966	$22,239	$ 16,298	$ 14,753
Gross disbursements of loans and grants	13,191	12,905	13,432	11,228	11,061
Net disbursements of loans and grants	8,806	8,820	9,878	7,371	7,037
Balance Sheet (Discussed in Section 4)					
Total assets	$180,475	$178,685	$183,445	$165,806	$160,028
Net investment portfolio	29,908	28,418	28,300	27,487	26,333
Net loans outstanding	132,825	126,760	132,010	121,157	116,880
Borrowings	2,906	2,150	-	-	-
Payable for grants	6,099	6,637	6,983	6,436	6,161
Total equity	154,700	147,149	153,749	143,462	137,546
Income Statement (Discussed in Section 9)					
Revenue from loans and guarantees	$1,154	$1,068	$ 1,015	$ 1,021	$ 914
Investment revenue, net	881	514	631	99	1,006
Transfers from affiliated organizations and others	990	993	881	964	858
Grants	(1,232)	(2,319)	(2,645)	(2,380)	(2,062)
Net income (loss)	371	(731)	(1,612)	(1,752)	(210)
Statement of Activities (Discussed in Section 4)					
Total sources of funds	$13,834	$15,469	$12,812	$13,590	$13,095
Total application of funds	(13,260)	(12,941)	(13,441)	(11,215)	(11,048)
Results from operating activities	623	2,471	(741)	2,296	2,081
Liquidity Position (Discussed in Section 7)					
Months of average monthly gross disbursements covered by core liquidity	9	9	9	11	11

Certain reclassifications of prior years' information have been made to conform to 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 fiscal year ended June 30, 2016. IDA undertakes no obligation to update any forward-looking statements.

SECTION 2: OVERVIEW

Introduction

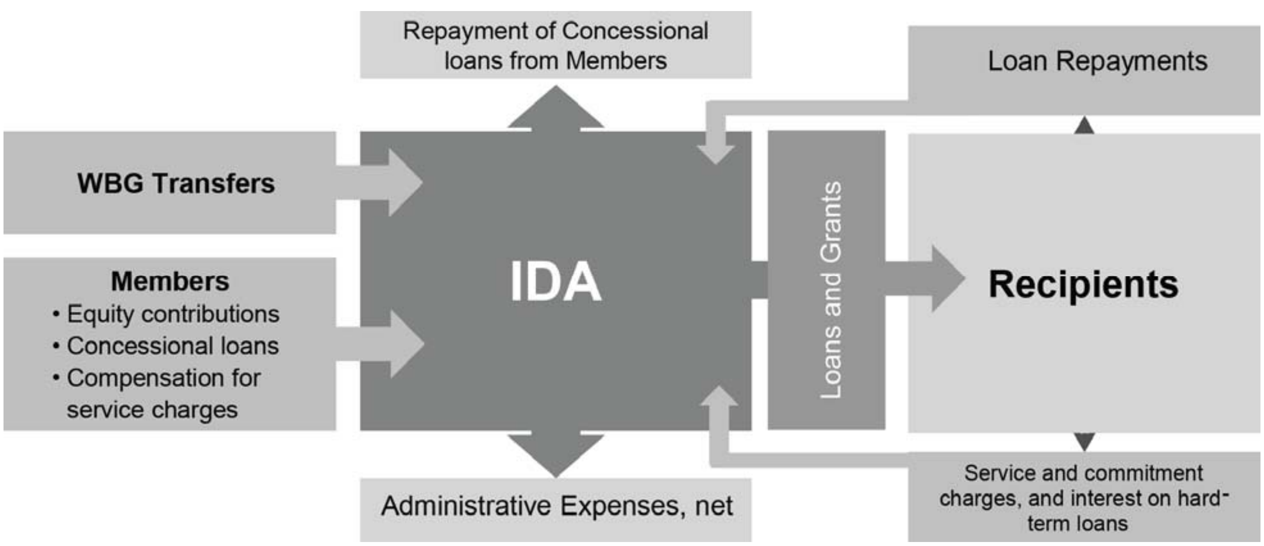
IDA plays an integral role in the WBG's efforts to fulfill its ambitious goals of ending extreme poverty by decreasing the percentage of people living on less than $1.90 a day to no more than 3 percent by 2030 and promoting shared prosperity by improving the income growth of the bottom 40 percent of the population in each country. IDA plays a pivotal role in the global aid architecture and pursues these goals by providing concessional loans[2], grants and guarantees to the world's poorest countries for programs and operations that help meet their development needs. IDA provides technical assistance through reimbursable advisory services, policy advice and global knowledge services through economic sector work and country studies. It also supports member countries with disaster risk financing and insurance to help increase their financial resilience against natural disasters. In addition, IDA provides or facilitates financing through trust fund partnerships with bilateral and multilateral donors.

Business Model

IDA was established and has been operating as a revolving fund taking into account long-term financial sustainability considerations. Broadly, for each replenishment, representatives of IDA's members[3] meet every three years to determine the amount of new funds to contribute to IDA to support its lending program over the next three years, the allocation of IDA's resources, and review policy directions. The amount of resources for each replenishment is set in advance to ensure that IDA has the resources available to support the future lending program.

In FY16, IDA members, together with the international community, agreed to support a more ambitious and broader development agenda, including the Sustainable Development Goals (SDGs), the climate change goals at the 21st Conference of Parties (COP21), and the Sendai Framework for disaster risk management. The regular replenishment process requires IDA to continuously adapt and respond to meet recipients' needs, to ensure that its policies are in line with global priorities, and that its own risk management policies are updated appropriately.

Figure 1: IDA's Business Model



IDA is currently in its Seventeenth Replenishment of resources (IDA17), which is effective from July 1, 2014 until June 30, 2017. IDA's members selected "maximizing development impact" as the overarching theme for IDA17. Inclusive growth, gender equality, climate change, and fragile and conflict affected states (FCSs) were selected as the IDA17 special themes. These themes will receive extra attention during IDA17 and support the WBG's goals.

[2] Development credits is the term used within the WBG to describe IDA's loans, this term was originally used in order to differentiate IDA loans from IBRD loans. For the purpose of the MD&A, the term IDA loans is being used.
[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.

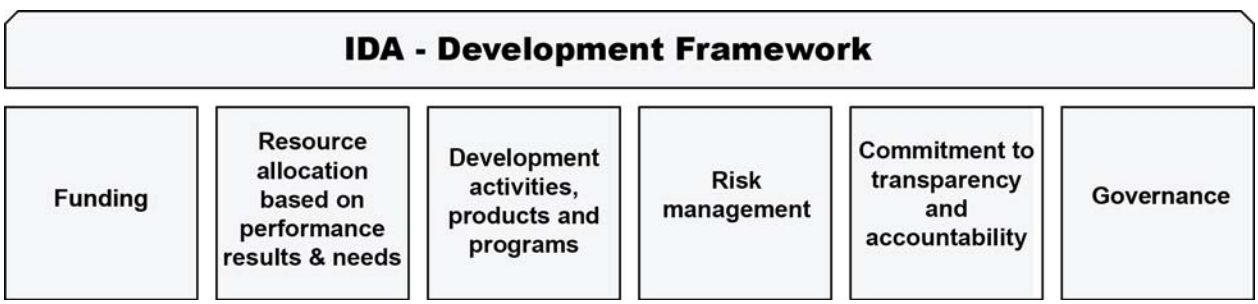
The resources available to IDA for funding its activities constitute its commitment authority. IDA's funding is primarily from equity contributions and concessional loans from its members, internal resources which are comprised mainly of loan reflows as borrowers repay outstanding loans, investment income, as well as transfers from IBRD and IFC. Given that the disbursements of IDA's loans and grants take place over several years, commitments do not have to be fully funded at the time of approval and this allows equity contributions from members to be encashed over several years, and internal resources to be committed in advance of their expected receipt.

IDA's administrative expenses are broadly covered through income from IDA's fixed service charge which is complemented by a commitment charge and interest on certain loans. The service charge has been set at 75 basis points and is payable on outstanding loan balances. The commitment charge is set annually by the Board and is payable on undisbursed loan and development grant balances. This charge is set to generate additional revenues to cover administrative expenses if necessary, and ranges between 0 and 50 basis points.

Development framework

IDA's support for the world's poorest countries targets scarce concessional financing where it is most effective, based on performance-based allocations and country-driven strategies. Throughout its operational cycle – from the allocation of resources, project preparation and implementation through to completion and impact assessment – IDA uses a robust framework to maximize the development impact of the programs and activities it supports and to affirm its development framework as an effective and efficient development assistance delivery mechanism.

Figure 2: IDA's Development Framework



For details on the key pillars of IDA's development framework, see Section 3: Funding and Resource Allocation, Section 5: Development Activities, Products and Programs, Section 7: Risk Management and Section 11: Governance and Control.

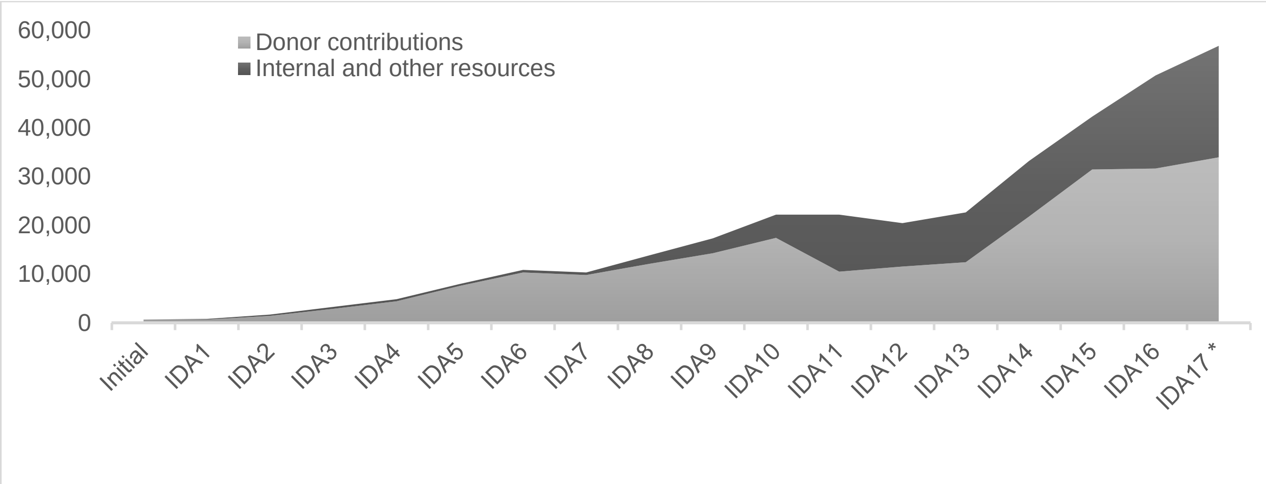
SECTION 3: FUNDING AND RESOURCE ALLOCATION

Funding and Application of IDA's Resources

IDA is substantially funded by equity contributions from developed and middle income members. The number of contributing members has grown from 18 at inception to 51 members in IDA17, and IDA resources by replenishment have grown from $690 million for the initial replenishment to $57 billion in IDA17. Since its inception, IDA has provided $326 billion of loans and grants in 126 countries. For the fiscal year ended June 30, 2016 (FY16), IDA's commitments reached $16.2 billion spread over 177 new operations. Figure 3 shows the evolution of resources by replenishment. The growth of the proportion of internal resources primarily reflects the increasing reflows, resulting from principal repayments of loans provided to borrowers in earlier replenishments. The growth in principal repayments, reflects the greater volume of lending activity over IDA's history, as well as the impact of greater differentiation of lending terms in recent replenishments to calibrate to borrowing member capacity, including shorter grace and maturity periods, and the introduction of interest charges.

Figure 3: IDA's Resources by Replenishment

In millions of U.S. dollar equivalent



** Contributions include concessional loans from members*

The Seventeenth Replenishment of IDA's Resources – IDA17

As of June 30, 2016, the IDA17 Commitment Authority Framework amounted to Special Drawing Rights[4] (SDR) 38 billion (approximately U.S. dollar equivalent 57 billion using the IDA17 foreign exchange reference rate), an increase from $50.8 billion as of June 30, 2015. The increase includes the impact of the following:

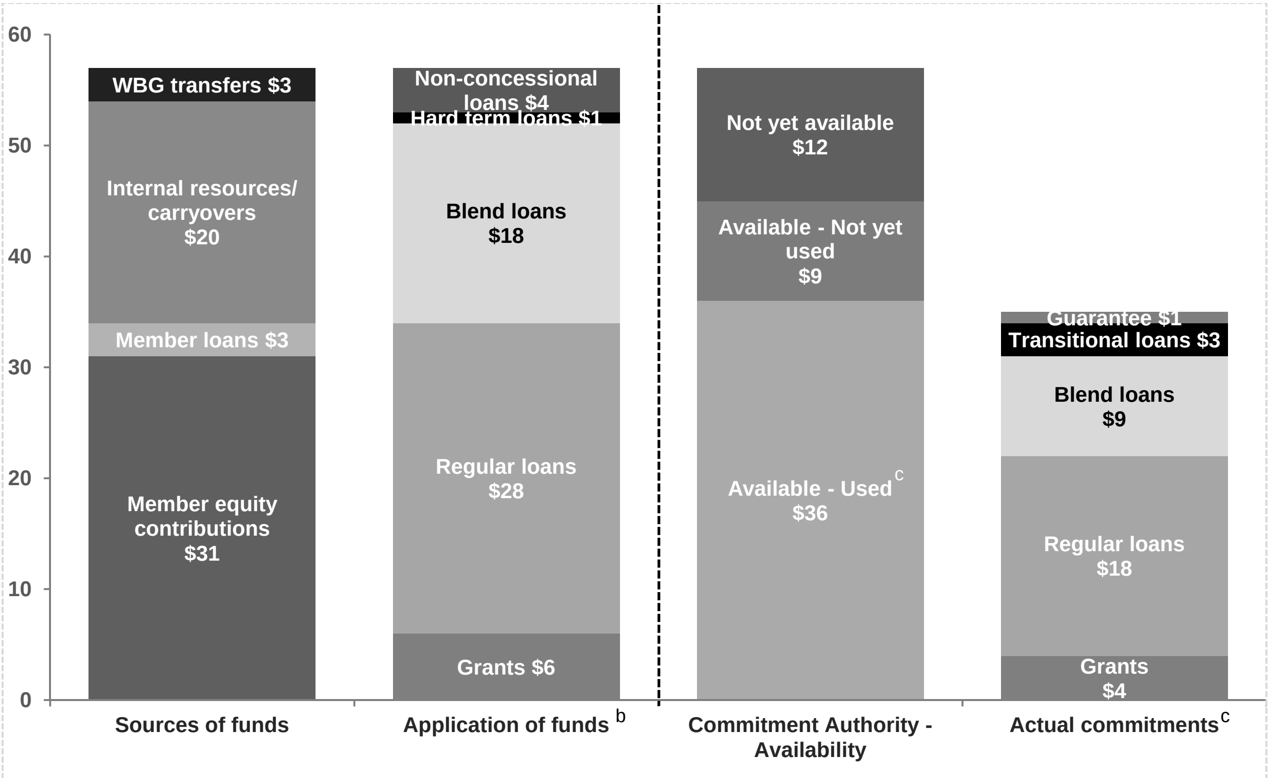
- A $1 billion increase due to two members submitting their Instruments of Commitment (IOCs) under IDA16 contributions in FY16. Any IOC's from earlier replenishments are rolled into the replenishment in which they are received.
- A $5 billion increase arising from a revision of IDA's liquidity management framework, approved by the Board on March 8, 2016. The $5 billion was allocated as follows:
  - $3.9 billion will be used to fund the IDA17 Scale-Up Facility (SUF), a non-concessional facility to scale-up IDA's financing for the remainder of the IDA17 period. It will fund lending to IDA countries on terms similar to those of IBRD for operations.
  - $0.9 billion to replenish the Crisis Response Window (CRW), which will help IDA provide rapid financing to help countries deal with severe natural disasters, economic shocks or health emergencies and pandemics over the remainder of the IDA17 period.
  - $0.2 billion will be allocated, on an exceptional basis to Jordan and Lebanon, as part of the World Bank Group's crisis response initiative in the Middle East and North Africa region to assist with the Syrian refugee crisis. The exceptional allocation was done on the basis that Syria would be likely to qualify as an IDA borrower. Given that IDA is not currently able to operate in Syria, the Board agreed that IDA's support would focus on helping Syrian refugees, and the local communities supporting them, in Jordan and Lebanon.
- A $0.2 billion increase due to one member, Austria, making a supplemental contribution to IDA by submitting additional IDA17 IOCs, which will be encashed over a period of nine years.
- Given the supplemental contribution received by IDA, IBRD reduced the indicative amount of its expected transfer by $0.2 billion.

[4] IDA's functional currency is the SDR and its component currencies, as its operations are primarily carried out in SDRs; however for the convenience of its members and other users, IDA's financial statements are reported in U.S. Dollars.

The IDA17 commitment authority which is used to fund IDA's lending, grant financing and guarantee activities, is comprised of the following sources and applications of funds (Figure 4):

Figure 4: Sources and Applications of IDA17 Funding

In billions of U.S. dollar equivalent [a]



a. U.S. dollar amounts are based on IDA17 foreign exchange reference rate of U.S. dollar/SDR 1.50718. The U.S. dollar amounts are provided for illustrative purposes only, as IDA's commitment authority is managed in SDR.

b. Application of funds are based on broad guidelines issued for IDA17 commitment authority lending allocations.

c. The U.S. dollar equivalent of amounts "available-used" is based on the IDA17 replenishment reference rate and may not match with the U.S dollar equivalent of actual commitments under IDA17.

Sources of Funds

Equity Contributions from Members*:* Equity contributions from members which convey voting rights, constitute a significant component of IDA's financial resources. There are two main types of contributions:

I. **Regular Contributions**: These contributions which members agree to provide in order to fund, in part, IDA's lending envelope. They are typically made in cash or non- interest bearing demand obligations, either in SDRs or in a freely convertible currency, in three equal installments during a replenishment period. Demand obligations are encashed on a pro-rata basis in accordance with an agreed upon schedule. IDA17 has a nine-year standard encashment schedule; however, members may pay earlier and either receive discounts and pay amounts less than their contribution amount, or receive acceleration credits and pay the full contribution amount, receiving additional voting rights. At June 30, 2016, $17 billion out of a total of $26 billion of regular contributions from members have been made available for commitments, the remaining $9 billion will be made available in the final year of the IDA17 replenishment.

II. **Contributions for the Multilateral Debt Relief Initiative (MDRI):** Members have agreed to compensate IDA on a dollar for dollar basis for forgone loan reflows (principal and service charge repayments) due to debt cancellation under the MDRI, see Section 5: Development Activities, Products and Programs. The value of the compensation is reassessed every three years, normally at the time of regular IDA replenishments. . At June 30, 2016, $4 billion out of a total of $5 billion of MDRI contributions from members have been made available for commitments, the remaining $1billion will be made available in the final year of the IDA17 replenishment.

Concessional Loans from Members: IDA17 is the first time in IDA's history that a replenishment includes concessional loans from members as a source of funding. While underscoring that equity contributions remain at the core of IDA's financing, IDA's Board approved the concessional loans from members as an additional contribution mechanism for IDA17. As a result, IDA entered into concessional loan agreements with certain members with a total notional amount of $4.4 billion. See Section 6: Investment and Borrowing Activities for further details.

Internal Resources: Principal repayments from borrowers ('loan reflows') are the largest component of internal resources. Other components include interest received on loans to blend countries (see Eligibility section below for details), investment income earned on IDA's liquid assets, any carryover of residual resources from previous replenishments, as well as draw downs on IDA's core liquidity balance if needed based on long-term liquidity projections. Internal resources become available at the start of the replenishment period, upon approval by the Board. The level of internal resources available for commitment authority in each replenishment is determined based on long-term financial projections of IDA's liquidity and is reassessed on a regular basis.

Transfers from IBRD and IFC: IDA17, as adjusted, includes $1.9 billion of indicative IBRD transfers (inclusive of expected investment income), this is a reduction of $0.2 billion from the original indicative amount and reflects a decision made by IBRD's Board to recommend to IBRD's Board of Governors a reduction in IBRD's transfers to IDA by $168 million to reflect a supplemental contribution received by IDA.

Transfers from IBRD are dependent on IBRD first fulfilling its reserve retention needs. For IDA17, the indicative transfer amounts were allocated in three planned installments over fiscal years 2015, 2016 and 2017. Each installment is required to be approved annually by IBRD's Board of Governors. As of June 30, 2016, IDA had received transfers of $1.3 billion from IBRD under IDA17.

IDA17 also includes $1.0 billion as indicative designations out of IFC's retained earnings for grants to IDA. These grants are formula based and dependent on IFC's level of earnings. The grants are used by IDA for sectors and themes that contribute significantly to private sector growth and economic development in countries that are members of both IFC and IDA. The grants are planned for three installments over fiscal years 2015, 2016 and 2017. The installments are subject to availability of funds and annual approval by the IFC Board of Governors, and are recognized upon IDA and IFC signing the grant agreement. As of June 30, 2016, IDA had received grants of $0.7 billion from IFC under IDA17.

Applications of Funds

Eligibility for IDA resources is determined primarily by a member's relative poverty. Relative poverty is defined as GNI per capita below an established threshold and is updated annually. For FY17 the threshold is $1,185 (2016: $1,215).

As of July 1, 2016, 78 countries are eligible to borrow from IDA. These are as follows:

- 59 countries are not eligible to borrow from IBRD and are referred to as "IDA only" countries, 48 of which will be subject to regular IDA loan terms and the remaining 11 will be subject to IDA lending on blend terms. The latter are countries with a GNI per capita above the operational cut-off for more than two consecutive years but which are not eligible for IBRD financing.
- 18 countries are below the GNI per capita threshold, but are eligible to borrow from IBRD and may receive both IDA and IBRD financing; these countries are referred to as "blend" countries. Five of these countries are eligible for the small island economy exception and receive funding under regular IDA loan terms. The remaining 13 countries are subject to IDA lending on blend terms.
- One country is classified as "IBRD only", however, it is eligible to receive exceptional transitional support from IDA during IDA17. See Section 5: Development Activities, Products and Programs for further details on lending terms.

For each replenishment, IDA allocates its resources to eligible members, using its performance-based allocation (PBA) system. The allocation is done on the basis of recipients' needs, their policy performance and institutional capacity. This PBA system is used in order to concentrate resources where they are likely to be most helpful in reducing poverty.

Allocation Criteria: The main factor that determines the allocation of IDA resources among eligible countries is each country's performance in implementing policies that promote economic growth and poverty reduction. This is assessed by the IDA Resource Allocation Index (IRAI). The IRAI 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 IRAI and portfolio performance together constitute the IDA Country Performance Rating (CPR). In addition to the CPR, population and per capita income also determine IDA allocations. Before arriving at a country's final allocation, reductions are made for any grant allocations to that country, as well as any debt relief provided. In the case of countries that are eligible for both IDA and IBRD funds ("blend countries"), IDA allocations must also take into account those countries' creditworthiness for and access to other sources of funds.

Following a review of IDA's resource allocation framework under IDA17, the base allocation per country was increased to SDR 12 million per replenishment or SDR 4 million annually, in order to ensure a meaningful engagement at the country level and enhanced financing for Fragile and Conflict-affected states (FCSs).

Transitional Support for Graduating Countries: As a result of an improvement in economic results, a member country that was once eligible to borrow from IDA may no longer be eligible, and be deemed to have "graduated" to IBRD. During the IDA17 replenishment discussions, it was noted that whilst graduation from IDA represents an important milestone of progress in a country's development path, in some cases, graduation could adversely impact a country's capacity to maintain development momentum, if it leads to a significant decline in available financing for that country. Accordingly, it was agreed that in IDA17, transitional support would be given to new graduates that met certain criteria. India, which graduated from IDA on June 30, 2014, is the only country that qualifies and transitional support is being provided to India during IDA17. As of June 30, 2016, transitional support commitments of $2.7 billion have been made to India.

Allocation of Grants: Grants under IDA17 are available solely for IDA-only countries. The amount available for each country is a function of the country's performance-based IDA allocation, and its eligibility for development grants is based on an assessment of the risk of debt distress classified into traffic light categories of red, yellow and green. Countries with a high risk of debt distress (red light countries) receive 100% of their IDA allocation as grants, see Table 5: Summary of Financial Terms for IDA Lending Products. Countries with a medium risk of debt distress (yellow light countries) receive 50% of their IDA allocation as grants, and the remaining as loans. Countries with a low risk of debt distress (green light countries) receive 100% of their allocation in the form of loans.

IDA17 Commitments - loans and grants:-Through its development operations, IDA's loans and grants benefit the poorest countries. Figure 4 above shows that of the IDA17 Commitment Authority, approximately $51 billion is expected to be committed to fund loans and $6 billion is expected to be committed to fund grants. As of June 30, 2016, $30 billion, $4 billion and $1 billion of commitments have been made to fund loans and grants respectively. See Section 5: Development Activities, Products and Programs for further details on IDA's lending products and activities.

SECTION 4: FINANCIAL RESULTS

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". The financial statements provide a basis upon which users are able to analyze IDA's sources and uses of resources. Under the reported basis, IDA's Statement of Income alone does not fully reflect the economic results of IDA due to the nature of the underlying transactions, see Section 9: Reported Basis Results.

Statement of Activities

The Statement of Activities (Table 1) is designed to reflect how IDA manages its sources and applications of funds in executing its operating activities. The Statement of Activities presents the flows associated with IDA's operating activities and the impact of these activities on the net asset value of IDA's investment portfolio. This presentation addresses the majority of the constraints embedded in IDA's reported basis results.

Table 1: Statement of Activities for the Fiscal Years Ended June 30, 2016 and June 30, 2015

In millions of U.S. dollars

	FY16	FY15	Variance
Sources of Funds			
Member Resources			
Members' subscriptions and contributions	$7,288	$7,753	$ (465)
Borrowings from members	653	2,145	(1,492)
Transfers from Affiliated Organizations	980	975	5
Internal Resources			
Principal repayments and prepayments	4,327	4,085	242
Proceeds from buy-down of loans	58	-	58
Transfers from Trust Funds and Others	10	18	(8)
Interest on loans with blend terms, regular loans with accelerated interest	146	82	64
Investment interest income, net	372	411	(39)
	4,913	4,596	317
Total Sources of Funds	13,834	15,469	(1,635)
Application of Funds			
Disbursements			
Loan disbursements	(11,461)	(10,860)	(601)
Grant disbursements (including PPA grant activity)	(1,731)	(2,040)	309
Borrowings expense	(68)	(41)	(27)
Total Application of Funds	(13,260)	(12,941)	(319)
Administrative Activities			
Administrative expenses, net	(1,196)	(1,294)	98
Service charges, interest on loans with hard terms, and guarantee income	1,008	986	22
Member compensation for forgone charges	237	251	(14)
	49	(57)	106
Results from Operating Activities	**$ 623**	**$2,471**	**$(1,848)**
Net Asset Value of Investment Portfolio, at beginning of fiscal year	**$28,418**	**$28,300**	
Results from Operating Activities	623	2,471	
Effects of exchange rates	141	(2,292)	
Net movement in non-operating activities	726	(61)	
Net Asset Value of Investment Portfolio, at end of fiscal year	**$29,908**	**$28,418**	

Results from Operating Activities

IDA's operating activities resulted in a net inflow of $623 million for FY16. This primarily reflects funds received from members for subscriptions and contributions and from borrowers for principal repayments. These receipts were significantly offset by the usage of funds to finance loan and grant disbursements.

The following are additional details of the key drivers of IDA's results from operating activities:

Members' Subscriptions and Contributions (Equity Contributions)

During FY16, IDA received equity contributions of $7,288 million. These represent the cash contributions received from members and the encashment of demand obligations. This excludes $237 million of member contributions received to finance foregone charges for debt relief and development grant financing, which is reflected under administrative activities as member contributions for forgone charges. The decrease of $465 million primarily reflects the timing of cash payment schedules agreed with members, as compared to the previous year ($3,381 million in FY16 as against $3,863 million in FY15). See Section 3, Funding and Resource Allocation.

Borrowings from Members

As part of IDA17, IDA signed loan agreements with members for a total notional amount of $4.4 billion. The $1,492 million decrease in FY16 receipts from borrowings from members reflects the timing of the loan schedules agreed with members. See Note D in the Financial Statements for more details.

Transfers from Affiliated Organizations

On October 9, 2015, IBRD's Board of Governors approved a transfer of $650 million, for a total of $1,285 million in transfers under IDA17. The transfer was received on October 15, 2015.

On January 15, 2016, IDA signed a $330 million grant agreement with IFC, for a total of $670 million in grants under IDA17. The grant was received on January 22, 2016.

Principal Repayments and Prepayments

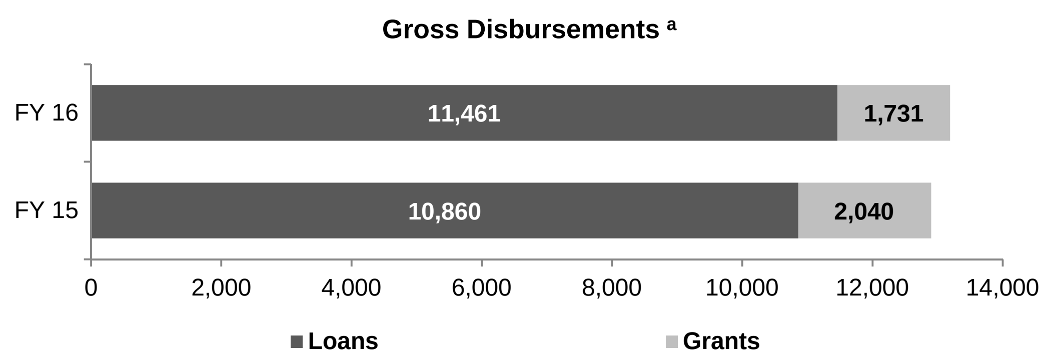
Principal repayments and prepayments in FY16 were $4,327 million, an increase of $242 million from FY15. In FY16, India accounted for 35% of repayments ($1,502 million) followed by China, 18% ($789 million) and Bangladesh, 7% ($300 million). In addition, IDA received $51 million ($28 million in FY15) in voluntary prepayments by IDA graduate members. These prepayments increased the resources that IDA can redistribute to countries most in need of concessional funding.

Loans and Grant Disbursements

Gross disbursements of loans in FY16 were $11,461 million, an increase of $601 million (6%) as compared to FY15. In terms of regional focus, disbursements to South Asia and Africa increased by $587 million and $418 million respectively. Africa and South Asia together accounted for 86% of the total gross disbursements during FY16.

Gross grant disbursements decreased by $309 million in FY16 as compared to FY15. The decrease was attributable to the Africa and the Middle East & North Africa regions, and is in line with a $1,087 million decrease in grant commitments in FY16 as compared to FY15.

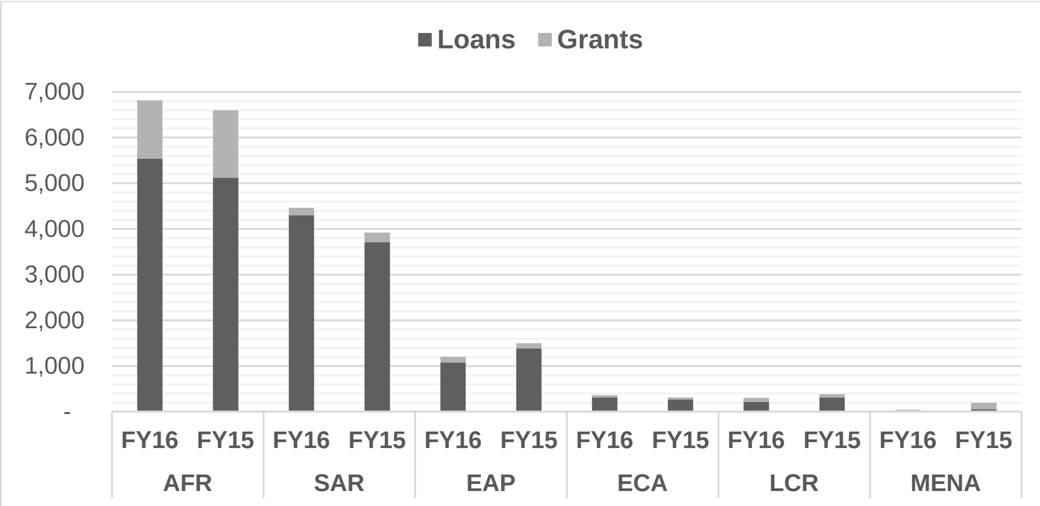
In millions of U.S. dollars



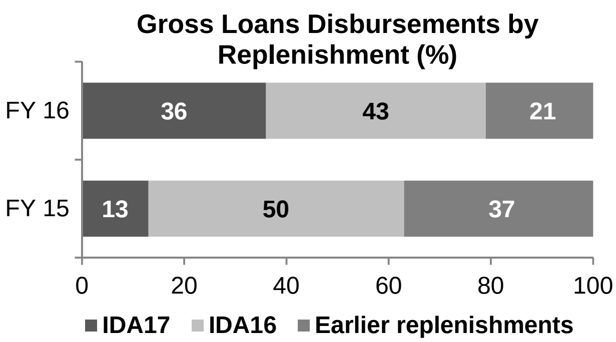
(a. Includes adjustments for certain Project Preparation Advances (PPA) Amounts)

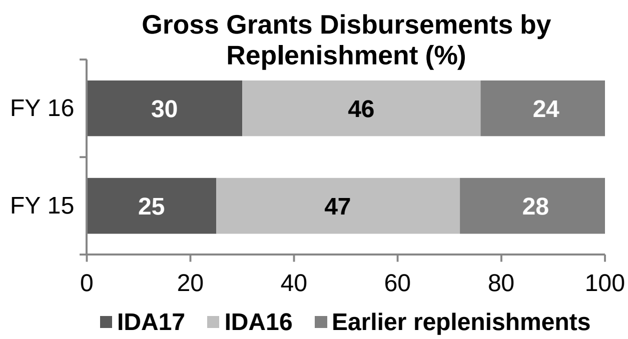
Figure 5: Gross disbursements of Loans and Grants by Region

In millions of U.S. dollars



Given the lengthy disbursement period for IDA loans, five to ten years for investment project financing and one to three years for development policy financing, FY16 and FY15 disbursements also include amounts relating to commitments made under earlier replenishments. The following charts display the composition of the FY16 and FY15 loans and development grant disbursements by replenishments.





Administrative Activities

IBRD/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 upon an agreed cost sharing methodology, approved by their Boards, which is driven by the relative level of lending activity between these two institutions.

For FY16, IDA’s net non-interest expenses were $1,196 million, a $98 million decline as compared to FY15. The decline is primarily due to the changes in the lending activity of IDA relative to IBRD over the same period. See Table 16: Net Administrative Expenses for the fiscal years ended June 30, 2016 and June 30, 2015.

It is IDA’s policy that administrative expenses should broadly be covered by service and commitments charges, interest on hard term loans, and member compensation for forgone charges on both grants and on debt forgiveness under HIPC and MDRI. In FY16, based on the reported administrative expenses, there was an excess of $49 million (4.1%) (FY15 – shortfall of $57 million (4.4%)). Any shortfall/excess is funded by/returned to IDA’s liquidity balance.

In FY15, IDA introduced a new budget measure, with the broad aim of having its net administrative expenses met by its income from service charges, interest on loans with hard terms, and guarantee income. This measure, referred to as the Budget Anchor, enables IDA to monitor its net administrative expenses as a percentage of its loan revenue.

As presented in Table 2, IDA's revenue for the Budget Anchor in FY16 was $1,245 million while its net administrative expenses were $1,175 million, resulting in a budget anchor of 94%. The decline in the budget anchor from 100% in FY15 to 94% in FY16 reflects a combination of declining administrative expenses due to a decrease in IDA's share ratio, reflecting changes in lending activity of IDA relative to IBRD, and increasing loan revenue due primarily to increased lending volumes.

Table 2: Budget Anchor

In millions of U.S. dollars, except ratios

For the fiscal year ended June 30,	2016	2015	FY16 vs FY15
Total net Non-interest Expenses (from Table 16)	$1,196	$1,294	$ (98)
Pension and Externally Financed Outputs (EFO) adjustment [a]	(21)	(63)	42
Net administrative expenses for Budget Anchor	$1,175	$1,231	$(56)
Service charges, interest on loans with hard terms, and guarantee income (From Table 1)	1,008	986	22
Member compensation for foregone charges (From Table 1)	237	251	(14)
Total revenue for Budget Anchor	$1,245	$1,237	$ 8

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

Table 3 provides a reconciliation of the results from operating activities as presented in Table 1, Statement of Activities to the reported basis, net loss. The reconciling items are presented as either (i) items in the reported basis results, but not included in the Statement of Activities, or (ii) items included in the Statement of Activities, but not in the reported basis results. These are further classified as: addressing asymmetries, adjustments to reflect cash and non-cash operating activities, and adjustments for non-operating activities.

Table 3: Reconciliation of Results from Operating Activities to Reported Basis, Net Income (Loss)

In millions of U.S. dollars

	FY 16	FY 15
Results from Operating Activities (From Table 1)	**$623**	**$2,471**
(i) Items in reported basis results, not included in Statement of Activities		
Adjustments to reflect non-cash operating activities:		
· Grant expense	(1,232)	(2,319)
· Provision for debt relief and losses on loans and other exposures, net	(380)	(372)
· PPA grants and other	14	(13)
Adjustments for non-operating activities:		
· Non-functional currency translation adjustment gains	208	912
· Unrealized mark-to-market losses on non-trading portfolios, net	*	(179)
· Unrealized mark-to-market gains on trading portfolio	509	103
(ii) Items included in Statement of Activities, not in Reported Basis Net Income (Loss)		
Adjustments addressing constraints:		
· Members' subscriptions and contributions	(7,288)	(7,753)
· Borrowings from members	(653)	(2,145)
· Member compensation for forgone charges	(237)	(251)
Adjustments to reflect cash operating activities:		
· Loan disbursements	11,461	10,860
· Grant disbursements	1,731	2,040
· Principal repayments and prepayments	(4,327)	(4,085)
· Proceeds from buy-down of loans	(58)	-
Reported Basis, Net Income (Loss)	**$371**	**$ (731)**

Indicates amount less than $0.5 million.

Liquidity and Funding Ratios

IDA's core liquidity position as of June 30, 2016 is sufficient to cover approximately 9 months of average monthly gross disbursements, which is consistent with the historical range of 9 to 11 months for FY12 through FY16. See Section 7: Risk Management for more details on IDA's core liquidity position.

IDA's funding position, the extent to which IDA's investment portfolio and unrestricted demand obligations cover any undisbursed loans and grants, stood at 70% for both June 30, 2016 and June 30, 2015. The remaining funding gap will be primarily covered by future receipts of cash and demand obligations already committed by members, as well as through repayments on existing credits. At all times, IDA enters into new commitments based on the commitment authority available. See Section 3: Funding and Resource Allocation for further details on IDA's commitment authority and See Section 7: Risk Management for more details on IDA's funding ratio.

Balance Sheet Analysis

The principal components of IDA's balance sheet are loans outstanding, investment assets-net of related liabilities, and subscriptions and contributions paid-in. Movements in these principal components between June 30, 2016 and June 30, 2015 are discussed further below.

Table 4: Condensed Balance Sheet

In millions of U.S. dollars

As of June 30,	2016	2015	Variance
Assets			
Investment assets, including related derivative assets	$ 37,618	$ 41,174	$(3,556)
Derivatives relating to asset-liability management	8,214	8,914	(700)
Receivables and other assets, including non-investment cash	1,840	1,863	(23)
Loans outstanding	136,735	130,878	5,857
Accumulated provision for debt relief and losses on loans	(3,932)	(4,144)	212
Total assets	**$180,475**	**$178,685**	**$ 1,790**
Liabilities			
Liabilities and derivatives relating to investments	$ 7,710	$ 12,756	$(5,046)
Derivatives relating to asset-liability management	7,943	8,963	(1,020)
Payables and other liabilities	7,216	7,667	(451)
Borrowings from members	2,906	2,150	756
Total liabilities	25,775	31,536	(5,761)
Equity			
Subscriptions and contributions paid-in	208,430	201,045	7,385
Demand obligations	(9,237)	(9,378)	141
Deferred amounts to maintain value of currency holdings	(244)	(242)	(2)
Accumulated deficit	(43,030)	(43,401)	371
Accumulated other comprehensive income	(1,219)	(875)	(344)
Total equity	154,700	147,149	7,551
Total liabilities and equity	**$180,475**	**$178,685**	**$ 1,790**

Assets

Loans Outstanding

As of June 30, 2016, loans outstanding were $136,735 million or an increase $5,857 million (4.5%) compared to June 30, 2015. The increase was primarily due to positive net disbursements of $7,076 million, offset by negative translation adjustments of $655 million resulting from the 0.5% depreciation of the SDR against the U.S. dollar, and the $524 million MDRI write-off of loans pertaining to Chad reaching its completion point under the HIPC Debt Initiative in FY15. Additionally, a buy down was effected for one loan with an outstanding carrying value of $85 million under the polio eradication buy-down mechanism and one IDA graduate country prepaid loans with an outstanding carrying value of $54 million.

As of June 30, 2016, IDA's accumulated provision for debt relief and for losses on loans was $3.9 billion, 2.9% of the total loans outstanding balance. This reflects a $212 million decrease over June 30, 2015, which was primarily due to the write-off of loans to Chad under the MDRI. See Section 5: Development Activities, Products and Programs.

Investment Assets-net of Related Liabilities

The net investment portfolio increased from $28,418 million as of June 30, 2015 to $29,908 million as of June 30, 2016. The key drivers for this increase of $1,490 million were (i) net inflow from IDA's operating activities as reflected in the Statement of Activities (Table 1), see Section 4, Results for FY16 for variance analysis of operating activities, and (ii) the $141 million net positive impact of exchange rate movements, reflecting the appreciation of JPY which was partially offset by depreciation of GBP, against the U.S. dollar.

Equity

Subscriptions and Contributions

In millions of U.S. dollars

As of	June 30, 2016	June 30, 2015
Subscriptions and contributions committed	$245,430	$244,694
Less: Subscriptions and contributions receivable	33,695	40,533
Less: Cumulative discounts/acceleration credits on subscriptions and contributions	3,305	3,116
Subscriptions and contributions paid-in	**$208,430**	**$201,045**

Subscriptions and contributions paid-in – At June 30, 2016, the $7,385 million increase in equity subscriptions and contributions paid-in is primarily attributable to the receipt from members of $4,477 million of demand obligations and $3,381 million of cash contributions. This was partially offset by a negative translation adjustment of $473 million as a result of the SDR depreciating against the U.S. dollar during the year.

Subscriptions and contributions receivable – This amount represents the balance of subscriptions and contributions committed but for which demand obligations or cash have not yet been received. As of June 30, 2016, subscriptions and contributions receivable amounted to 14% of subscriptions and contributions committed, the majority of which is expected to be received after FY17.

In millions of U.S. dollars

As of	June 30, 2016
Subscriptions and Contributions Receivable – Unrestricted	
Due to be paid between July 1, 2016 and June 30, 2017	$ 8,515
Due to be paid between July 1, 2017 and June 30, 2018	1,365
Due to be paid July 1, 2018 and thereafter	22,329
Past due	
· Due to be paid earlier than June 30, 2014	454
· Due to be paid between July 1, 2014 and June 30, 2016	1,024
	33,687
Subscriptions and Contributions Receivable – Restricted	8
Total	**$33,695**

Accumulated Deficit

As of June 30, 2016, IDA's accumulated deficit was $43,030 million. This deficit is driven primarily by the losses incurred due to IDA's debt relief initiatives and its grant activity. IDA's debt relief, which was a policy decision agreed upon by members, negatively impact its income statement when a provision for debt relief is recorded. The contributions members have agreed to make to reimburse IDA for lost reflows, are recorded as equity. Similarly, IDA's grants are expensed upon approval, the contributions from members that are received over time to compensate IDA for its grant activity which do not flow through the income statement, rather they are recorded as equity. See Section 5: Development Activities, Products and Programs for further details.

SECTION 5: DEVELOPMENT ACTIVITIES, PRODUCTS AND PROGRAMS

Lending Framework

IDA has a common framework which extends across all of its development activities. The main elements of this framework are: financing principles, cycles and 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.

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 macro-economic 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, and environmental and social safeguard systems in selected operations where these systems are assessed by IDA as being equivalent to IDA's systems and where the recipient's policies and procedures, implementation practices, track record, fiduciary and safeguard risks and capacity are considered acceptable to IDA.

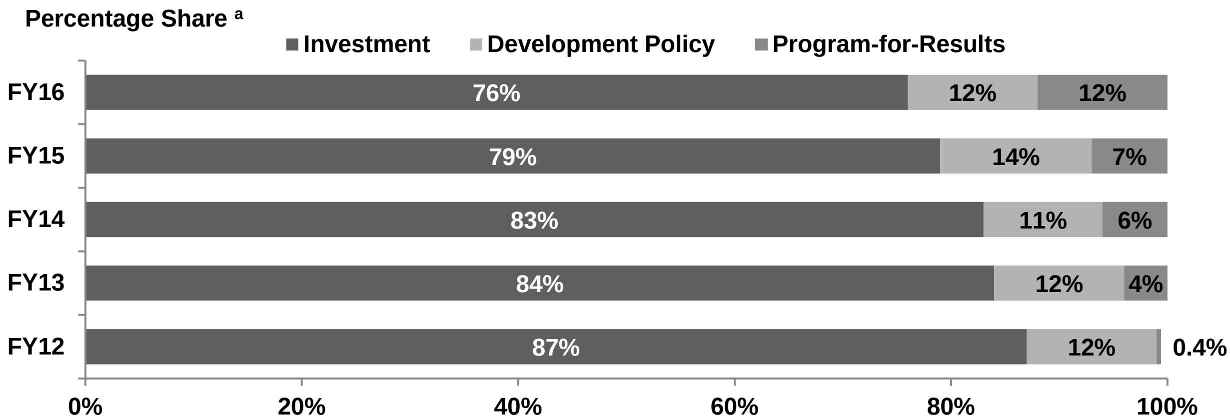
Financing Cycles

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. After appraisal of a project by staff, with certain exceptions, IDA's Executive Directors must approve each loan, grant and guarantee. Disbursements are subject to the fulfillment of conditions set out in the credit or grant agreement. During implementation of IDA-supported operations, staff review progress, monitor compliance with IDA 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 Executive Directors.

Financing Categories

Most of IDA's lending is of three types: investment project financing, development policy financing, and program-for-results. **Figure 6** shows the percentage of IDA loans approved for investment lending, development policy operations and Program-for-Results over the past five years.

Figure 6: Share of Financing Categories



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

Investment Project Financing (IPF)

IPF is used in all sectors, with a concentration in the infrastructure, human development, agriculture, and public administration 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).

FY16 commitments under IPF amounted to $12.4 billion, compared with $15.1 billion in FY15. The share of investment financing has declined over the last five years, ranging from 87% to 76%.

Development Policy Financing (DPF)

DPF provides rapidly-disbursing financing (1 to 3 years) to help a borrower address actual or anticipated development 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.

FY16 commitments under DPF totaled $1.9 billion, compared with $2.6 billion in FY15.

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.

FY16 commitments under PforR totaled $1.9 billion, compared with $1.3 billion in FY15. The increase is primarily due to a $680 million increase in commitments provided to Vietnam.

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 loans is the SDR. However, in response to client needs to reduce currency exposure and simplify debt management, IDA has a Single Currency Lending pilot program in effect until the earlier of April 2018 or when the program limit of SDR 7 million is reached. This pilot program, which expands borrowing options beyond the standard SDR loans, allows IDA recipients to denominate new IDA loans in any of the constituent currencies of the SDR basket. In March 2016, in order to accommodate potential demand arising from the Scale-Up Facility, IDA's Executive Directors increased the program's limit from SDR 3 billion ($4.5 billion) to SDR 7 billion ($10 billion). As of June 30, 2016, $3 billion of US dollar denominated loans and U.S. dollar equivalent 0.7 billion in EUR denominated loans had been approved, of which $589 million in U.S. dollar equivalent were outstanding.

Table 5: Summary of Financial Terms for IDA Lending Products, Effective July 1, 2016

Instrument type	Recipient Countries	Maturity/Grace	Principal repayment (yrs)	Current Charges	Interest rates
Grant	"Red-light" IDA-only (100%) and "Yellow-light" IDA-only (50%)	Grant	None	None	Not applicable
Regular-Term loan 8/	"Green-light" IDA-only (100%) and "Yellow-light" IDA-only (50%)	38/6 yrs	3.125% p.a	75bps service charge 2/	Not applicable
Regular-Small Island loan 8/	Small island countries	40/10 yrs	2% p.a. yrs 11-20; 4% p.a yrs 21-40	75bps service charge 2/	Not applicable
Blend-Term loan 8/	Blend countries & countries with GNI pc above IDA cut-off (US $1,185) 1/ for 2 years	25/5 yrs	3.3% p.a. yrs 6-15; 6.7% p.a yrs 16-25	75bps service charge 2/	1.25%
Hard-Term loan 8/	Blend countries (excl.small island blends receiving regular IDA loans)	25/5 yrs	3.3% p.a. yrs 6-15; 6.7% p.a yrs 16-25	75bps service charge 2/	1.13% 3/5
Transitional support loan 8/	India	25/5 yrs	5% p.a	75bps service charge 2/	1.93% 4/5
Scale-up Facility 8/	All current IDA clients assessed as being at either low or moderate risk of debt distress with projects approved by Executive Directors before the end of IDA17 period	24/5 yrs	5% p.a. yrs 6-14; 5.5% p.a yrs 15-24	25bps front-end fee + 25bps commitment fee 6/	2.71% 56
		27/8 yrs	5% p.a. yrs 9-17; 5.5% p.a yrs 18-27	25bps front-end fee + 25bps commitment fee 6/	3.01% 5/6
		30/9 yrs	4.7% p.a. yrs 10-23.5; 4.9% p.a yrs 24-30	25bps front-end fee + 25bps commitment fee 6/	3.14% 5/6
Guarantees	IDA-only countries	Depends on project loan	Not applicable	75bps guarantee fee 2/+ Initiation & processing commitment fee 7/	Not applicable

Notes:

1/ Operational cut-off for FY17.

2/ The commitment charge is reset annually within a range of 0 – 50 bps, for FY17 it is nil. The guarantee stand-by fee is set at the same level as the commitment charge on loans.

3/ The interest rate for hard term loans is determined annually based on the fixed rate equivalent of IBRD interest rates less 200 basis points.

4/ The interest rate for transitional support loans is determined quarterly based on the fixed rate equivalent of IBRD interest rates less 100 basis points.

5/ Represent fixed rate available. Floating rate option is also available for these instruments.

6/ The indicative rates for the proposed Scale-up Facility loans. The rates are determined quarterly based on the fixed rate equivalent of IBRD interest rates. The Scale-up Facility loans follow IBRD pricing; they are subject a one-time front-end fee of 25 bps and a commitment fee of 25 bps.

7/ IDA guarantees for private sector borrowers are subject to an initiation fee of 15 bps or US$100,000 (whichever is higher) and a processing fee of up to 50 bps of the principal amount. The processing fee is assessed on a case by case basis and can either be waived or increased in exceptional cases.

8/ Single currency option is available for these instruments.

Charges on Loans and Grants

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

Commitment Charge. A commitment charge, which is payable on any undisbursed loan or grant amount, is set by the Executive Directors at the beginning of each fiscal year. From FY09 to FY16, the commitment charge on undisbursed loans had been set at nil and for grants it had been set at nil from FY03 to FY16. As noted previously, commitment charges are set at a level to ensure that service charges (adjusted to include income forgone from loans forgiven under HIPC and MDRI and from providing development grant financing) cover administrative expenses over a period of several years.

Interest. Interest is charged on all new loans subject to blend terms approved under IDA16 and IDA17, all hard-term loans, and transitional support lending. The interest charged is more concessional than the fixed-rate equivalent of IBRD's lending rate after taking into account the repayment terms, including the grace period and maturity. In FY16, the Scale-up Facility was established; all Scale up Facility loans have a floor of 75 basis points and are subject to interest rate ranges which are set quarterly and are currently between 2.71% and 3.14%, depending on the maturity period. Further, new loans offered under transitional, scale-up facility, and hard terms, are available at floating interest rates. All other rates are fixed. Table 5 shows the applicable rates effective July 1, 2016.

Repayment Terms

Loans approved through June 30, 1987 have a final maturity of 50 years, including a grace period of 10 years. More recently, differentiation in IDA's lending terms has been introduced to recognize the variation in economic development of broad categories of IDA recipients. Table 5 provides a summary of the financial terms of IDA's lending products based on eligibility, effective July 1, 2016.

In addition, since 1987, IDA has included an accelerated repayment clause in the legal agreements of regular, blend and hard-term loans that allows IDA to double the principal repayments of the credit, if the borrower's GNI per capita exceeds a specific threshold and the borrower is eligible for IBRD financing. Implementation is subject to approval by IDA's Executive Directors after considering a borrower's economic development. The borrower would have a choice to either (a) shorten the credit'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, 2016, the acceleration clause has been implemented for the qualifying IDA loans of 15 borrowers that have graduated from IDA since the introduction of the accelerated repayment clause. Of these 15 borrowers, 10 borrowers selected the principal option, 4 borrowers selected the interest option, and 1 borrower selected a combination of the two options.

Loans and Grants Activity

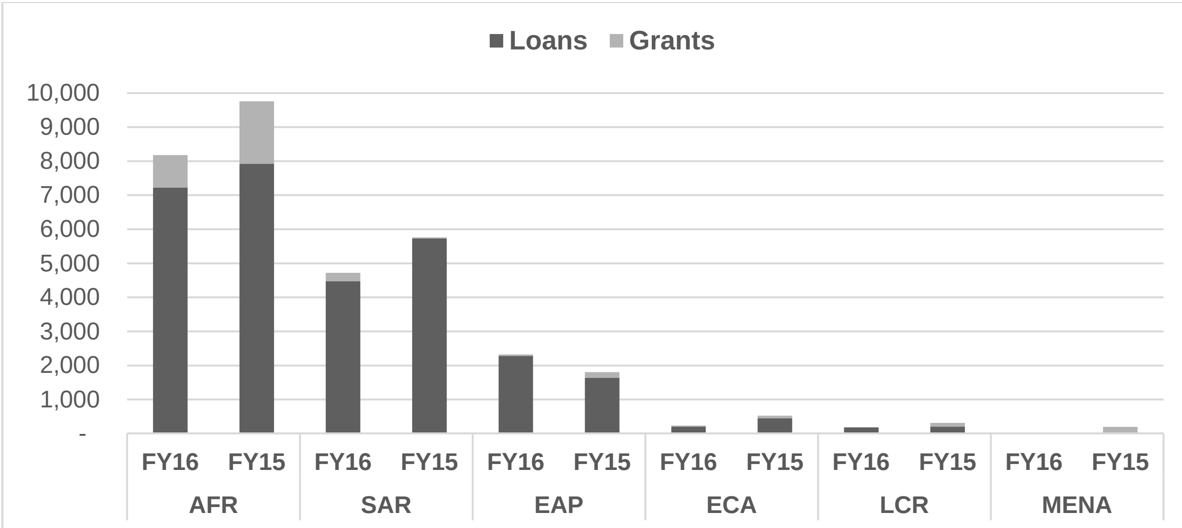
Commitments of Loans and Grants

Commitments of loans in FY16 were $14,398 million, a decrease of $1,550 million (10%) over FY15. In terms of regional focus, South Asia accounted for $1,258 million of the decrease. Africa and South Asia together accounted for 81% of the FY16 commitments (see Figure 7). The largest commitments in FY16 were made to Ethiopia (see Table 6).

Commitments of grants in FY16 were $1,273 million, a decrease of $1,145 million (47%) over FY15. The main drivers for the decrease were i) lower overall IDA commitments in FY16 - $16,171 million compared to FY15 - $18,966 million and, ii) the full usage of the $895 million initial IDA17 Crisis Response Window (CRW) in FY15. In terms of regional focus, Africa accounted for $882 million of the decrease. Africa and South Asia together accounted for 95% of the total FY16 commitments (see Figure 7). The largest commitments in FY16 were made to the Democratic Republic of Congo, (see Table 6).

Figure 7: Commitments of Loans and Grants by Region

In millions of U.S. dollars



Regions:
AFR Africa
EAP East Asia and Pacific
ECA Europe and Central Asia
LCR Latin America and Caribbean
MENA Middle East and North Africa
SAR South Asia

Table 6: Top 10 Commitments of Loans and Grants to Member Countries

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

Member	Loans	FY16% of total	FY15% of total	Member	Grants	FY16% of total	FY15 % of total
Ethiopia	$ 1,862	13	9	D.R. Congo	$ 257	20	13
Vietnam	1,670	12	5	Afghanistan	250	20	1
Bangladesh	1,557	11	12	Mozambique	157	12	8
Pakistan	1,460	10	8	Niger	93	7	4
Nigeria	1,075	7	6	Burundi	65	5	3
India	1,025	7	11	Chad	50	4	4
Tanzania	864	6	6	Sierra Leone	50	4	6
Kenya	646	4	7	South Sudan	40	3	-
Sri Lanka	412	3	1	Burkina Faso	35	3	8
Myanmar	400	3	4	Malawi	32	3	4
Other	3,427	24	31	Other	244	19	49
Total	**$14,398**	**100**	**100**	**Total**	**$1,273**	**100**	**100**

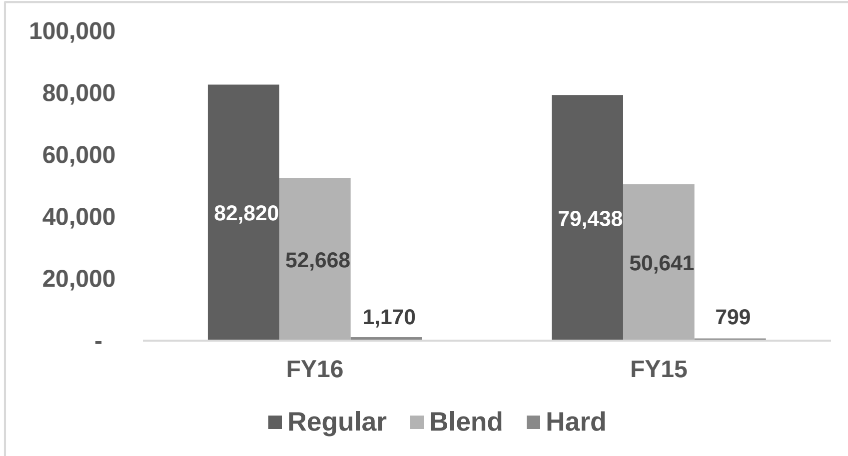
Loans Outstanding

Loans outstanding as of June 30, 2016 were $136,735 million. Figure 8 shows the breakdown by term. For both FY16 and FY15, 61% are on regular terms and 39% are on blend terms. Hard term and transitional loans are recently introduced products and only certain members are eligible for them. See Table 5 for details of IDA's terms.

Table 7 provides details of the top five borrowers with the largest loans outstanding balances as of June 30, 2016. These borrowers represented 50% of total loans outstanding as of that date.

Figure 8: Loans Outstanding by Term [a]

In millions of U.S. dollars



a.Includes $77 million of transitional support loans

Table 7: Top Five Members with the Largest Loans Outstanding Balance

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

Country	India	Pakistan	Bangladesh	Vietnam	Nigeria	Others	Total
Loans Outstanding	24,765	13,381	12,147	11,714	6,763	67,965	136,735
% of Total Loans Outstanding	18%	10%	9%	8%	5%	50%	100%
Weighted Average Maturity (Years)	6.8	13.1	14.1	14.8	15.6	13.8	12.6
Loans outstanding by terms							
Regular	5,647	1,055	12,147	7,894	4,311	51,766	82,820
Blend	18,701	11,868	-	3,569	2,452	16,078	52,668
Hard	340	458	-	251	-	121	1,170
Transitional support	77	-	-	-	-	-	77
Undisbursed balance	6,640	2,315	5,696	4,803	4,219	25,803	49,476

Figure 9 shows the concentration of IDA's outstanding loan portfolio amongst its largest borrowers for the average of FY11 through FY15 and for FY16.

Figure 9: Exposure of Largest IDA Borrowing Countries

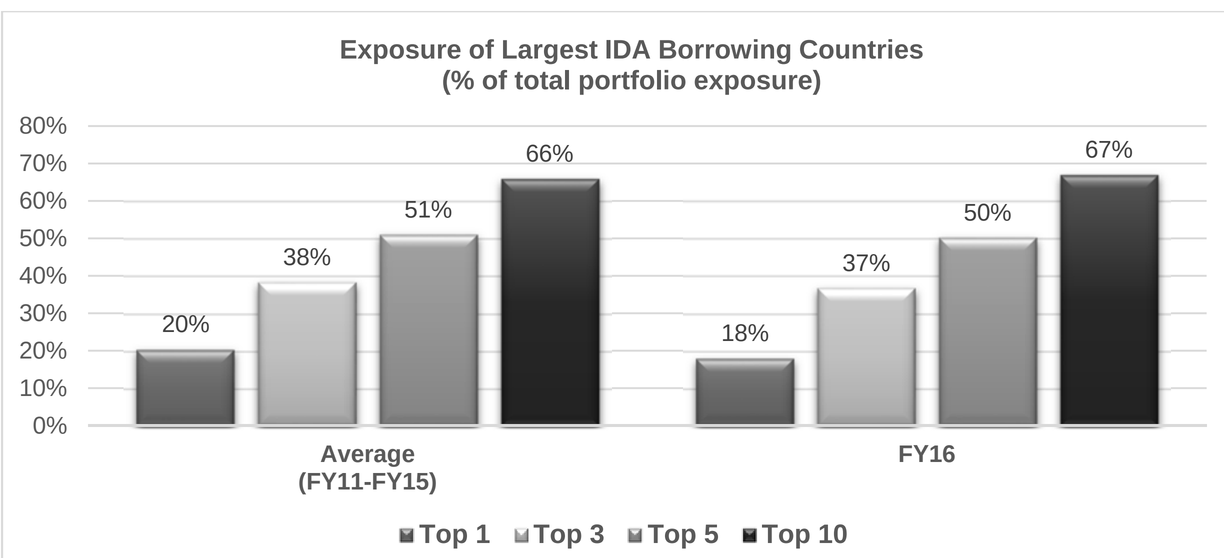


Table 8 shows the IDA's interest and service charge income by loan type. The $66 million increase in interest income is primarily driven by the increase in interest on blend term loans, reflecting the increased volume of disbursements under interest-bearing blend term lending.

Table 8: Interest and Service Charge Income by Loan Type

In millions of U.S. dollars

IDA Loan type	Outstanding balance as of June 30,		Interest income		Service charge income	
	2016	2015	FY 16	FY 15	FY 16	FY15
Regular	$ 82,820	$ 79,438	$ 15	$ 11	$585	$575
Of which, subject to acceleration clause through interest payment	831	859	15	11	6	7
Blend	52,668	50,641	131	71	383	376
Of which, subject to acceleration clause through interest payment	820	845	15	12	6	7
Hard	1,170	799	28	26	7	6
Transitional support	77	-	*	-	*	-
Total	**$136,735**	**$130,878**	**$174**	**$108**	**$975**	**$957**

** Indicates amount less than 0.5 million*

Crisis Response Window

The primary objective of the Crisis Response Window (CRW) is to provide IDA countries with additional resources that will help countries to respond to severe economic crises, major natural disasters, or health emergencies and pandemics, and return to their long-term development paths. An allocation is made to the CRW under each replenishment. The initial IDA17 allocation to the CRW was $895 million. This initial allocation was fully utilized in FY15 in providing emergency funding to countries impacted by the Ebola crisis, for earthquake recovery assistance in Nepal and to other countries affected by natural disasters including the Solomon Islands, Malawi, Vanuatu and Tuvalu. As a result, on March 6, 2016, as part of the $5 billion increase to IDA17's Commitment Authority, there was an additional $900 million allocated to the CRW, which will help IDA provide rapid financing over the remainder of the IDA17 period. In FY16, $100 million of the additional CRW funds had been utilized.

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

In December 2013, IDA's Executive Directors approved a series of changes to IDA's guarantees that became effective from July 1, 2014. As a result of these changes, IDA now 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 cover risks only to the extent necessary to obtain the required private financing, taking into account country, market and, if appropriate, project circumstances. All 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 9 for the types of guarantees that IDA provides.

Table 9: 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 sovereign or sub-sovereign projects. 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.

Guarantee Exposure

IDA's exposure on its project and policy based guarantees (measured by discounting each guaranteed amount from its next call date) was $1,024 million as of June 30, 2016 ($393 million—June 30, 2015). The $631 million increase in guarantee exposure is primarily due to a $400 million guarantee to Ghana that became effective in October 2015. The maximum potential undiscounted future payments that IDA could be required to make under these guarantees is $1,059 million as of June 30, 2016 ($411 million—June 30, 2015). For additional information see the Notes to Financial Statements–Note F–Development Credits and Other Exposures.

Assisting Borrowing Members Manage Risk

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 FY16, IDA renewed coverage of the Pacific Disaster Insurance Program, a $43 million transaction that provides protection against earthquakes, tsunamis and tropical cyclones to certain Pacific Island countries. IDA acts as the intermediary between the members and reinsurers. As an intermediary, IDA entered into swap contracts with the members as well as the insurance companies. As a result, all of the catastrophe risk was passed to the reinsurance markets through these contracts, thereby facilitating access to reinsurance markets for the members.

Debt Relief

Except for debt relief provided under the HIPC Debt Initiative and MDRI, and the buy-down of loans, it is IDA's practice not to write off its loans. To date, no loans have been written off, other than under these debt relief initiatives outlined below. Both HIPC and MDRI were implemented as a part of a global agreement focused on heavily indebted poor countries, under which contributing members agreed to compensate IDA for forgone reflows. In addition, to avoid future build-up of unsustainable debt, countries at risk of debt distress receive assistance in the form of grants.

Heavily Indebted Poor Countries Debt Initiative

The HIPC Debt Initiative is a comprehensive approach to reduce the external debt of the world's poorest, most heavily indebted countries, and it represented an important step forward in placing debt relief within an overall framework of poverty reduction.

The countries that qualified for HIPC assistance are the poorest countries that were eligible for highly concessional assistance from IDA and from the International Monetary Fund's (IMF) Poverty Reduction and Growth Facility.

During FY16, $10 million of loans and $1 million of charges were written off as debt relief under the partial forgiveness of debt service as it came due. During FY15, the comparable amounts were $14 million and $1 million, respectively. On a cumulative basis, $2,119 million of loans and $334 million of charges had been written off as of June 30, 2016.

Multilateral Debt Relief Initiative

The MDRI provides additional debt relief through 100 percent cancellation of eligible debt owed to IDA, the African Development Bank and the IMF, by countries that reached the HIPC Completion Point.

The objectives of MDRI are twofold: deepening debt relief to HIPC countries while 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.

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. When a country reaches its Completion Point, the applicable loans are written off at the beginning of the subsequent quarterly period.

During the fiscal year ended June 30, 2016, loans eligible for relief under MDRI totaling $524 million were written off as a result of Chad reaching the Completion Point under the HIPC Debt Initiative in FY15. On a cumulative basis, $40,164 million of loans have been written off under the MDRI as of June 30, 2016.

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.

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 FY16, one loan, with a carrying value of $85 million was purchased under the Polio buy-down mechanism, for the present value equivalent of $58 million. During FY15, no loans were purchased under the buy-down mechanism;

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.
- 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.

During FY16, IDA recorded $41 million (versus $45 million in FY15) as revenue for the administration of its trust fund portfolio. IDA, as an executing agency, disbursed $340 million ($326 million in FY15) of trust fund program funds.

Effective July 1, 2015, IDA implemented a new cost recovery framework for all new trust funds. The new framework was approved as part of a broader suite of measures aimed at increasing lending capacity. Key features of the new framework include:

i) Measures to ensure that IDA recovers indirect overhead costs incurred associated with trust fund activities.

ii) The simplification of the fee structure and types of trust funds that can be created.

The cash and investment assets held in trust by IDA as administrator and trustee as of June 30, 2016 and June 30, 2015 are summarized in Table 10. IDA's contribution to these trust funds for the year ended June 30, 2016 and June 30, 2015 was nil. For additional information, see the Notes to Financial Statements-Note H-Trust Funds Administration.

Table 10: Cash and Investment Assets Held in Trust by IDA

In millions of U.S. dollars

	Total fiduciary assets	
	June 30, 2016	June 30, 2015
IDA-executed	$ 49	$ 53
Jointly administered with affiliated organizations	840	783
Recipient-executed	2,020	2,210
Financial intermediary funds	284	356
Execution not yet assigned[a]	3,094	3,226
Total	$6,287	$6,628

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 borrowers 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. RAS allow IDA to provide advisory services that the clients demand, but that IDA cannot fund in full within the existing budget envelope. In FY16, income relating to reimbursable advisory services was $41 million (FY15 - $47 million).

SECTION 6: INVESTMENT AND BORROWING ACTIVITIES

Investment Activities

IDA's primary objective in the management of its investment portfolio is to ensure that funds will be available on a timely basis in the amount needed to meet future cash flow requirements, including disbursements for loans, grants and administrative expenses. Consistent with the primary objective, IDA also seeks to maximize returns on investments, subject to loss constraints, which can be added to IDA's internal resources.

IDA faces timing mismatches between cash receipts from members and recipients and disbursements of new loans and grants. To manage these timing mismatches between cash inflows and outflows, and to ensure optimal use of development resources, IDA employs a number of financial practices, namely:

- Use of hedging strategies to minimize currency mismatches of cash flows.
- Encashment of member equity contributions over time so as to match the eleven year average disbursement profile of loans and grants during a given replenishment. For IDA15, IDA16 and IDA17, members have agreed to a nine year standard encashment period, which is an acceleration of the 11-year disbursement profile in order for IDA to generate additional investment income.
- Provision of incentives in the form of discounts or acceleration credits to members for early encashments, provided that the present value of their equity contributions remains intact.
- A portion of expected principal repayments on disbursed and outstanding loans are committed in advance so that resulting disbursements match the time profile of credit reflows.

Beyond these practices, IDA needs to be able to address any unexpected demands on its liquidity by maintaining a sufficient level of liquid assets.

Minimum Liquidity

Minimum liquidity represents the liquidity that IDA holds against cash flow volatility. It serves the dual purpose of cushioning against expected future cash flow volatility and meeting unexpected liquidity demands. On March 8, 2016, the Board approved an adjustment to IDA's liquidity management framework. Specifically, Tranche 1 assets may now serve as additional temporary, emergency liquidity. As a result of this change, $5 billion of assets which were previously set aside and uncommitted in Tranches 2 and 3 for minimum liquidity requirements will now be used to fund an increase in the IDA17 commitment authority, see Section 3. Minimum liquidity is held in IDA's core liquidity component.

For FY16, IDA's minimum liquidity was targeted at 33 percent of a three-year annual moving average of gross disbursements. At June 30, 2016, IDA's investment portfolio had a value of $29.9 billion and the minimum liquidity was targeted at $4.4 billion.

Investment Portfolios

IDA's investments are held in both a non-trading portfolio and a trading portfolio.

Non-Trading Portfolio

During FY15, with the proceeds of a concessional loan from a member, IDA purchased a debt security issued by the IFC. While IDA expects to hold the security to maturity, 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, 2016, the non-trading portfolio had a fair value of $1,105 million (FY15-$1,142 million). See Notes to Financial Statements–Note C–Investments.

Trading Portfolio

The trading portfolio is invested in three separate tranches, which allows for better tailoring of investment objectives, risk tolerances and investment horizon, to the purpose of holding the investments. See Figure 10 for the breakup of investments held by tranche.

Asset and Liability Management

Tranche 1 – This tranche primarily consists of accelerated encashments of equity contributions from members, transfers from IBRD and IFC, and voluntary credit prepayments. It is managed under an immunization strategy, whereby the tranche duration benchmark is aligned with the weighted average duration of future net cash outflows, such that the variation in investment earnings is largely matched by equivalent changes in the present value of future net cash outflows. The duration is periodically reviewed and reset at least annually to reflect prevailing conditions.

Core Liquidity

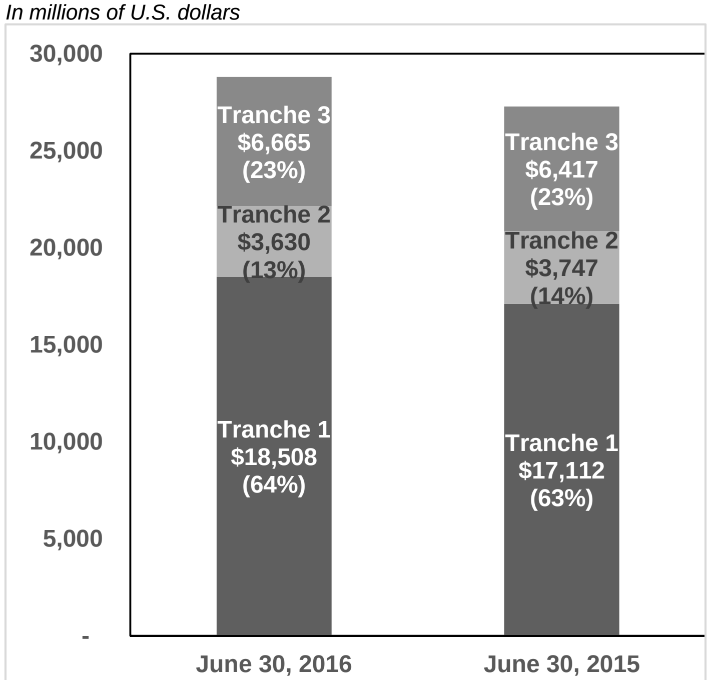
Tranches 2 and 3 constitute IDA's core liquidity to meet working capital requirements, as well as expected and unexpected cash flow volatility. Core liquidity as a proportion of IDA's total liquidity holding at June 30, 2016 was 36% (June 30, 2015 – 37%).

Tranche 2 – Medium-term Investment tranche. This tranche includes the core liquidity of IDA which is expected to be available over at least a three year horizon. The tranche is managed in accordance with a return maximization strategy subject to pre-specified risk constraints over a medium-term (three years) investment horizon.

Tranche 3 – Short-term Investment tranche. This tranche is used for managing the operational liquidity for IDA. The investment objective of this tranche is to ensure liquidity and timely availability of the investment balances when needed, with investment returns being a secondary consideration. The tranche is invested in overnight and very short-term cash instruments.

Figure 10: Investments by Tranche – Trading Portfolio

In millions of U.S. dollars



Performance of the Investment Portfolio.

IDA's investment portfolio has a relatively long duration, this leads to lower (higher) portfolio returns in years when market interest rates are rising (declining), given the inverse relationship between fixed income asset prices and market interest rates. IDA's return for FY16 was 3.13% reflecting continued low levels of global interest rates. Management closely monitors the investment portfolio of IDA, so as to maintain compliance with applicable risk parameters and investment guidelines.

Table 11 provides a breakdown of the average balances of IDA's liquidity portfolio for FY16 and FY15 by tranche. For an explanation of the increase in returns of the total portfolio, refer to Section 9: Reported Basis Results.

Table 11: Average Balances and Returns by Tranche

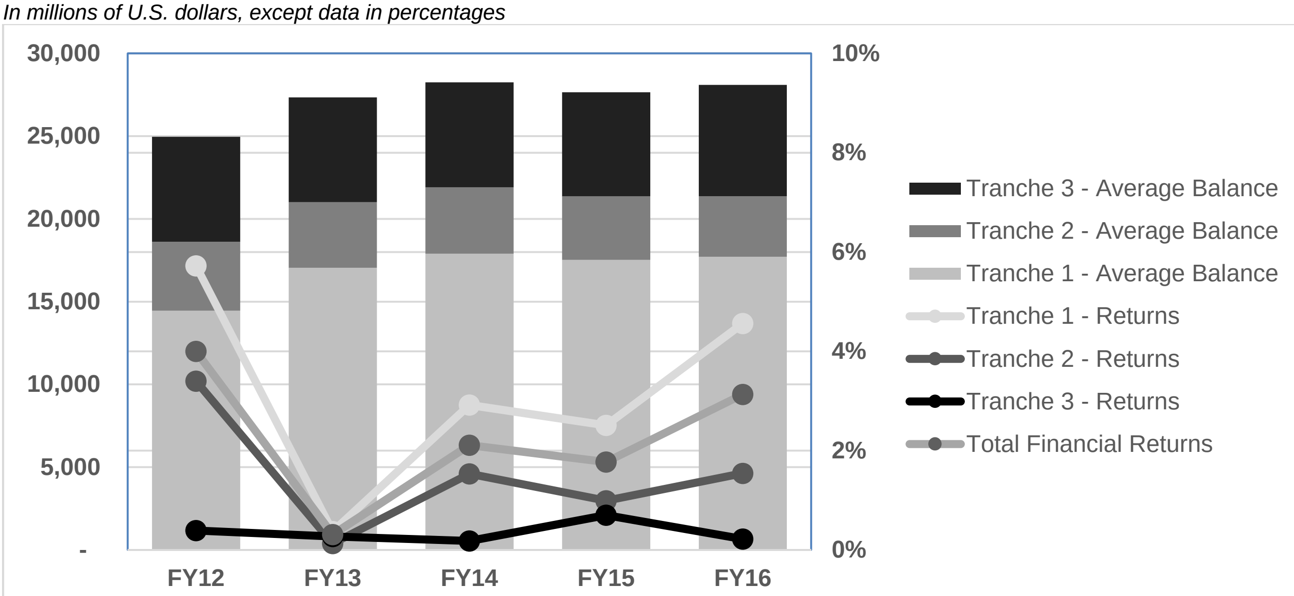
In millions of U.S. dollars, except rates in percentages

	FY 16		*FY 15*	
Tranches	*Average Balance*	*Return*	*Average Balance*	*Return*
1	$17,715	4.56%	$17,523	2.51%
2	3,658	1.54%	3,837	0.99%
3	6,728	0.22%	6,292	0.17%
Total	$28,101	3.13%	$27,652	1.77%

Figure 11 shows the historical breakdown of the average balances and returns of IDA's liquidity portfolio by tranche. For an explanation of the increase in returns of the total portfolio, refer to Section 9: Reported Basis Results.

Figure 11: Investment Portfolio Average Balances and Returns

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



Borrowing Activities

Long Term Borrowings

IDA has not yet utilized long-term borrowings from capital markets, but it is allowed to do so under its Articles. For IDA17, IDA's Executive Directors approved the use of concessional debt funding from members.

IDA17 Concessional Loans from Members

In order for debt funding to be sustainably incorporated into IDA17's financing framework, the borrowing terms of the concessional loans from members aim to match the concessional features of IDA's loans. The IDA17 debt limit for concessional loans from members has been set at SDR6.1 billion ($9.2 billion) and was based on the overall concessional nature of IDA's lending terms during IDA17 and the terms on which IDA borrows. Liquidity and currency risks are being managed within the existing risk management framework.

The maturities of the loans 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 providers of the concessional loans from members following the drawdowns by IDA. They are based on the cash paid, computed as the derived grant element of the loan. The grant element, which is recorded as equity is a function of the terms of the loan and the discount rate agreed upon during the replenishment discussions - (2.65% SDR equivalent for IDA17).

As of June 30, 2016, the borrowings outstanding balance was $2,906 million, an increase of $756 million as compared to June 30, 2015. The increase is primarily due to additional loan proceeds received during the current fiscal year. Interest expense associated with these loans was $43 million in FY16 (FY15 - $33 million).

Short Term Borrowings

Under its Investment Guidelines, IDA is allowed to enter into short term borrowings in the form of securities sold under repurchase agreements and securities lent under securities lending agreements. These 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, 2016, securities lent or sold under repurchase agreements totaled $1,968 million, a decrease of $2,892 million over June 30, 2015. Table 12 provides data on short-term borrowing activities.

Table 12: Short-Term Borrowings

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

	June 30, 2016	*June 30, 2015*	*June 30, 2014*
Securities sold under repurchase agreements and securities lent under securities lending agreements,			
Balance at year-end	$1,968	$4,860	$5,011
Average monthly balance during the year	$3,636	$4,544	$4,265
Maximum month-end balance	$4,985	$5,621	$5,257
Weighted-average rate at end of fiscal year	0.51%	0.20%	0.14%
Weighted-average rate during the fiscal year	0.26%	0.14%	0.10%

SECTION 7: RISK MANAGEMENT

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 reviews trends in IDA's risk profiles and performance, and any major developments in risk management policies and controls.

Governance Structure

Management believes that effective financial 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.

Organizational Structure

The CRO provides oversight of financial risks for IBRD and IDA. These risks include (i) liquidity, market and counterparty risks, (ii) country credit risks in the core sovereign lending business and (iii) operational risks relating to people, processes and systems. In addition, the CRO works closely with IFC, MIGA, and IBRD's Management to review, measure, aggregate, and report on risks and share best practices. The CRO also helps enhance cooperation between the institutions and facilitates knowledge sharing in the risk management function. The following three departments report directly to the CRO:

- The *Market and Counterparty Risk Department* is 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 derivatives portfolios within applicable policy and guideline limits. The department's responsibilities include establishing and maintaining guidelines, volume limits, and risk oversight processes to facilitate effective monitoring and control; it also provides reports to the Audit Committee and the Board on the extent and nature of risks, risk management, and oversight. The department is also 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 portfolios, and v) implementing the model risk governance framework.

- The *Credit Risk Department* 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 *Operational Risk Department* provides direction and oversight for operational risk activities by business functions. The department's 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) and (iv) helping identify emerging risks and trends through monitoring of internal and external risk events. The department is also responsible for business continuity management, and enterprise risk management functions, prepares a corporate Operational Risk Report for review and discussion by the Operational Risk Committee.

Risk Committees

The Finance and Risk Committee (FRC), provides a high level governance structure for decisions that may have financial risks. The FRC was created under the authority of the Managing Director and WBG Chief Financial Officer (MDCFO) to approve, clear, or discuss: (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 financial risks in the areas of finance, which include country credit, market, counterparty, liquidity and model risks. 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.

In addition to the FRC, several risk-related committees work under the authority of the MDCFO and the CRO, which provide technical expertise and guidance on new initiatives and operational risk issues:

- *New Business Committee (NBC):* is a standing committee of the FRC under the authority of the MDCFO. 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 Committee (ORC):* is the main governance committee for operational risk and provides a mechanism for 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 escalates significant risks/decisions to the FRC and Enterprise Risk Committee (ERC)[5].

Risk-Bearing Capacity

The risk in IDA's lending operations is managed by Operations Policy and Country Services. This covers risk of non-compliance with its policies, safeguards as well as risk of mis-procurement on behalf of clients, and fraud and corruption in its financed projects.

The Development Finance Resource Mobilization Department which reports to the Vice President of Development Finance, manages IDA's replenishments. This department discusses policy and funding frameworks with members, and allocates concessional resources between borrowing member countries based on the agreed performance based allocation system. Responsibility for financial management, including asset-liability management and the management of funding, liquidity, currency, interest rate and credit risk, also lies with this department. The risk bearing capacity of IDA falls under four main categories.

(i) Funding risk - the extent to which IDA can commit to new financing of loans, grants and guarantees given its financial position at any point in time and whether there are sufficient resources to meet undisbursed commitments of loans and grants.

(ii) Liquidity risk - whether IDA has sufficient core liquidity to meet disbursements of approved loans and grants.

[5] The ERC is chaired by the Managing Director and Chief Administrative Officer (MDCAO) and was established in June 2016 to address non-financial risks with the exception of risks relating to IDA's lending operations. The latter will continue to be managed and overseen by the Managing Director and Chief Operating Officer (MDCOO).

(iii) Credit risk - the risk of default by recipient countries and market counterparties.

(iv) Market risk - the exposure to currency and interest rate risks.

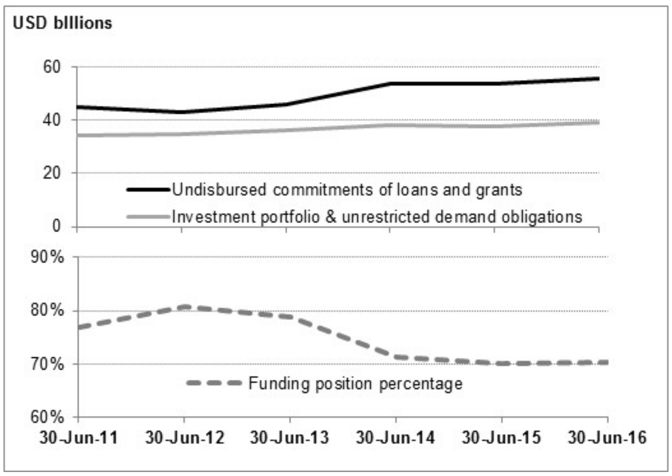
Funding Risk

IDA's capacity to commit to new financing of loans, grants and guarantees at any point in time is defined by the Commitment Authority Framework of the particular replenishment which is effective at that time. See Section 3: Funding and Resource Allocation for further details. IDA's funding risk relates to whether there are sufficient resources (investment portfolio and demand obligations) to meet undisbursed commitments of loans and grants.

Management monitors IDA's funding position as a key indicator to assess IDA's ability to conduct its operations. IDA's funding position is determined as the total of its investment portfolio and unrestricted demand obligations as a percentage of undisbursed commitments of loans and grants payable. Any remaining funding gap will primarily be covered by future receipts of cash, demand obligations already committed by members, and repayments on outstanding loans by recipient countries. At all times, IDA enters into new commitments based on the commitment authority available.

Further details on IDA's funding risk management, including details of the three tranches which comprise IDA's investment portfolio are provided in Section 6: Investment and Borrowing Activities.

Figure 12: Funding Position



As of June 30, 2016, the investment portfolio and unrestricted demand obligations covered 70% of all undisbursed commitments of loans and grants, compared with 70% as of June 30, 2015. The gap in funding will be met by future inflows.

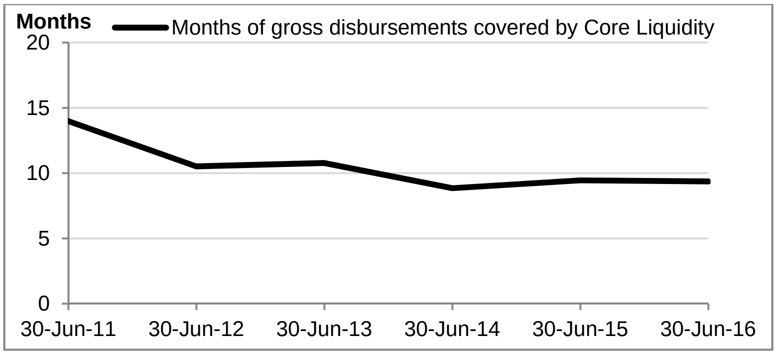
In the last 5 years IDA's funding position has ranged from 70% to 81%.

Liquidity Risk

Liquidity risk is also a key risk to IDA's operations. It is managed through a combination of IDA's daily cash flow monitoring and management, timing of member equity contributions, and prudent investment policies under an established financial framework. A key indicator of liquidity management is the core liquidity position which reflects the number of months of gross disbursements (based on the average disbursements over a three year period) that can be met out of the core liquidity (Tranches 2 and 3) available at a point in time.

Further details on IDA's liquidity risk management, including details of the three tranches which comprise IDA's investment portfolio, together with a description of the General Investment Authorization, are provided in Section 6: Investment and Funding Activities

Figure 13: Liquidity Position



As of June 30, 2016, core liquidity amounted to $10,295 million (June 30, 2015 - $10,164 million), comprising short-term and medium-term investments. IDA's liquidity position was sufficient to cover approximately 9 months of average monthly gross disbursements based on FY16 volume (9 months in FY15).

In the last 5 years IDA's liquidity position has ranged from 9 to 11 months of average monthly gross disbursements.

Credit Risk

IDA has two types of credit risk: country credit risk and commercial credit risk. Country credit risk is the risk of loss due to a country not meeting its contractual obligations and commercial credit risk is the risk of loss due to a counterparty not honoring its contractual obligations.

Country Credit Risk
Country credit risk is managed through regular country debt sustainability assessments. These reviews provide an input into the composition of loans versus grants for new operations. Section 5: Development Activities, Products and Programs describes how funds are allocated for grants based on a country's risk of debt distress. Reviews are also performed to determine the adequacy of provisions for losses on loans and other exposures.

Overdue and Non-Performing Loans

When a borrower fails to make a payment on any principal, interest or other charges, IDA has the contractual right to suspend disbursements immediately on all loans and grants. IDA's current policy however, is to exercise this right through a graduated approach as summarized in Box 3. These policies also apply to those member countries who are eligible to borrow from both IBRD and IDA, and whose payments on IBRD loans may become overdue. For borrowers with IDA loans who become overdue in their debt service payments on IBRD loans, IDA also applies the treatment described in Box 3.

Box 3: 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 Executive Directors 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 have been paid. This policy applies even when the borrower is not the member country. Under exceptional circumstances, disbursements could be made to a member country upon approval by the Executive Directors.
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 of 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 that decision may be deferred until after a suitable period of payment performance has passed.

A key determinant in the provision for losses on loans and other exposures is IDA's borrowers' country risk ratings, which are internal credit quality indicators. These ratings are an assessment of the borrowers' ability and willingness to repay IDA on time and in full and are grouped into three risk classes which relate to the likelihood of loss: Low, Medium and High risk classes.

At June 30, 2016 the percentage of the loan portfolio in Low, Medium and High risk categories was 3%, 20% and, 77% respectively. For additional information see the Notes to Financial Statements–Note F–Development Credits and Other Exposures.

As of June 30, 2016, IDA had $136,735 million of loans outstanding, of which loans in non-accrual status represent 2%. IDA's total provision for losses on loans was $1,932 million (excluding accumulated provision for losses on debt relief) which represents a provisioning rate of 1.4%. IDA's provisioning rate on loans for FY08 through FY16 has been between 1.0% and 1.4%. With the exception of the HIPC Debt Initiative and MDRI, as well as the buy-down mechanism, IDA does not write-off its loans and arrears must be fully cleared before disbursements can resume. For a summary of countries with loans or guarantees in nonaccrual status at June 30, 2016, see Notes to Financial Statements–Note F–Development Credits and Other Exposures.

Commercial Credit Risk

In the normal course of its business, IDA utilizes various derivatives to manage its exposure to fluctuations in interest and currency rates. Derivative and foreign exchange transactions also involve credit risk. The effective management of credit risk is vital to the success of IDA's investment and asset/liability management activities. The monitoring and managing of these risks is a continuous process due to changing market environments.

IDA mitigates the counterparty credit risk arising from investments, derivatives and asset/liability management activities through its credit approval process and monitoring procedures. The credit approval process involves evaluating counterparty creditworthiness, assigning credit limits and determining the risk profile of specific transactions. Credit limits are calculated and monitored on the basis of potential exposures taking into consideration current market values and estimates of potential future movements in those values, and collateral agreements with counterparties. If there is a collateral agreement with the counterparty to reduce credit risk, then the amount of collateral obtained is based on the credit rating of the counterparty. Collateral held includes cash and highly liquid investment securities.

For derivative products, IDA uses the estimated replacement cost of the derivative as the measure of credit exposure. While the contractual principal amount of derivatives is the most commonly used volume measure in the derivative markets, it is not a measure of credit or market risk. For all securities, IDA limits trading to a list of authorized dealers and counterparties. With the exception of transactions with IBRD, credit risk is managed through application of eligibility criteria, (see Box 4) volume limits and through the use of mark-to-market collateral arrangements for swap transactions. Under the mark-to-market collateral arrangements, when IDA is in a net receivable position higher than the agreed upon collateral threshold allocated to the counterparty, counterparties are required to post collateral with IDA. During FY16, IDA did not receive any cash collateral.

With respect to futures and options, IDA generally closes out most open positions prior to expiration. Futures are settled on a daily basis.

The General Investment Authorization for IDA, approved by the Executive Directors, provides the basic authority under which the investment portfolio of IDA can be invested. Further, all investment activities are conducted in accordance with a more detailed set of Investment Guidelines. The Investment Guidelines are approved by the Managing Director and Chief Financial Officer (MDCFO) and implemented by the Treasurer. These Investment Guidelines provide detailed trading and operational rules including: criteria for eligible instruments for investment, establishing risk parameters relative to benchmarks, such as an overall consultative loss limit and duration deviation, specifying concentration limits on counterparties and instrument classes, as well as establishing clear lines of responsibility for risk monitoring and compliance.

See Box 4 for the range of instruments permitted for investments under the existing General Investment Authorization for IDA.

The overall market risk of the investment portfolio is constrained by a consultative loss limit, which is intended to reflect a level of tolerance for risk of underperforming the benchmark in any fiscal year. IDA has procedures in place to monitor performance against this limit and potential risks, and to take appropriate actions if the limit is reached.

Box 4: Eligibility Criteria for IDA's Investment Securities

Instrument Securities	*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, if government obligations are denominated in the national currency of the issuer, no rating is required.
Agencies	IDA may only invest 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 (ABS)	IDA may only invest in securities with a AAA credit rating.
Commercial Paper	IDA may only invest in short-term borrowings (less than 190 days) from commercial banks, corporates and financial institutions.
Time deposits[a]	IDA may only invest in time deposits issued or guaranteed by financial institutions, whose senior debt securities are rated at least A-.

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

IDA's commercial counterparty credit risk exposure is concentrated in investments in debt instruments issued by sovereign governments, agencies, corporate entities and banks, as shown in Table 13.

The credit quality of IDA's investment portfolio remains concentrated in the upper end of the credit spectrum with 81 % of the portfolio rated AA or above as of June 30, 2016, 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 $30,951 million as of June 30, 2016.

Table 13: Commercial Credit Exposure, Net of Collateral Held, by Counterparty Rating

In millions of U.S. dollars

	At June 30, 2016				*At June 30, 2015*	
Counterparty Rating	*Sovereigns*	*Agencies, ABS, Commercial paper, Swaps, Corporate and Time Deposits*	*Total*	*% of Total*	*Total*	*% of Total*
AAA	$10,897	$5,117	$16,014	52	$15,534	49
AA	5,959	2,942	8,901	29	10,167	32
A	4,865	1,167	6,032	19	5,842	18
BBB or below	-	4	4	*	161	1
Total	$21,721	$9,230	$30,951	100	$31,704	100

** Denotes less than 0.5%.*

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

Market Risk

IDA faces foreign exchange risk with respect to its future member equity contributions, which it manages using currency forwards and by rebalancing the currency composition of its investment portfolio, and interest rate risk on its investment portfolio, which is managed by aligning the duration of the investment portfolio with that of the projected net cash requirements. The impact of these strategies is shown on IDA's Statement of Income; however, the economic offset is not reflected since it relates to changes in future net cash outflows. Further details can be seen in Section 9: Reported Basis Results. The analysis below discusses the impact of these activities on IDA's Statement of Income and the corresponding economic offset.

Foreign Exchange Risk

IDA faces foreign exchange rate risk exposure as a result of the currency mismatch between its commitments for loans and grants, which are 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.

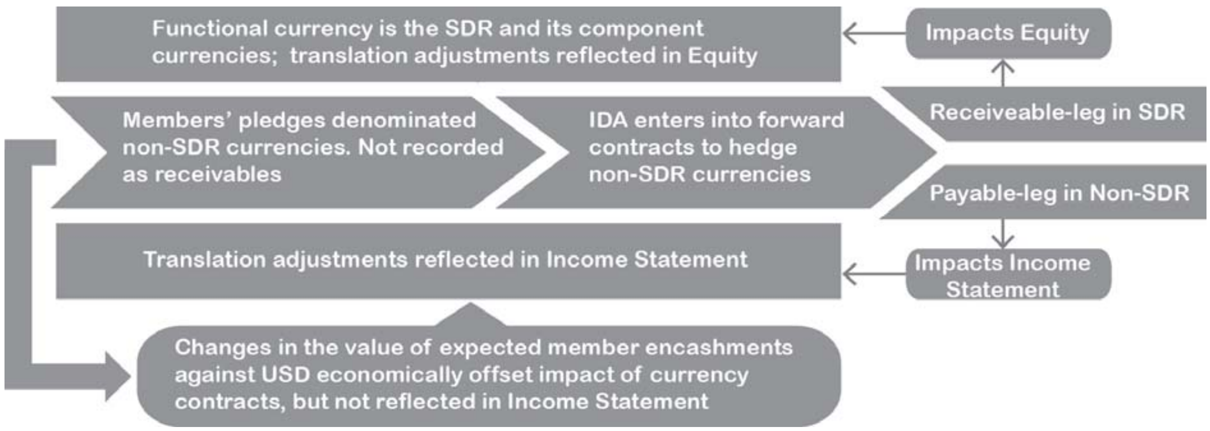
IDA uses currency forward contracts to convert members' encashments provided in national currencies into the four currencies of the SDR basket. These transactions are intermediated by IBRD for efficiency purposes.

Under this arrangement, IDA enters into foreign exchange forwards with IBRD, and IBRD simultaneously enters into off-setting foreign exchange forwards with market counterparts. For further details, see Notes to Financial Statements–Note E–Derivative Instruments.

The SDR and its component currencies, constitute the functional currencies of IDA, all other currencies are considered non-functional currencies[6]. Any translation adjustments due to exchange rate movements against the U.S. dollar for non-functional currencies and functional currencies are reflected in the Statement of Income and Accumulated Other Comprehensive Income in the Equity section of the Balance Sheet, respectively. For further details, see Notes to Financial Statements – Note A –Summary of Significant Accounting and Related Policies.

The payable leg of the currency forward contracts economically hedging member equity contribution pledges are 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 14: Foreign Exchange Risk Hedging Strategy



The translation adjustment gain on non-functional currencies of $208 million in FY16 was due to the depreciation of the non-functional currencies against the U.S. dollar. This was offset by the effect of foreign exchange on the future inflows from members, which was a loss of $158 million in FY16. In contrast, the translation adjustment gain on non-functional currencies of $912 million in FY15 was due to the depreciation of the non-functional currencies against the U.S. dollar. This was offset by the effect of foreign exchange movements on the future inflows from members, which was a loss of $981 million in FY15. The difference between the reported translation adjustments and the effect of foreign exchange movements on the economic offsets, 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.

In addition, IDA also mitigates the currency exchange rate risk by aligning the currency composition of its liquid asset portfolio and the hedges of its non-SDR cash flows with the SDR composition.

Interest Rate Risk

The primary objective in the management of IDA's investment portfolio is to provide a ready source of liquidity when needed by IDA to meet projected net cash requirements. Accordingly, IDA's assets are invested so that their duration closely matches the duration of these projected net cash requirements. Given IDA's lengthy disbursement profile, the duration for IDA's investment portfolio is therefore relatively long. This long duration, combined with volatility in market interest rates, results in significant year-on-year variability in unrealized mark-to-market gains/losses on the portfolio. The economic offset to the unrealized mark-to-market gains/losses on the investment portfolio would be the change in the present value of the projected net cash outflows.

IDA's overall investment portfolio had a duration of approximately three years as of June 30, 2016. During FY16, the trading portfolio experienced unrealized mark-to-market gains of $509 million as compared to unrealized mark-to-market gains of $103 million in FY15, as a result of the more significant tightening of the yield curves for the major currencies in FY16.

[6] Effective October 1, 2016, the Chinese renminbi (RMB) will be added to the SDR as one of its component currencies.

There were no net unrealized mark-to-market gains (losses) on the non-trading portfolio during FY16. The unrealized mark-to-market gains of $35 million on investments with IFC was offset by mark-to-market losses of $35 million on currency forward contracts.

This is compared to unrealized mark-to-market losses of $179 million in FY15, comprised of unrealized mark-to-market losses of $160 million on the currency forward contracts resulting from the more pronounced downward movement of yield curves of the majority of the payable currencies during FY15 and unrealized mark-to-market losses of $19 million on investment with IFC, see Section 6: Investment and Borrowing Activities.

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. Management also considers adverse reputational impact an operational risk which can be more significant for IDA than any potential financial loss. IDA's operational risk management framework is built on the "three lines of defense" principle where: (i) business units are responsible for directly managing operational risks in their respective functional areas, (ii) a dedicated central operational risk function provides business units with direction, challenge, and oversight over operational risk activities, and (iii) oversight is provided by the ORC and independent control functions.

IDA recognizes the importance of operational risk management activities, which are embedded in its financial operations. IDA's approach to managing operational risk includes 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. The operational risk in IDA's lending operations is managed by the Operations Policy and Country Services. This covers risk of non-compliance with IDA's policies, safeguards as well as risk of mis-procurement on behalf of clients, and fraud and corruption in its financed projects.

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. A number of tools are used as part of this framework including risk assessments, key risk indicators, database of external events and scenario analysis. The framework also facilitates aggregation of operational risks across IDA finance and corporate units and promotes communication of those risks to the ORC and the Audit Committee.

SECTION 8: FAIR VALUE ANALYSIS

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 are carried at amortized cost, while all instruments in its investment portfolio (trading and non-trading) are carried at fair value. Whilst IDA intends to hold its loans and borrowings to maturity, a fair value estimate of IDA's assets and liabilities along with their respective carrying values is presented in Table 14. Table 14 shows that IDA's equity on a fair value basis ($133.5 billion) is less than on a carrying value basis ($154.7 billion) primarily due to the $20,549 million 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 (concessional). The fair value of loans is calculated using market-based methodologies - see Notes to Financial Statements–Note F–Development Credits and Other Exposures. For details on valuation methods and assumptions relating to other fair value disclosures, see Notes to Financial Statements–Note L–Other Fair Value Disclosures.

The $18 billion increase in the fair value of net loans outstanding between June 30, 2015 and June 30, 2016, is mainly due to the $14 billion increase in unrealized gains due to the decline in SDR interest rates, the $6 billion increase the loan portfolio volume, partially offset by risk rating changes during the year.

As of June 30. 2016, the fair value of borrowings was $3,585 million ($2,332 million as of June 30. 2015). The increase of $1,253 million is primarily due to $747 million of unrealized mark-to-market losses due to the decline in interest rates and $653 million in additional borrowings during FY16.

Table 14: Fair Value Estimates and their Carrying Value for the Fiscal Years Ended June 30, 2016 and June 30, 2015

In millions of U.S.dollars

As of June 30,	2016 Carrying Value	2016 Fair Value	2015 Carrying Value	2015 Fair Value
Assets				
Due from Banks	$ 672	$ 672	$ 356	$ 356
Investments (including securities purchased under resale agreements)	31,493	31,493	33,173	33,173
Net Loans Outstanding	132,825	112,276	126,760	94,276
Derivative Assets				
Investments	4,624	4,624	6,619	6,619
Other Asset-Liability Management	8,214	8,214	8,914	8,914
Receivable from affiliated organization	882	882	863	863
Other assets	1,765	1,765	2,000	2,000
Total	**$180,475**	**$159,926**	**$178,685**	**$146,201**
Liabilities				
Borrowings	$ 2,906	$ 3,585	$ 2,150	$ 2,332
Securities sold/lent under repurchase agreements/ securities lending agreements, and payable for cash collateral received	1,968	1,968	4,904	4,904
Derivate Liabilities				
Investments	4,794	4,794	6,507	6,507
Other Asset-Liability Management	7,943	7,943	8,963	8,963
Payable for grants	6,099	6,099	6,637	6,637
Payable to affiliated organization	458	458	396	396
Other liabilities	1,607	1,607	1,979	1,979
Total	**$ 25,775**	**$ 26,454**	**$ 31,536**	**$ 31,718**
Equity	**$154,700**	**$133,472**	**$147,149**	**$114,483**
Total Liabilities and Equity	**$180,475**	**$159,926**	**$178,685**	**$146,201**

SECTION 9: REPORTED BASIS RESULTS

As a result of a number of constraints arising from the application of U.S. GAAP discussed below, the reported basis results shown in IDA's Statement of Income are limited in their ability to reflect the true economic results of IDA.

Grants: Grants are expensed upon Board approval and reflected in the income statement. The inflows of resources from IDA's members which fund these grant expenses, constitute IDA's equity as a result of the voting rights conveyed, and are reported as part of members' subscriptions and contributions.

Currency forward contracts: As part of its currency risk management strategy, IDA uses currency forward contracts at the start of each replenishment to hedge its exposure to potential changes in the value of member equity contributions. The translation adjustment on the non-functional currency forward contracts, together with the related unrealized mark-to-market gains/losses, is reported in the income statement. However, the economic offset relates to the change in value of the related equity contributions from members which are to be paid-in in the future.

Investment Income: The investment portfolio is primarily managed whereby its duration is aligned with the average duration of the future net cash outflows. Accordingly, it has a relatively long duration and is sensitive to interest rate movements. An asymmetry arises due to the fact that the significant unrealized mark-to-market gains or losses are reported in the Statement of Income; however, the economic offset, represented by the change in the present value of the associated future net cash outflows is not reported in IDA's financial statements.

Administrative expenses: IDA's administrative expenses are expected to be covered by service and interest charge income and the member equity contributions as compensation for forgone charges on written-off loans under the HIPC Debt Initiative and MDRI. The asymmetry arises due to the fact that the additional contributions from members for forgone charges are recorded as equity, whereas IDA's administrative expenses and service and interest charge income are included in the Statement of Income.

The Statement of Activities addresses the constraints associated with the grants and administrative expenses, see Section 4: Results for FY16. The asymmetry related to the currency forward contracts and the economic offset is shown in Section 7: Risk Management.

Condensed Statement of Income Analysis

Table 15: Condensed Statement of Income provides a comparison of the income and expenses between FY16 and FY15. The net income of $371 million in FY16 is a $1,102 million increase over the net loss of $731 million in FY15. The primary factors contributing to the $1,102 million increase are detailed below:

Table 15: Condensed Statement of Income for the Fiscal Years Ended June 30, 2016 and June 30, 2015

Expressed in millions of U.S. dollars

	FY16	*FY15*	*Variance*
Revenue			
Loans and guarantees	$1,154	$1,068	$ 86
Investments, net	881	514	367
Transfers and grants from affiliated organizations and others	990	993	(3)
Other (see Table 16)	569	574	(5)
Expenses			
Administrative expenses (see Table 16)	(1,765)	(1,868)	103
Grants	(1,232)	(2,319)	1,087
Borrowings	(68)	(41)	(27)
Provision for debt relief and losses on loans and other exposures, net	(380)	(372)	(8)
Non-functional currency translation adjustment gains, net	208	912	(704)
Unrealized mark-to-market losses on non-trading portfolios, net	-	(179)	179
Project preparation advances (PPA) grants and other expenses	14	(13)	27
Net Income (Loss)	$ 371	$ (731)	$1,102

Table 16 provides a comparison of the main sources of Administrative expenses and Other income and between FY16 and FY15.

Table 16: Net Administrative Expenses for the Fiscal Years Ended June 30, 2016 and June 30, 2015

Expressed in millions of U.S. dollars

	FY16	*FY15*	*Variance*
Administrative expenses:			
Staff costs	$ 776	$ 799	$ (23)
Operational travel	149	158	(9)
Consultant fees	291	320	(29)
Pension and other post-retirement benefits	215	257	(42)
Communications and IT	52	53	(1)
Contractual services	126	142	(16)
Equipment and buildings	129	134	(5)
Other expenses	27	5	22
Total administrative expenses	$1,765	$1,868	$(103)
Revenue from externally funded activities:			
Reimbursable advisory services	$ (41)	$ (47)	$ 6
Reimbursable revenue - IDA executed trust funds	(340)	(326)	(14)
Revenue – trust funds administration	(42)	(45)	3
Restricted revenue	(17)	(21)	4
Other revenue	(129)	(135)	6
Total revenue	$ (569)	$ (574)	$ 5
Net Administrative Expenses	$1,196	$1,294	$ (98)

Investment revenue, net: The $367 million increase was primarily due to higher unrealized mark-to-market gains experienced in FY16, as compared to FY15. During FY16, IDA's investment revenue included $509 million of net unrealized gains, resulting from the more pronounced downward shift of yield curves experiences during FY16, as compared to $103 million of unrealized gains in FY15. IDA's investment portfolio is sensitive to interest rate movements as it has a long duration, which was approximately three years as of June 30, 2016. – See Section 7: Risk Management.

Grants: In FY16, the grants expenditure amounted to $1,232 million, a decrease of $1,087 million (47%) over FY15. The main drivers for the decrease were i) lower overall IDA commitments in FY16 - $16,171 million compared to FY15 - $18,966 million and, ii) the full usage of the $895 million initial IDA17 Crisis Response Window (CRW) in FY15.

Administrative expenses: IBRD/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 upon an agreed cost sharing methodology, approved by their Boards, which is driven by the relative level of lending activity between these two institutions. The $98 million decrease in administrative expenses of IDA during FY16 as compared to FY15 is in line with changes in the lending activities of IDA relative to IBRD over the same period.

Unrealized mark-to-market losses on non-trading portfolios: In FY16, the mark-to-market gains of $35 million from the non-trading portfolio were offset by mark-to-market losses of $35 million from currency forward contracts. In FY15, the negative fair value adjustment of $179 million was primarily due to the effect of the downward shift in the yield curve of the currencies constituting the payable leg of the currency forward contracts used to hedge member equity commitments of IDA17 and prior replenishments.

The above were partially offset by:

Translation adjustment on the non-functional currencies*:* The translation adjustment gain on non-functional currencies of $208 million in FY16 was due to the depreciation of the non-functional currencies against the U.S. dollar. The majority of these translation adjustments arise out of the payable leg of currency forwards used to hedge the SDR value of future member equity contributions. In FY15, the translation adjustment gain was $912 million.

SECTION 10: CRITICAL ACCOUNTING POLICIES AND THE USE OF ESTIMATES

Note A of IDA’s financial statements contains a summary of IDA’s significant accounting policies. These policies, as well as significant estimates made by management, are integral to the presentation of IDA’s financial position. While all of these policies require a certain level of management judgment and estimates, this section discusses the significant accounting policies that require management to make judgments that are difficult, complex or subjective and relate to matters that are inherently uncertain.

Fair Value of Financial Instruments

All fair value adjustments, which are recorded at fair value, are recognized through the income statement. The fair values of financial instruments are based on a three level hierarchy.

For financial instruments classified as Level 1 and 2, inputs are based on observable market data and less judgment is applied in arriving at a fair value measurement. For financial instruments classified as Level 3, significant unobservable inputs are used. These inputs require management to make significant assumptions and judgments in arriving at a fair value measurement.

Derivative contracts include currency forward contracts, swaptions, plain vanilla swaps, and structured swaps, and 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.

All of IDA’s financial instruments which are recorded at fair value are classified as Level 1 and Level 2 as of June 30, 2016, 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-Development Credits and Other Exposures.

Provision for 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 against or addition to income.

Provision for Losses on Buy-Down of Loans

The provision for losses on the buy-down of loans is 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 estimated amount to be received is based on quantitative factors including the discount rate.

SECTION 11: GOVERNANCE AND CONTROL

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 to exercise any of its powers, except for certain powers enumerated in the IDA Articles.

Board Membership

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 has established several committees, including:

- Audit Committee
- Budget Committee
- Committee on Development Effectiveness
- Committee on Governance and Executive Directors' Administrative Matters
- Human Resources Committee

The Board and its committees are in continuous session at the main offices of IDA in Washington DC, as business requires. Each committee's terms of reference establishes 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 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.

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 in 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:

- Prohibition of the external auditor from the provision of all non-audit-related services.
- All audit-related services must be pre-approved on a case-by-case basis by the Board, upon recommendation of the Audit Committee; and
- Mandatory rebidding of the external audit contract every five years, with a limitation of two consecutive terms and mandatory rotation thereafter, provided however that the Audit Committee may exceptionally recommend that circumstances are such that the incumbent audit firm should be allowed to participate in the re-bidding.

The external auditor is appointed to a five year term and is subject to annual reappointment based on the recommendation of the Audit Committee and approval of a resolution by the Board. In FY14, KPMG LLP began a second five-year term as IDA's external auditor.

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 members of the Audit Committee have independent access to the external auditor. IDA’s external auditors follow the communication requirements, with the Audit Committees set out under generally accepted auditing standards in the United States and in the International Standards on Auditing.

Internal Controls

Internal Control over External Financial Reporting

Each fiscal year, Management evaluates the internal controls over external 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 external 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. Since FY15, IDA has been using the 2013 COSO framework to assess the effectiveness of the internal control over external financial reporting. As of June 30, 2016, these controls were determined to be effective. See “Management’s report regarding effectiveness of Internal Control over External Financial Reporting” on page [46].

Concurrently, IDA’s external auditor provides a report on whether Management's assertion statement regarding the effectiveness of internal control over external financial reporting is fairly stated in all material respects. See Independent Auditors Report on Management’s Assertion Regarding Effectiveness of Internal Control External over Financial Reporting” on page [48].

Disclosure Control and Procedures

Disclosure control 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, 2016.

SECTION 12: SENIOR MANAGEMENT CHANGES

On February 1, 2016, Joaquim Levy succeeded Bertrand Badré as Managing Director and World Bank Group Chief Financial Officer (MDCFO).

On February 29, 2016, Shaolin Yang became Managing Director and World Bank Group Chief Administrative Officer (MDCAO).

On July 27, 2016, Sri Mulyani Indrawati resigned as Managing Director and Chief Operating Officer (MDCOO). In the interim, Kyle Peters will be the acting MDCOO.

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 Board of Executive Directors

Commitment Authority: Total value of resources available during a particular **replenishment** including member equity contributions, 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.

Committee of Sponsoring Organizations of the Treadway Commission (COSO): Committee of Sponsoring Organizations of the Treadway Commission. COSO was formed in 1985 to sponsor the National Commission on Fraudulent Financial Reporting, an independent private-sector initiative which studied the causal factors that can lead to fraudulent financial reporting. In 1992, COSO issued its Internal Control-Integrated Framework, which provided a common definition of internal control and guidance on judging its effectiveness.

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

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 only 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.

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

This page intentionally left blank

INTERNATIONAL DEVELOPMENT ASSOCIATION
FINANCIAL STATEMENTS AND INTERNAL CONTROL REPORTS
JUNE 30, 2016

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
Cable Address: INDEVAS

Management's Report Regarding Effectiveness of Internal Control Over External Financial Reporting

August 4, 2016

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 attestation of its internal control over external financial reporting was valid and appropriate. The independent auditors' reports accompany the audited financial statements.

Management is responsible for establishing and maintaining effective internal control over external 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 external financial reporting, which is subject to scrutiny by management and the internal auditors, and is revised as considered necessary, 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 external financial reporting for financial statement presentation in conformity with accounting principles generally accepted in the United States of America as of June 30, 2016. This assessment was based on the criteria for effective internal control over external 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 external financial reporting presented in conformity with accounting principles generally accepted in the United States of America as of June 30, 2016. The independent audit firm that audited the financial statements has issued an attestation report on management's assertion on IDA's internal control over external 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 external financial reporting and any other matters which they believe should be brought to the attention of the Audit Committee.

Jim Yong Kim
President

Joaquim Vieira Ferreira Levy
Managing Director and World Bank Group Chief Financial Officer

Bernard Lauwers
Vice President and World Bank Group Controller

INDEPENDENT AUDITORS' REPORT ON MANAGEMENT'S ASSERTION REGARDING EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

President and Executive Directors
International Development Association:

We have examined management's assertion, included in the accompanying *Management's Report Regarding Effectiveness of Internal Control Over External Financial Reporting*, that the International Development Association (IDA) maintained effective internal control over external financial reporting as of June 30, 2016, based on criteria established in the *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). IDA's management is responsible for maintaining effective internal control over financial reporting, and for its assertion on the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report Regarding Effectiveness of Internal Control Over External Financial Reporting*. Our responsibility is to express an opinion on management's assertion based on our examination.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our examination included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our examination also included performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

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 inherent limitations, internal control over financial reporting may not prevent, or detect and correct misstatements. Also, projections of any evaluation 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 policies or procedures may deteriorate.

In our opinion, management's assertion that IDA maintained effective internal controls over financial reporting as of June 30, 2016 is fairly stated, in all material respects, based on the criteria established in the *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with auditing standards generally accepted in the United States of America and International Standards on Auditing, the accompanying financial statements of IDA, which comprise the balance sheets as of June 30, 2016 and 2015, and the related statements of income, comprehensive income, changes in accumulated deficit and cash flows for each of the years in the three-year period ended June 30, 2016, and our report dated August 4, 2016 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

Washington, D.C.
August 4, 2016

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

President and Executive Directors
International Development Association:

We have audited the accompanying financial statements of the International Development Association (IDA), which comprise the balance sheets as of June 30, 2016 and 2015, and the related statements of income, changes in accumulated deficit and cash flows for each of the years in the three-year period ended June 30, 2016, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and in accordance with International Standards on Auditing. 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 auditors' 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 the entity'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, 2016 and 2015, and the results of its operations and its cash flows for each of the years in the three-year period ended June 30, 2016 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The summary statement of development credits and the statement of voting power and subscriptions and contributions as of June 30, 2016 are presented for purposes of additional analysis and are not a required part of the financial statements. Such 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and in accordance with International Standards on Auditing. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

We also have examined in accordance with attestation standards established by the American Institute of Certified Public Accountants, management's assertion, included in the accompanying Management's Report Regarding Effectiveness of Internal Control Over External Financial Reporting, that IDA maintained effective internal control over financial reporting as of June 30, 2016, based on criteria established in the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated August 4, 2016 expressed an unqualified opinion on management's assertion.

KPMG LLP

Washington, D.C.
August 4, 2016

BALANCE SHEET

June 30, 2016 and June 30, 2015

Expressed in millions of U.S. dollars

	2016	*2015*
Assets		
Due from Banks		
Unrestricted cash — *Note C*	$ 645	$ 328
Restricted cash	27	28
	672	356
Investments (including securities transferred under repurchase or securities lending agreements of $1,691 million—June 30, 2016; $4,013 million—June 30, 2015)—Notes C and G	31,413	32,574
Securities Purchased Under Resale Agreements—Note C	80	599
Derivative Assets		
Investments—*Notes C and E*	4,624	6,619
Asset-liability management—*Notes E and G*	8,214	8,914
	12,838	15,533
Receivable from Affiliated Organization—Note G	882	863
Other Receivables		
Receivable from investment securities traded—*Note C*	861	1,142
Accrued service and commitment charges	327	292
	1,188	1,434
Development Credits Outstanding (Summary Statement of Development Credits, Notes F and L)		
Development credits	186,211	178,166
Less: Undisbursed balance	49,476	47,288
Development credits outstanding	136,735	130,878
Less: Accumulated provision for debt relief and losses on development credits	3,932	4,144
Add: Deferred development credits origination costs	22	26
Net development credits outstanding	132,825	126,760
Other Assets—Note H	577	566
Total Assets	$ 180,475	$ 178,685

	2016	2015
Liabilities		
Borrowings—Note D	$ 2,906	$ 2,150
Securities Sold Under Repurchase Agreements, Securities Lent under Securities Lending Agreements, and Payable for Cash Collateral Received—Note C	1,968	4,904
Derivative Liabilities		
Investments—*Notes C and E*	4,794	6,507
Asset-liability management—*Notes E and G*	7,943	8,963
	12,737	15,470
Payable for Development Grants—Note I	6,099	6,637
Payable to Affiliated Organization—Note G	458	396
Other Liabilities		
Payable for investment securities purchased —*Note C*	948	1,345
Accounts payable and miscellaneous liabilities—*Notes F and H*	659	634
	1,607	1,979
Total Liabilities	25,775	31,536
Equity		
Members' Subscriptions and Contributions (Statement of Voting Power and Subscriptions and Contributions, and Note B)		
Unrestricted	245,103	244,368
Restricted	327	326
Subscriptions and contributions committed	245,430	244,694
Less:		
Subscriptions and contributions receivable	33,695	40,533
Cumulative discounts/acceleration credits on subscriptions and contributions	3,305	3,116
Subscriptions and contributions paid-in	208,430	201,045
Nonnegotiable, Noninterest-bearing Demand Obligations on Account of Members' Subscriptions and Contributions		
Unrestricted	(9,189)	(9,329)
Restricted	(48)	(49)
	(9,237)	(9,378)
Deferred Amounts to Maintain Value of Currency Holdings	(244)	(242)
Accumulated Deficit (Statement of Changes in Accumulated Deficit)	(43,030)	(43,401)
Accumulated Other Comprehensive Income—Note J	(1,219)	(875)
Total Equity	154,700	147,149
Total Liabilities and Equity	$ 180,475	$ 178,685

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

Statement of Income

For the fiscal years ended June 30, 2016, June 30, 2015 and June 30, 2014

Expressed in millions of U.S. dollars

	2016	*2015*	*2014*
Revenue			
Development credits and guarantees—Note F			
Service and interest charges	$ 1,149	$ 1,065	$ 1,012
Guarantee fee revenue	5	3	3
	1,154	1,068	1,015
Investments, net—Notes C, E, G and L	893	522	634
Transfers from affiliated organizations and others —Notes G and H	990	993	881
Other—Notes G and H	569	574	635
Total Revenue	3,606	3,157	3,165
Expenses			
Administrative expenses—Notes G, H and K	1,765	1,868	2,004
Development grants—Note I	1,232	2,319	2,645
Borrowings—Notes C and D	80	49	3
Provision for debt relief and for losses on development credits and other exposures, net charge—Note F	380	372	39
Non-functional currency translation adjustment (gains) losses, net	(208)	(912)	51
Unrealized mark-to-market losses on non-trading portfolios, net —Notes C, E and L	-	179	35
Project Preparation Advances (PPA) grants and other Expenses	(14)	13	-
Total Expenses	3,235	3,888	4,777
Net Income (Loss)	$ 371	$ (731)	$ (1,612)

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

STATEMENT OF COMPREHENSIVE INCOME

For the fiscal years ended June 30, 2016, June 30, 2015 and June 30, 2014

Expressed in millions of U.S. dollars

	2016	*2015*	*2014*
Net Income (Loss)	$ 371	$ (731)	$ (1,612)
Other Comprehensive (Loss) Income—Note J			
Currency translation adjustments on functional Currencies	(344)	(13,872)	3,739
Comprehensive Income (Loss)	$ 27	$ (14,603)	$ 2,127

STATEMENT OF CHANGES IN ACCUMULATED DEFICIT

For the fiscal years ended June 30, 2016, June 30, 2015 and June 30, 2014

Expressed in millions of U.S. dollars

	2016	*2015*	*2014*
Accumulated Deficit at beginning of the fiscal year	$ (43,401)	$ (42,670)	$ (41,058)
Net income (loss) for the year	371	(731)	(1,612)
Accumulated Deficit at end of the fiscal year	$ (43,030)	$ (43,401)	$ (42,670)

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

STATEMENT OF CASH FLOWS

For the fiscal years ended June 30, 2016, June 30, 2015 and June 30, 2014

Expressed in millions of U.S. dollars

	2016	*2015*	*2014*
Cash flows from investing activities			
Development credits			
Disbursements	$ (11,461)	$ (10,860)	$ (11,168)
Principal repayments	4,276	4,057	3,462
Principal prepayments	51	28	-
Proceeds from buy-down of development credits	58	-	92
Non-trading securities—Investments			
Purchases	-	(1,179)	-
Repayments	72	25	-
Net cash used in investing activities	(7,004)	(7,929)	(7,614)
Cash flows from financing activities			
Members' subscriptions and contributions	7,525	8,004	8,161
Borrowings	653	2,145	-
Net cash provided by financing activities	8,178	10,149	8,161
Cash flows from operating activities			
Net income (loss)	371	(731)	(1,612)
Adjustments to reconcile net loss to net cash used in operating activities			
Provision for debt relief and for losses on development credits and other exposures, net charge	380	372	39
Non-functional currency translation adjustment (gains) losses, net	(208)	(912)	51
Unrealized mark-to-market losses on non-trading portfolios, net	-	179	35
PPA grants and other expenses	(14)	13	-
Amortization of discount on Borrowings	25	8	-
Changes in:			
Investments — Trading, net	1,483	(1,924)	(1,155)
Net investment securities traded/purchased	(10)	(724)	1,193
Net derivatives — Investments	(45)	227	(47)
Net derivatives — Asset-liability management	66	140	88
Net securities purchased/sold under resale/repurchase agreements and payable for cash collateral received	(2,408)	1,303	(139)
Net receivable from affiliated organizations	45	(36)	45
Payable for development grants	(499)	279	372
Accrued service and commitment charges	(36)	(38)	(26)
Other assets	(35)	8	(132)
Accounts payable and miscellaneous liabilities	34	(151)	288
Net cash used in operating activities	(851)	(1,987)	(1,000)
Effect of exchange rate changes on unrestricted cash	(6)	(25)	8
Net increase (decrease) in unrestricted cash	317	208	(445)
Unrestricted cash at beginning of the fiscal year	328	120	565
Unrestricted cash at end of the fiscal year	$ 645	$ 328	$ 120

STATEMENT OF CASH FLOWS

For the fiscal years ended June 30, 2016, June 30, 2015 and June 30, 2014

Expressed in millions of U.S. dollars

	2016	*2015*	*2014*
Supplemental disclosure			
(Decrease) increase in ending balances resulting from exchange rate fluctuations:			
Development credits outstanding	$ (655)	$ (11,891)	$ 3,351
Investment portfolio	141	(2,292)	668
Derivatives — Asset-liability management	421	372	(62)
Borrowings	78	(3)	-
Principal repayments written off under Heavily Indebted Poor Countries (HIPC) Debt Initiative	10	14	7
Development credits written off under Multilateral Debt Relief Initiative (MDRI)	524	-	-
Development credits prepaid — carrying value	54	30	-
Buy-down of development credits — carrying value	85	-	174
Interest paid on borrowings	42	21	-

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

Summary Statement of Development Credits

June 30, 2016

Expressed in millions of U.S. dollars

Borrower or guarantor	*Total development credits*	*Undisbursed development credits*[a]	*Development credits outstanding*	*Percentage of development credits Outstanding*[c]
Afghanistan	$ 369	$ -	$ 369	0.27%
Albania	751	4	747	0.54
Angola	671	169	502	0.37
Armenia	1,205	60	1,145	0.84
Azerbaijan	582	76	506	0.37
Bangladesh	17,843	5,696	12,147	8.88
Benin	988	228	760	0.55
Bhutan	205	20	185	0.14
Bolivia	966	302	664	0.49
Bosnia and Herzegovina	1,241	152	1,089	0.80
Botswana	2	-	2	*
Burkina Faso	1,522	430	1,092	0.80
Burundi	150	-	150	0.11
Cabo Verde, Republic of	327	8	319	0.23
Cambodia	676	133	543	0.40
Cameroon	1,527	644	883	0.65
Central African Republic	168	108	60	0.04
Chad	205	17	188	0.14
China	3,562	-	3,562	2.61
Comoros	14	-	14	0.01
Congo, Democratic Republic of	1,442	594	848	0.62
Congo, Republic of	197	79	118	0.09
Côte d'Ivoire	584	170	414	0.30
Djibouti	180	48	132	0.10
Dominica	39	14	25	0.02
Dominican Republic	4	-	4	*
Ecuador	4	-	4	*
Egypt, Arab Republic of	880	-	880	0.64
El Salvador	4	-	4	*
Equatorial Guinea	29	-	29	0.02
Eritrea	437	-	437	0.32
Ethiopia	9,808	4,235	5,573	4.08
Gambia, The	124	66	58	0.04
Georgia	1,267	43	1,224	0.89
Ghana	4,024	587	3,437	2.51
Grenada	91	13	78	0.06
Guinea	344	155	189	0.14
Guinea-Bissau	151	96	55	0.04
Guyana	44	20	24	0.02
Honduras	1,042	72	970	0.71
India	31,405	6,640	24,765	18.11
Indonesia	1,581	-	1,581	1.16
Iraq	401	57	344	0.25
Jordan	18	-	18	0.01
Kenya	8,085	3,461	4,624	3.38
Kosovo	106	72	34	0.03
Kyrgyz Republic	779	127	652	0.48
Lao People's Democratic Republic	645	131	514	0.38
Lesotho	394	104	290	0.21
Liberia	505	296	209	0.15
Macedonia, former Yugoslav Republic of	273	-	273	0.20
Madagascar	1,759	308	1,451	1.06
Malawi	916	289	627	0.46
Maldives	92	-	92	0.07
Mali	1,798	399	1,399	1.02
Mauritania	461	83	378	0.28

SUMMARY STATEMENT OF DEVELOPMENT CREDITS (*continued*)

June 30, 2016

Expressed in millions of U.S. dollars

Borrower or guarantor	*Total development Credits*	*Undisbursed development credits*[a]	*Development credits outstanding*	*Percentage of development credits Outstanding*[c]
Mauritius	$ 4	$ -	$ 4	*%
Moldova	716	154	562	0.41
Mongolia	539	101	438	0.32
Montenegro	63	-	63	0.05
Morocco	6	-	6	*
Mozambique	3,285	688	2,597	1.90
Myanmar	2,074	1,208	866	0.63
Nepal	2,423	708	1,715	1.25
Nicaragua	603	54	549	0.40
Niger	1,417	654	763	0.56
Nigeria	10,982	4,219	6,763	4.95
Pakistan	15,696	2,315	13,381	9.79
Papua New Guinea	370	178	192	0.14
Paraguay	7	-	7	0.01
Philippines	109	-	109	0.08
Rwanda	1,375	467	908	0.66
Samoa	119	22	97	0.07
São Tomé and Príncipe	12	-	12	0.01
Senegal	2,322	626	1,696	1.24
Serbia	487	-	487	0.36
Sierra Leone	346	115	231	0.17
Solomon Islands	51	20	31	0.02
Somalia	415	-	415	0.30
South Sudan	156	118	38	0.03
Sri Lanka	3,816	1,029	2,787	2.04
St. Kitts and Nevis	1	-	1	*
St. Lucia	112	37	75	0.05
St. Vincent and the Grenadines	70	41	29	0.02
Sudan	1,210	-	1,210	0.88
Swaziland	1	-	1	*
Syrian Arab Republic	14	-	14	0.01
Tajikistan	403	83	320	0.23
Tanzania	7,965	2,327	5,638	4.12
Timor-Leste	25	13	12	0.01
Togo	87	50	37	0.03
Tonga	48	19	29	0.02
Tunisia	7	-	7	0.01
Turkey	16	-	16	0.01
Uganda	4,252	1,652	2,600	1.90
Uzbekistan	1,350	882	468	0.34
Vanuatu	93	82	11	0.01
Vietnam	16,517	4,803	11,714	8.57
Yemen, Republic of	1,791	26	1,765	1.29
Zambia	1,312	571	741	0.54
Zimbabwe	465	-	465	0.34
Subtotal – Members[c]	186,019	49,468	136,551	99.86

SUMMARY STATEMENT OF DEVELOPMENT CREDITS

June 30, 2016

Expressed in millions of U.S. dollars

Borrower or guarantor	*Total development credits*	*Undisbursed development credits*[a]	*Development credits outstanding*	*Percentage of development credits Outstanding*[c]
African Trade Insurance Agency[b]	$ 9	$ -	$ 9	0.01%
Bank Of The States Of Central Africa[b]	44	8	36	0.03
Caribbean Development Bank[b]	15	-	15	0.01
West African Development Bank[b]	124	-	124	0.09
Subtotal— Regional development banks	192	8	184	0.14
Total—June 30, 2016[c]	$ 186,211	$ 49,476	$ 136,735	100.00 %
Total—June 30, 2015	$ 178,166	$ 47,288	$ 130,878	

** Indicates amounts less than 0.005 percent.*

NOTES

a. Of the undisbursed balance at June 30, 2016, IDA has entered into irrevocable commitments to disburse $334 million ($364 million —June 30, 2015).

b. The development credits 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, 2016

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	325,111	1.25%	$ 4,504.70
Austria	217,726	0.84	3,099.72
Belgium	277,473	1.06	4,466.08
Canada	689,934	2.65	11,079.30
Denmark	241,046	0.92	3,605.06
Estonia	48,217	0.18	12.82
Finland	167,098	0.64	1,922.73
France	993,516	3.81	17,257.95
Germany	1,420,639	5.45	25,579.03
Greece	53,171	0.20	195.40
Iceland	59,056	0.23	81.02
Ireland	95,736	0.37	708.19
Italy	574,099	2.20	9,252.16
Japan	2,199,092	8.44	44,063.68
Kuwait	112,624	0.43	999.27
Latvia	54,796	0.21	12.79
Lithuania	48,133	0.18	10.95
Luxembourg	71,934	0.28	329.43
Netherlands	512,178	1.96	8,745.39
New Zealand	73,004	0.28	349.82
Norway	261,781	1.00	3,854.61
Portugal	56,123	0.22	275.99
Russian Federation	86,771	0.33	751.09
Slovenia	56,739	0.22	39.46
South Africa	70,298	0.27	223.88
Spain	296,617	1.14	4,269.06
Sweden	520,860	2.00	7,948.61
Switzerland	307,539	1.18	5,023.79
United Arab Emirates	1,367	0.01	5.58
United Kingdom	1,616,445	6.20	28,484.30
United States	2,707,023	10.39	50,411.44
Subtotal Part I Members[b]	14,216,146	54.54%	$ 237,563.28
Part II Members			
Afghanistan	54,983	0.21%	$ 1.48
Albania	58,331	0.22	0.35
Algeria	102,493	0.39	5.61
Angola	153,438	0.59	8.71
Argentina	208,113	0.80	141.10
Armenia	54,878	0.21	0.67
Azerbaijan	65,915	0.25	1.13
Bahamas, The	59,379	0.23	8.54
Bangladesh	142,091	0.55	8.07
Barbados	59,280	0.23	2.36
Belize	19,834	0.08	0.27
Benin	60,820	0.23	0.77
Bhutan	43,510	0.17	0.07
Bolivia, Plurinational State of	71,726	0.28	1.63
Bosnia and Herzegovina	52,455	0.20	2.48
Botswana	51,149	0.20	1.63
Brazil	395,580	1.52	851.23
Burkina Faso	60,510	0.23	0.78
Burundi	52,501	0.20	1.09
Cabo Verde, Republic of	43,840	0.17	0.13
Cambodia	66,849	0.26	1.58
Cameroon	60,782	0.23	1.61
Central African Republic	48,910	0.19	0.77
Chad	48,910	0.19	0.77
Chile	58,505	0.22	39.12
China	571,811	2.20	536.03
Colombia	94,824	0.36	24.91
Comoros	43,840	0.17	0.13
Congo, Democratic Republic of	79,399	0.30	4.59
Congo, Republic of	48,910	0.19	0.73

STATEMENT OF VOTING POWER AND SUBSCRIPTIONS AND CONTRIBUTIONS

June 30, 2016

Expressed in millions of U.S. dollars

Member[a]	*Number of votes*	*Percentage of total votes*	*Subscriptions and contributions committed*[b]
Costa Rica	24,489	0.09%	$ 0.27
Côte d'Ivoire	63,156	0.24	1.53
Croatia	83,458	0.32	5.88
Cyprus	66,273	0.25	18.85
Czech Republic	116,169	0.45	120.64
Djibouti	44,816	0.17	0.26
Dominica	55,500	0.21	0.14
Dominican Republic	27,780	0.11	0.58
Ecuador	50,151	0.19	0.94
Egypt, Arab Republic of	108,081	0.41	11.19
El Salvador	46,516	0.18	0.49
Equatorial Guinea	6,167	0.02	0.41
Eritrea	43,969	0.17	0.14
Ethiopia	49,232	0.19	0.70
Fiji	19,809	0.08	0.76
Gabon	2,093	0.01	0.63
Gambia, The	51,908	0.20	0.42
Georgia	58,826	0.23	0.98
Ghana	81,240	0.31	3.12
Grenada	26,427	0.10	0.13
Guatemala	37,396	0.14	0.55
Guinea	33,987	0.13	1.31
Guinea-Bissau	44,500	0.17	0.22
Guyana	67,274	0.26	1.24
Haiti	52,038	0.20	1.10
Honduras	52,855	0.20	0.43
Hungary	181,182	0.70	132.97
India	769,591	2.95	259.37
Indonesia	229,403	0.88	33.72
Iran, Islamic Republic of	113,176	0.43	24.26
Iraq	66,912	0.26	1.11
Israel	77,179	0.30	94.41
Jordan	24,865	0.10	0.41
Kazakhstan	23,093	0.09	8.42
Kenya	72,127	0.28	2.39
Kiribati	43,592	0.17	0.10
Korea, Republic of	225,617	0.87	1,942.02
Kosovo, Republic of	48,357	0.19	0.84
Kyrgyz Republic	60,842	0.23	0.57
Lao People's Democratic Republic	48,910	0.19	0.73
Lebanon	8,562	0.03	0.56
Lesotho	51,040	0.20	0.23
Liberia	52,038	0.20	1.12
Libya	44,771	0.17	1.41
Macedonia, former Yugoslav Republic of	47,095	0.18	1.09
Madagascar	63,156	0.24	1.38
Malawi	52,038	0.20	0.97
Malaysia	95,289	0.37	32.82
Maldives	55,046	0.21	0.05
Mali	59,145	0.23	1.34
Marshall Islands	4,902	0.02	0.01
Mauritania	48,910	0.19	0.77
Mauritius	68,639	0.26	1.33
Mexico	142,236	0.55	168.34
Micronesia, Federated States of	18,424	0.07	0.03
Moldova	56,582	0.22	0.88
Mongolia	45,818	0.18	0.31
Montenegro	53,123	0.20	0.74
Morocco	100,122	0.38	5.46
Mozambique	59,370	0.23	2.03
Myanmar	76,958	0.30	2.54
Nepal	54,710	0.21	0.73
Nicaragua	46,646	0.18	0.42
Niger	48,910	0.19	0.75
Nigeria	97,535	0.37	4.52

Statement of Voting Power and Subscriptions and Contributions
June 30, 2016

Expressed in millions of U.S. dollars

Member[a]	*Number of votes*	*Percentage of total votes*	*Subscriptions and contributions committed*[b]
Oman	53,192	0.20%	$ 1.41
Pakistan	224,684	0.86	26.47
Palau	3,804	0.01	0.03
Panama	10,185	0.04	0.03
Papua New Guinea	63,658	0.24	1.27
Paraguay	30,157	0.12	0.42
Peru	84,502	0.32	18.05
Philippines	137,593	0.53	23.81
Poland	519,250	1.99	106.62
Romania	96,010	0.37	5.22
Rwanda	52,038	0.20	1.12
St. Kitts and Nevis	13,868	0.05	0.17
St. Lucia	30,532	0.12	0.23
St. Vincent and the Grenadines	46,546	0.18	0.12
Samoa	43,901	0.17	0.14
São Tomé and Principe	49,519	0.19	0.12
Saudi Arabia	849,303	3.26	2,634.57
Senegal	68,943	0.26	2.6
Serbia	80,795	0.31	7.03
Sierra Leone	63,638	0.24	1.07
Singapore	41,503	0.16	209.17
Slovak Republic	84,573	0.32	28.16
Solomon Islands	43,901	0.17	0.13
Somalia	10,506	0.04	0.95
South Sudan	52,447	0.20	0.46
Sri Lanka	98,100	0.38	4.41
Sudan	60,782	0.23	1.54
Swaziland	19,022	0.07	0.41
Syrian Arab Republic	11,027	0.04	1.19
Tajikistan	53,918	0.21	0.54
Tanzania	68,943	0.26	2.32
Thailand	102,250	0.39	9.02
Timor-Leste	45,123	0.17	0.44
Togo	57,838	0.22	1.17
Tonga	49,514	0.19	0.11
Trinidad and Tobago	76,534	0.29	2.11
Tunisia	2,793	0.01	1.89
Turkey	156,334	0.60	192.81
Tuvalu	6,338	0.02	0.02
Uganda	47,092	0.18	2.29
Ukraine	115,569	0.44	8.06
Uzbekistan	73,936	0.28	1.97
Vanuatu	50,952	0.20	0.31
Vietnam	61,168	0.23	2.23
Yemen, Republic of	68,976	0.26	2.2
Zambia	81,227	0.31	3.64
Zimbabwe	105,982	0.41	6.41
Subtotal Part II Members[b]	11,852,053	45.46%	$ 7,866.86
Total—June 30, 2016[b]	26,068,199	100.00%	$ 245,430
Total—June 30, 2015	25,120,295		$ 244,694

* *Indicates less than 0.005 percent.*

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 financing in the form of grants, development credits 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 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 development credits and other exposures (irrevocable commitments, guarantees and repaying project preparation facilities).

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

On August 4, 2016, the Executive Directors approved these financial statements for issue, which was also the date through which IDA's Management evaluated subsequent events.

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 and pound sterling. These constitute the functional currencies of IDA. Effective October 1, 2016, the Chinese renminbi (RMB) will be added to the SDR basket as one of its component currencies. In line with this, the RMB will be considered as a functional currency for IDA from the beginning of the fiscal year ending June 30, 2017.

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 development credits, 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 development credits, 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, noninterest-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 development credits and grants committed under the replenishment, or as needed.

In certain replenishments, donors receive discounts when they pay their contribution amount before the due date, and receive 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. The borrowing terms of this concessional debt funding aim to match the concessional features of IDA's development credits. 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, Noninterest-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, 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 development credits 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.

Development Credits and Other Exposures

In fulfilling its mission, IDA makes concessional development credits to the poorest countries. These development credits and other exposures (exposures) are made to, or guaranteed by, member governments or to the government of a territory of a member (except for development credits, 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 ($1,215 for both the fiscal years ended June 30, 2016 and 2015) and the country may have only limited or no access to IBRD lending.

Development credits are carried in the financial statements at amortized cost, less an accumulated provision for debt relief and development credit losses, plus the deferred development credits origination costs.

Commitment charges on the undisbursed balance of development credits, when applicable, are recognized in revenue as accrued.

Incremental direct costs associated with originating development credits are capitalized and amortized over the life of the development credits.

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

IDA considers all exposures in nonaccrual status to be impaired. It is the policy of IDA to place into nonaccrual status all development credits 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 development credit 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 development credits and other exposures to that member will also be placed into nonaccrual status by IDA. On the date a member's development credits and other exposures are placed into nonaccrual status, unpaid charges that had been accrued on development credits are deducted from the revenue from development credits of the current period. Revenue on nonaccrual development credits 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 development credits and other exposures may not automatically emerge from nonaccrual status, even though the member's eligibility for new credits 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 development credits funded from resources through the Fifth Replenishment are expressed in the development credit agreements in terms of 1960 dollars. In June 1987, the Executive Directors decided to value those development credits at the rate of $1.20635 per 1960 dollar on a permanent basis. Development credits funded from resources provided under the Sixth Replenishment and thereafter are denominated in SDRs, with the exception of development credits provided under the Single Currency Lending pilot program.

During the fiscal year-ended June 30, 2012, IDA introduced a Single Currency Lending pilot program. This pilot program, which expands borrowing options beyond the standard SDR credits, has allowed IDA recipients to denominate new IDA credits in one of the four constituent currencies of the SDR basket. In March 2016, IDA's Executive Directors increased the program's limit from SDR3 billion to SDR7 billion.

Buy-down of Development Credits

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 development credits, 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 credits for an amount equivalent to the present value of the remaining cash flows of the related credits, based on appropriate discount rates. The trust fund subsequently cancels the purchased credits, thereby converting them to grant terms.

IDA records a provision for losses on development credits equivalent to the difference between the carrying amount of the development credits 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 development credits under the accumulated provision for losses on development credits and other exposures, and as a corresponding expense. Upon purchase of the development credits, the applicable portion of the development credits will be written-off and the related accumulated provision for losses on credits and other exposures will be reduced accordingly.

Development Grants

Development grants are recorded as an expense, and a liability is recognized, upon approval by the Executive Directors.

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 development credits or grants, these PPAs are refinanced out of the proceeds of the development credits and grants. Accordingly, the PPA grant amounts initially charged to expense are reversed upon approval of the follow-on development grants or development credits.

Guarantees

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

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.

At inception of the guarantees, IDA records the fair value of the obligation to stand ready and a corresponding asset, included in Accounts payable and miscellaneous liabilities and Other Assets, respectively, on the Balance Sheet.

In the event that a guarantee is called, IDA has the contractual right to require payment from the member country that has provided the counter guarantee to IDA, on demand, or as IDA may otherwise direct.

Up front guarantee fees received are deferred and amortized over the life of the guarantee.

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 refinancing 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 credit 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.

MDRI

Debt relief provided under the MDRI, which is characterized by the write-off of eligible development credits 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 development credits 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 Debt Relief and Losses on Development Credits and Other Exposures

Accumulated Provision for 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 development credits under the accumulated provision for debt relief, 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 development credits under the accumulated provision for debt relief and as a charge to expenses. The applicable development credits are written off when the country reaches the Completion Point and the related provision reduced accordingly.

Accumulated Provision for Losses on Development Credits and Other Exposures

Delays in receiving development credit 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 development credit'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 development credits, it is IDA's practice not to write off its development credits. To date, no development credits have been written off, other than under the HIPC Debt Initiative, MDRI and the buy-down mechanism. Notwithstanding IDA's historical experience, the risk of losses associated with nonpayment of principal amounts due is included in the accumulated provision for losses on development credits and other exposures. Other exposures include irrevocable commitments, guarantees and repaying project preparation facilities.

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 nonpayment 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 development credits disbursed and outstanding less the accumulated provision for debt relief 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. 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 annually, 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. Generally, all exposures in nonaccrual status have the same risk rating.

When a member country prepays its outstanding development credits, 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 development credits 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 Due from Banks.

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. 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. Interest revenue, including amortization of the premium and discount arising at acquisition, 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 records the cash 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. IDA does not offset the fair value amounts recognized for derivative instruments that have been executed with the same counterparty under master netting agreements; as a result, the fair value amounts recognized for the obligation to return cash collateral received from counterparties are not offset with the fair value amounts recognized for the related derivative instruments.

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

Securities purchased under resale agreements, securities lent under securities lending agreements, and securities sold under repurchase 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.

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 credits. 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.

Interest expense and amortization of discounts and premiums relating to borrowings are reported as part of Borrowing expenses 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. The presentation of derivative instruments is consistent with the manner in which these instruments are settled. Currency swaps are settled on a gross basis, while interest rate swaps are settled on a net basis.

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 forward contracts and 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.

Valuation of Financial Instruments

Derivative financial instruments and investment securities are recorded in the financial statements at fair value.

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, 2016 and June 30, 2015, 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.

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 are recorded as a receivable 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

In July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Act) became law. The Act reformed the U.S. financial regulatory system by introducing new regulators and extending regulation over new markets, entities and activities. IDA has assessed the rules issued under the Act and has determined that none of the rules has had a material impact on its business.

In August 2015, the FASB issued ASU 2015-14 *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*. The ASU defers for one year the effective date of ASU 2014-09 *Revenue from Contracts with Customers*. During the fiscal year ended June 30, 2016, the FASB also issued the following amendments that clarify different areas of the guidance in ASU 2014-09: in March 2016, ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*; in April 2016, ASU 2016-10 *Revenue from Contracts with Customers (Topic 606): Identifying performance obligations and Licensing;* and in May 2016, ASU 2016-12 *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients.* While these ASUs clarify the guidance and implementation of certain aspects of ASU 2014-09, they do not change the core principle of the new revenue standard. For IDA, these ASUs and ASU 2014-09 will be effective beginning from the year ending June 30, 2020, with early adoption permitted. IDA is currently evaluating the impact of these ASUs on its 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. For IDA, the ASU will be effective from the fiscal year ending June 30, 2020, with early adoption permitted. IDA is currently evaluating the impact of this ASU on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842).* The ASU requires that a lessee recognizes on the balance sheet the assets and liabilities that arise from all leases with a lease term of more than twelve months. The recognition, measurement, and presentation of expenses and cash flows by the lessee will primarily depend on the classification of the lease as finance or operating. The accounting applied by a lessor remains largely unchanged from the current guidance, with some targeted improvements. For IDA, the ASU will be effective from the fiscal year ending June 30, 2021, with early adoption permitted. IDA is currently evaluating the impact of this ASU on its financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The ASU introduces 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 losses (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 ASU requires enhanced disclosures about credit quality and significant estimates and judgments used in estimating credit losses. For IDA, the ASU will be effective beginning from the fiscal year ending June 30, 2022, with early adoption permitted. IDA is currently evaluating the impact of the ASU on its financial statements.

NOTE B—MEMBERS' SUBSCRIPTIONS AND CONTRIBUTIONS

Subscriptions and Contributions Paid-In: The movement in Subscriptions and contributions paid-in during the fiscal years ended June 30, 2016 and June 30, 2015 is summarized below:

In millions of U.S dollars

	June 30, 2016	June 30, 2015
Beginning of the fiscal year	$ 201,045	$ 193,747
Cash contributions received[a]	3,381	3,863
Demand obligations received	4,477	4,702
Translation adjustment	(473)	(1,267)
End of the fiscal year	$ 208.430	$ 201,045

a. Includes restricted cash subscriptions of $1 million at June 30, 2015.

During the fiscal year ended June 30, 2016, IDA encashed demand obligations totaling $4,144 million ($4,142 million—fiscal year ended June 30, 2015).

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, 2016, the majority of IDA's Investments comprised government and agency obligations (85%), with all the instruments being classified as either Level 1 or Level 2 within the fair value hierarchy.

In addition, as of June 30, 2016, the majority of the instruments were denominated in U.S. dollars (44%), Euro (29%), Japanese yen (13%) and Pounds sterling (8%). 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 4.4 years and the following currency composition: U.S. dollars (54%), Euro (25%), Japanese yen (13%) and Pounds sterling (8%). The credit quality of IDA's investment portfolio remains concentrated in the upper end of the credit spectrum with 81% of the portfolio rated AA or above as of June 30, 2016, reflecting IDA's continued preference for highly rated securities and counterparties across all categories of financial instruments.

Investments

A summary of IDA's Investments and the currency composition as of June 30, 2016 and June 30, 2015 is as follows:

In millions of U.S.dollars

	June 30, 2016	June 30, 2015
Trading		
Government and agency obligations	$ 26,628	$ 27,604
Time deposits	2,550	2,519
Asset-backed securities (ABS)	1,130	1,309
	30,308	31,432
Non-trading (at fair value)		
Debt securities	1,105	1,142
Total	$ 31,413	$ 32,574

The following table summarizes the currency composition of IDA's Investment as of June 30, 2016 and June 30, 2015.

In millions of U.S.dollars

	June 30, 2016		June 30, 2015	
	Carrying value	*Average Repricing (years)[a]*	*Carrying value*	*Average Repricing (years)[a]*
Euro	$ 9,136	3.47	$ 8,716	3.25
Japanese yen	4,133	2.05	4,513	1.63
Pounds sterling	2,537	3.81	2,939	3.39
U.S. dollar	13,771	6.37	14,210	5.91
Other	1,836	2.36	2,196	2.13
Total	$ 31,413	4.37	$ 32,574	3.97

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.

Net Investment Portfolio

IDA manages its investments on a net portfolio basis. The following tables summarize the net portfolio position and currency composition as of June 30, 2016 and June 30, 2015:

In millions of U.S. dollars

	June 30, 2016	June 30, 2015
Investments		
Trading	$ 30,308	$ 31,432
Non-trading (at fair value)	1,105	1,142
Total	31,413	32,574
Securities purchased under resale agreements	80	599
Securities sold under repurchase agreements, securities lent under securities lending agreements, and payable for cash collateral received	(1,968)	(4,904)
Derivatives Assets		
Currency forward contracts	689	1,603
Currency swaps	3,929	5,004
Interest rate swaps	3	5
Swaptions, exchange traded options and futures contracts	2	6
Other[a]	1	1
Total	4,624	6,619
Derivatives Liabilities		
Currency forward contracts	(681)	(1,588)
Currency swaps	(4,073)	(4,903)
Interest rate swaps	(20)	(5)
Swaptions, exchange traded options and futures contracts	(20)	(11)
Other[a]	(*)	(*)
Total	(4,794)	(6,507)
Cash held in investment portfolio[b]	640	240
Receivable from investment securities traded	861	1,142
Payable for investment securities purchased	(948)	(1,345)
Net Investment Portfolio	$ 29,908	$ 28,418

a. These relate to TBA securities.
b. 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 Portflio as of June 30, 2016 and June 30, 2015.

In millions of U.S.dollars

	June 30, 2016		June 30, 2015	
	Carrying value	Average Repricing (years)[a]	Carrying value	Average Repricing (years)[a]
Euro	$ 7,453	4.20	$ 7,842	3.56
Japanese yen	3,815	2.62	2,512	2.53
Pounds sterling	2,494	3.83	2,781	4.16
U.S. dollar	16,146	5.11	15,413	5.14
Other	*	†	(130)	3.60
Total	$ 29,908	4.35	$ 28,418	4.25

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.
** Indicates amount less than $0.5 million.*
† Indicates amount not meaningful.

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, 2016, there were short sales totaling $138 million ($395 million—June 30, 2015) 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 as of June 30, 2016 and June 30, 2015:

In millions of U.S. dollars

	Fair Value Measurements on a Recurring Basis As of June 30, 2016			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments—Trading				
Government and agency obligations	$ 16,316	$ 10,312	$ -	$ 26,628
Time deposits	213	2,337	-	2,550
ABS	-	1,130	-	1,130
Total Investments—Trading	16,529	13,779	-	30,308
Investments—Non-trading (at fair value)	-	1,105	-	1,105
Securities purchased under resale agreements	20	60	-	80
Derivative assets				
Currency forward contracts	-	689	-	689
Currency swaps	-	3,929	-	3,929
Interest rate swaps	-	3	-	3
Swaptions, exchange traded options and futures contracts	-	2	-	2
Other[a]	-	1	-	1
Total Derivative assets – Investments	-	4,624	-	4,624
Total	$ 16,549	$ 19,568	$ -	$ 36,117
Liabilities:				
Securities sold under repurchase agreements and securities lent under security lending agreements[b]	$ 28	$ 1,939	$ -	$ 1,967
Derivative liabilities				
Currency forward contracts	-	681	-	681
Currency swaps	-	4,073	-	4,073
Interest rate swaps	-	20	-	20
Swaptions, exchange traded options and futures contracts	18	2	-	20
Other[a]	-	*	-	*
Total Derivative liabilities – Investments	18	4,776	-	4,794
Payable for investment securities purchased[c]	81	57	-	138
Total	$ 127	$ 6,772	$ -	$ 6,899

a. These relate to TBA securities.
b. Excludes $1 million relating to payable for cash collateral received
c. These relate to short sales of investment securities.
** Indicates amount less than $0.5 million.*

In millions of U.S. dollars

	Fair Value Measurements on a Recurring Basis As of June 30, 2015			
	Level 1	*Level 2*	*Level 3*	*Total*
Assets:				
Investments – Trading				
Government and agency obligations	$ 15,642	$ 11,962	$ -	$ 27,604
Time deposits	202	2,317	-	2,519
ABS	-	1,309	-	1,309
Total Investments – Trading	15,844	15,588	-	31,432
Investments – Non-trading (at fair value)	-	1,142	-	1,142
Securities purchased under resale agreements	19	580	-	599
Derivative assets				
Currency forward contracts	-	1,603	-	1,603
Currency swaps	-	5,004	-	5,004
Interest rate swaps	-	5	-	5
Swaptions, exchange traded options and futures contracts	-	6	-	6
Other[a]	-	1	-	1
Total Derivative assets – Investments	-	6,619	-	6,619
Total	$ 15,863	$ 23,929	$ -	$ 39,792
Liabilities:				
Securities sold under repurchase agreements and securities lent under security lending agreements[b]	$ 20	$ 4,840	$ -	$ 4,860
Derivative liabilities				
Currency forward contracts	-	1,588	-	1,588
Currency swaps	-	4,903	-	4,903
Interest rate swaps	-	5	-	5
Swaptions, exchange traded options and futures contracts	5	6	-	11
Other[a]	-	*	-	*
Total Derivative liabilities – Investments	5	6,502	-	6,507
Payable for investment securities purchased[c]	337	58	-	395
Total	$ 362	$ 11,400	$ -	$ 11,762

a. These relate to TBA securities.
b. Excludes $44 million relating to payable for cash collateral received.
c. These relate to short sales of investment securities
** Indicates amount less than $0.5 million.*

As of June 30, 2016, there were no investments transferred from Level 2 to Level 1 within the fair value hierarchy.

As of June 30, 2015, $3,499 million of investments related to non-U.S. government securities were transferred from Level 2 to Level 1 within the fair value hierarchy. This reclassification was based on the annual review of the inputs used to measure fair value.

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

In millions of U.S.dollars

	Fair value	*Principal amount due*	*Difference*
June 30, 2016	$ 1,105	$ 1,082	$ 23
June 30, 2015	1,142	1,154	(12)

The maturity structure of IDA's non trading investment portfolio as of June 30, 2016 and June 30, 2015 was as follows:

In millions of U.S dollars

Period	*June 30, 2016*	*June 30, 2015*
Less than 1 year	$ 113	$ 72
Between		
1 - 2 years	126	113
2 - 3 years	122	127
3 - 4 years	124	122
4 - 5 years	125	124
Thereafter	472	596
	$ 1,082	$ 1,154

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 nonperformance 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, 2016, IDA had not received any cash collateral related to swap agreements ($44 million – June 30, 2015).

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 in relation to swap transactions as of June 30, 2016 and June 30, 2015.

In millions of U.S. dollars

	June 30, 2016	*June 30, 2015*
Collateral received		
Cash	$ -	$ 44
Securities	2	-
Total collateral received	$ 2	$ 44
Collateral permitted to be repledged	$ 2	$ 44
Amount of collateral repledged	-	-

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

These transactions have been conducted under legally enforceable master netting agreements, which allow IDA to reduce its gross credit exposure related to these transactions. As of June 30, 2016, amounts which could potentially be offset as a result of legally enforceable master netting arrangements were $80 million ($457 million – June 30, 2015).

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:

In millions of U.S. dollars

	June 30, 2016	*June 30, 2015*	*Financial Statement Presentation*
Securities transferred under repurchase or securities lending agreements	$1,691	$4,013	Included under Investments—Trading on the Balance Sheet
Liabilities relating to securities transferred under repurchase or securities lending agreements	$1,967	$4,779	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, 2016, the liabilities relating to securities transferred under repurchase or securities lending agreements included $287 million ($765 million—June 30, 2015) of repurchase agreement trades that had not settled at that date. Of this amount, none represented replacement trades entered into in anticipation of maturing trades of a similar amount ($168 million—June 30, 2015).

The following table presents 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:

In millions of U.S.dollars

	June 30, 2016		
	Remaining contractual maturity of the agreements		
	Overnight and continuous	*Up to 30 days*	*Total*
Repurchase or Securities Lending agreements			
Government and agency obligations	$ 1,653	$ 314	$ 1,967
Total liabilities for Securities sold under repurchase agreements and Securities Lent under Securities Lending Agreements	$ 1,653	$ 314	$ 1,967

In millions of U.S.dollars

	June 30, 2015		
	Remaining contractual maturity of the agreements		
	Overnight and continuous	*Up to 30 days*	*Total*
Repurchase or Securities Lending agreements			
Government and agency obligations	$ 3,261	$ 1,599	$ 4,860
Total liabilities for Securities sold under repurchase agreements and Securities Lent under Securities Lending Agreements	$ 3,261	$ 1,599	$ 4,860

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, 2016, none of the securities purchased under resale agreements remained unsettled on that date ($181 million – June 30, 2015). For the remaining purchases, IDA received securities with a fair value of $81 million ($418 million – June 30, 2015). Out of this amount, no securities had been transferred under repurchase or securities lending agreements ($81 million – June 30, 2015).

NOTE D—BORROWINGS

IDA's borrowings comprise concessional partner 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.

As of June 30, 2016, IDA's borrowings outstanding were $2,906 million ($2,150 million- June 30, 2015). The following table summarizes IDA's borrowings as of June 30, 2016. These borrowings have original maturities of 25 and 40 years, with the final maturity being 2054. The weighted average effective interest rate for these borrowings was 2.55% as of June 30, 2016. 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.

In millions of U.S dollars

	Borrowings outstanding		
	Principal at face value	*Net unamortized premium (discount)*	*Total*
June 30, 2016	$ 3,448	$ (542)	$ 2,906
June 30, 2015	$ 2,548	$ (398)	$ 2,150

Fair Value Disclosures

The table below presents the fair value of IDA's borrowings for disclosure purposes, along with their respective carrying amounts as of June 30, 2016 and June 30, 2015:

In millions of U.S dollars

	June 30, 2016		*June 30, 2015*	
	Carrying Value	*Fair Value*	*Carrying Value*	*Fair Value*
Borrowings outstanding	$ 2,906	$ 3,585	$ 2,150	$ 2,332

As of June 30, 2016, IDA's borrowings were classified as Level 2 within the fair value hierarchy.

The maturity structure of IDA's borrowings outstanding as of June 30, 2016 and June 30, 2015 was as follows:

In millions of U.S dollars

Period	*June 30, 2016*	*June 30, 2015*
3 - 4 years	$ 43	$ -
4 - 5 years	111	39
Thereafter	3,294	2,509
Principal at face value	$ 3,448	$ 2,548

Valuation Methods and Assumptions

The fair value of IDA's borrowings is calculated using a discounted cash flow method which relies on market observable inputs such as yield curves, foreign exchange rates, basis spreads and proxy funding spreads.

NOTE E—DERIVATIVE INSTRUMENTS

Overview

IDA uses derivative instruments in its investment portfolio to manage currency and interest rate risks, 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.
Asset-liabilitiy management	Currency forward contracts and currency swaps	Manage foreign exchange risks.
Other purposes:		
Client operations	Structured swaps	Assist clients in managing risks.

Under its derivative agreement with IBRD, IDA is not required to post collateral as long as it maintains liquidity holdings at pre-determined levels that are a proxy for a AAA credit rating. During the fiscal year ended June 30, 2016, IDA was not required to post any collateral with IBRD in accordance with the agreement.

The following tables provide information on the fair value amounts and the location of the derivative instruments on the Balance Sheet, as well as the notional amounts and credit risk exposures of those derivative instruments, as of June 30, 2016 and June 30, 2015:

Fair Value amounts of the derivative instruments on the Balance Sheet:

In millions of U.S.dollars

	Balance Sheet Location			
	Derivative assets		*Derivative liabilities*	
	June 30, 2016	*June 30, 2015*	*June 30, 2016*	*June 30, 2015*
Derivatives not designated as hedging instruments				
Currency forward contracts	$ 8,903	$ 10,517	$ 8,624	$ 10,551
Currency swaps	3,929	5,004	4,073	4,903
Swaptions, exchange traded options and futures contracts	2	6	20	11
Interest rate swaps	3	5	20	5
Other[a]	1	1	*	*
Total Derivatives	$ 12,838	$ 15,533	$ 12,737	$ 15,470

a. These relate to TBA securities.

** Indicates amount less than $0.5 million.*

Notional amounts and credit risk exposure of the derivative instruments:

In millions of U.S.dollars

Type of contract	*June 30, 2016*	*June 30, 2015*
Investments - Trading		
Interest rate swaps		
Notional principal	$ 1,543	$ 1,333
Credit exposure	3	5
Currency swaps (including currency forward contracts)		
Credit exposure	61	197
Swaptions, exchange traded options, and futures contracts[a]		
Notional long position	978	19,527
Notional short position	13,879	32,184
Credit exposure	2	6
Other[b]		
Notional long position	186	274
Notional short position	15	4
Credit exposure	1	1
Asset-liability management		
Currency forward contracts		
Credit exposure	489	251
Client Operations		
Structured swaps		
Notional principal	86	86
Credit exposure	-	-

a. 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. These relate to TBA securities.

Amounts of gains and losses on the Asset-liability management derivative instruments and their location on the Statement of Income for the fiscal years ended June 30, 2016, June 30, 2015 and June 30, 2014 are as follows:

In millions of U.S. dollars

		Gains (Losses)		
		Fiscal Year Ended June 30,		
	Statement of Income Location	*2016*	*2015*	*2014*
Derivatives not designated as hedging instruments and not held in a trading portfolio[a]				
Currency forwards contracts and currency swaps	Unrealized mark-to-market losses on non-trading portfolios, net	$ (35)	$ (160)	$ (35)

a. For alternative disclosures about trading derivatives, see the following table

The majority of 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 for the fiscal years ended June 30, 2016, June 30, 2015 and June 30, 2014:

In millions of U.S. dollars

Statement of Income Location	*Investments, Net Gains*		
	Fiscal Year Ended June 30,		
	2016	*2015*	*2014*
Type of instrument			
Fixed income (including related derivatives)	$ 509	$ 103	$ 173

Offsetting assets and liabilities

IDA enters into International Swaps and Derivatives Association, Inc. 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, 2016 and June 30, 2015. Total derivative assets and liabilities are adjusted on an aggregate basis to take into consideration the effects of legally enforceable master netting agreements. The net derivative asset positions have been further reduced by the cash and securities collateral received.

In millions of U.S. dollars

	June 30, 2016					
	Located on the Balance Sheet					
	Derivative Assets			*Derivative Liabilities*		
	Gross Amounts Recognized	*Gross Amounts Offset*	*Net Amounts Presented*	*Gross Amounts Recognized*	*Gross Amounts Offset*	*Net Amounts Presented*
Interest rate swaps	$ 150	$ (147)	$ 3	$ 395	$ (375)	$ 20
Currency swaps[a]	12,832	-	12,832	12,698	(1)	12,697
Other[b]	3	-	3	23	(3)	20
Total	$ 12,985	$ (147)	$ 12,838	$ 13,116	(379)	$ 12,737
Amounts subject to legally enforceable master netting agreements[c]			$ (12,489)			$ (12,489)
Net derivatives positions at counterparty level before collateral			349			248
Less:						
Cash collateral received[d]			1			
Securities collateral received			-			
Net derivative exposure after collateral			$ 348			

a. Includes currency forward contracts.
b. These include swaptions, exchange traded options, futures contracts and TBA securities.
c. Not offset on the Balance Sheet.
d. Does not include excess collateral received.

In millions of U.S. dollars

	June 30, 2015					
	Located on the Balance Sheet					
	Derivative Assets			Derivative Liabilities		
	Gross Amounts Recognized	Gross Amounts Offset	Net Amounts Presented	Gross Amounts Recognized	Gross Amounts Offset	Net Amounts Presented
Interest rate swaps	$ 180	$ (175)	$ 5	$ 254	$ (249)	$ 5
Currency swaps[a]	15,521	-	15,521	15,454	-	15,454
Other[b]	7	-	7	16	(5)	11
Total	$ 15,708	$ (175)	$ 15,533	$ 15,724	$ (254)	$ 15,470
Amounts subject to legally enforceable master netting agreements[c]			$ (15,407)			$ (15,407)
Net derivative positions at counterparty level before collateral			126			63
Less:						
Cash collateral received[d]			44			
Securities collateral received			-			
Net derivative exposure after collateral			$ 82			

a. Includes currency forward contracts.
b. These include swaptions, exchange traded options, futures contracts and TBA securities.
c. Not offset on the Balance Sheet.
d. Does not include excess collateral received.

Fair Value Disclosures

IDA's fair value hierarchy for derivative assets and liabilities measured at fair value on a recurring basis as of June 30, 2016 and June 30, 2015 is as follows:

In millions of U.S. dollars

	Fair Value Measurements on a Recurring Basis As of June 30, 2016			
	Level 1	*Level 2*	*Level 3*	*Total*
Derivative assets:				
Investments				
Currency forward contracts	$ -	$ 689	$ -	$ 689
Currency swaps	-	3,929	-	3,929
Interest rate swaps	-	3	-	3
Swaptions, exchange traded options and futures contracts	-	2	-	2
Other[a]	-	1	-	1
	-	4,624	-	4,624
Asset-liability management				
Currency forward contracts	-	8,214	-	8,214
Total derivative assets	$ -	$ 12,838	$ -	$ 12,838
Derivative liabilities:				
Investments				
Currency forward contracts	$ -	$ 681	$ -	$ 681
Currency swaps	-	4,073	-	4,073
Interest rate swaps	-	20	-	20
Swaptions, exchange traded options and futures contracts	18	2	-	20
Other[a]	-	*	-	*
	18	4,776	-	4,794
Asset-liability management				
Currency forward contracts	-	7,943	-	7,943
Total derivative liabilities	$ 18	$ 12,719	$ -	$ 12,737

a. These relate to TBA securities.
** Indicates amount less than $0.5 million.*

In millions of U.S. dollars

	Fair Value Measurements on a Recurring Basis As of June 30, 2015			
	Level 1	*Level 2*	*Level 3*	*Total*
Derivative assets:				
Investments				
Currency forward contracts	$ -	$ 1,603	$ -	$ 1,603
Currency swaps	-	5,004	-	5,004
Interest rate swaps	-	5	-	5
Swaptions, exchange traded options and futures contracts	-	6	-	6
Other[a]	-	1	-	1
	-	6,619	-	6,619
Asset-liability management				
Currency forward contracts	-	8,914	-	8,914
Total derivative assets	$ -	$ 15,533	$ -	$ 15,533
Derivative liabilities:				
Investments				
Currency forward contracts	$ -	$ 1,588	$ -	$ 1,588
Currency swaps	-	4,903	-	4,903
Interest rate swaps	-	5	-	5
Swaptions, exchange traded options and futures contracts	5	6	-	11
Other[a]	-	*	-	*
	5	6,502	-	6,507
Asset-liability management				
Currency forward contracts	-	8,963	-	8,963
Total derivative liabilities	$ 5	$ 15,465	$ -	$ 15,470

a. These relate to TBA securities.
** Indicates amount less than $0.5 million.*

Inter-level transfers

During the fiscal years ended June 30, 2016 and June 30, 2015, there were no inter-level transfers in the derivatives portfolio.

NOTE F—DEVELOPMENT CREDITS AND OTHER EXPOSURES

Overview

Development credits and other exposures are generally made directly to member countries of IDA. Other exposures include irrevocable commitments, guarantees and repaying project preparation facilities.

Development credits are carried and reported at amortized cost. Of the total development credits outstanding as of June 30, 2016, 90% were to the South Asia, Africa, and East Asia and Pacific regions, combined.

Based on IDA's internal credit quality indicators, the majority of the development credits outstanding are in the Medium and High risk classes.

As of June 30, 2016, IDA's development credits are predominantly denominated in SDR (representing about 96% of the portfolio) and carry a service charge of 75 basis points.

As of June 30, 2016, development credits outstanding totaling $2,541 million (representing about 2% of the portfolio) from 5 borrowers were in nonaccrual status.

Maturity Structure

The maturity structure of development credits outstanding as of June 30, 2016 and June 30, 2015 was as follows:

In millions of U.S dollars

June 30, 2016		*June 30, 2015*	
July 01, 2016 through June 30, 2017	$ 5,807	July 01, 2015 through June 30, 2016	$ 5,413
July 01, 2017 through June 30, 2021	22,598	July 01, 2016 through June 30, 2020	20,928
July 01, 2021 through June 30, 2026	32,619	July 01, 2020 through June 30, 2025	30,539
Thereafter	75,711	Thereafter	73,473
Total	$ 136,735	Total [a]	$ 130,353

a. Excludes $525 million written off effective July 01, 2015 under the MDRI.

Currency Composition

Development credits outstanding had the following currency composition as of June 30, 2016 and June 30, 2015:

In millions of U.S dollars

	June 30, 2016	*June 30, 2015*
EUR	$ 337	$ -
USD	4,972	5,277
SDR	131,426	125,601
	$ 136,735	$ 130,878

Credit Quality of Sovereign Development Credits

Based on an evaluation of IDA's development credits, Management has determined that IDA has one portfolio segment – Sovereign Exposures. Development credits constitute the majority of sovereign exposures.

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 factors. For the purpose of analyzing the risk characteristics of IDA's exposures, 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's borrowers' country risk ratings are key determinants in the provisions for development credit losses.

IDA considers a development credit to be past due when a borrower fails to make payment on any principal, service, interest or other charges due to IDA, on the dates provided in the contractual development credit agreements.

The following tables provide an aging analysis of development credits outstanding as of June 30, 2016 and June 30, 2015:

In millions of U.S. dollars

	June 30, 2016							
Days past due	*Up to 45*	*46-60*	*61-90*	*91-180*	*Over 180*	*Total Past Due*	*Current*	*Total*
Risk Class								
Low	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,579	$ 3,579
Medium	-	-	-	-	-	-	26,978	26,978
High	1	*	-	-	-	1	103,636	103,637
Credits in accrual status	1	*	-	-	-	1	134,193	134,194
Credits in nonaccrual status	12	1	5	21	1,067	1,106	1,435	2,541
Total	$ 13	$ 1	$ 5	$ 21	$ 1,067	$ 1,107	$ 135,628	$ 136,735

** Indicates amount less than $0.5 million.*

In millions of U.S. dollars

	June 30, 2015							
Days past due	*Up to 45*	*46-60*	*61-90*	*91-180*	*Over 180*	*Total Past Due*	*Current*	*Total*
Risk Class								
Low	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,393	$ 4,393
Medium	-	-	-	-	-	-	27,270	27,270
High	1	*	-	-	-	1	96,662	96,663
Credits in accrual status	1	*	-	-	-	1	128,325	128,326
Credits in nonaccrual Status	12	1	5	21	986	1,025	1,527	2,552
Total	$ 13	$ 1	$ 5	$ 21	$ 986	$ 1,026	$ 129,852	$ 130,878

** Indicates amount less than $0.5 million.*

Accumulated Provision for Losses on Development Credits, Debt Relief (HIPC Debt Initiative and MDRI) and Other Exposures

Provision for Losses on Development Credits 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 Debt Relief

HIPC Debt Initiative and MDRI provisions 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 debt relief. 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 development credits written off when the country reaches Completion Point, and becomes eligible for MDRI debt relief.

Changes to the accumulated provision for losses on development credits and other exposures, as well as the debt relief under HIPC Debt Initiative and MDRI for the fiscal years ended June 30, 2016 and June 30, 2015 are summarized below:

In millions of U.S. dollars

	June 30, 2016				*June 30, 2015*			
	Develop-ment credits	*Debt relief under HIPC/MDRI*	*Other*	*Total*	*Develop-ment credits*	*Debt relief under HIPC/MDRI*	*Other*	*Total*
Accumulated provision, beginning of the fiscal year	$ 1,585	$ 2,559	$ 11	$ 4,155	$ 1,295	$ 2,732	$ 15	$ 4,042
Provision, net - charge (release) [a]	386	(20)	14	380	409	(34)	(3)	372
Development credits written off under:								
Buy-down mechanism	(27)	-	-	(27)	-	-	-	-
Prepayments	(3)	-	-	(3)	(2)	-	-	(2)
HIPC/MDRI	-	(534)	-	(534)	-	(14)	-	(14)
Translation adjustment	(9)	(5)	(*)	(14)	(117)	(125)	(1)	(243)
Accumulated provision, end of the period	$ 1,932	$ 2,000	$ 25	$ 3,957	$1,585	$2,559	$11	$ 4,155
Composed of accumulated provision for losses on:								
Development credits in accrual status	$1,667	$ 136		$ 1,803	$1,323	$ 673		$ 1,996
Development credits in nonaccrual status	265	1,864		2,129	262	1,886		2,148
Total	$ 1,932	$ 2,000		$ 3,932	$1,585	$2,559		$ 4,144
Development credits:								
Development credits in accrual status				$134,194				$128,326
Development credits in nonaccrual status				2,541				2,552
Total				$136,735				$130,878

a. For the fiscal year ended June 30, 2016, the provision includes $27 million for development credits bought down (June 30, 2015 – Nil) and $3 million for the discount on prepayment of development credits (June 30, 2015 - $2 million).

** Indicates amount less than $0.5 million.*

	Reported as Follows	
	Balance Sheet	**Statement of Income**
Accumulated Provision for Losses on:		
Development Credits	Accumulated provision for debt relief and losses on development credits	Provision for debt relief and for losses on development credits and other exposures, net
Debt Relief under HIPC/MDRI	Accumulated provision for debt relief and losses on development credits	Provision for debt relief and for losses on development credits and other exposures, net
Other Exposures	Other liabilities	Provision for debt relief and for losses on development credits and other exposures, net

Development credits written off under MDRI

During the fiscal year ended June 30, 2016, development credits eligible for relief under MDRI totaling to $524 million were written off as a result of Chad reaching Completion Point under the HIPC Debt Initiative.

During the fiscal year ended June 30, 2015, there were no eligible development credits written off under the MDRI.

Overdue Amounts

As of June 30, 2016, there were no principal or charges under development credits in accrual status which were overdue by more than three months.

The following tables provide a summary of selected financial information related to development credits in nonaccrual status as of and for the fiscal years ended June 30, 2016 and June 30, 2015:

In millions of U.S dollars

Borrower	Nonaccrual since	Recorded investment[a]	Average recorded investment[b]	Principal Outstanding	Provision for debt relief	Provision for credit losses[c]	Overdue amounts: Principal	Overdue amounts: Charges
Eritrea	March 2012	$ 437	$ 436	$ 437	$ 309	$ 20	$ 43	$ 16
Somalia	July 1991	415	414	415	396	3	221	79
Sudan	January 1994	1,210	1,209	1,210	1,159	9	646	198
Syrian Arab Republic	June 2012	14	14	14	-	*	6	1
Zimbabwe	October 2000	465	464	465	-	233	190	52
Total - June 30, 2016		$ 2,541	$ 2,537	$ 2,541	$ 1,864	$ 265	$ 1,106	$ 346
Total - June 30, 2015		$ 2,552	$ 2,616	$ 2,552	$ 1,886	$ 262	$ 1,025	$ 331

a. A credit loss provision has been recorded against each of the credits in nonaccrual status.
b. Represents the average for the fiscal years. For the fiscal year ended June 30, 2014: $2,733 million.
c. Credit loss provisions are determined after taking into account accumulated provision for debt relief.
** Indicates amount less than $0.5 million.*

In millions of U.S dollars

	Fiscal Year Ended June 30, 2016	2015	2014
Service charge revenue not recognized as a result of development credits being in nonaccrual status	$ 19	$ 18	$ 20

During the fiscal years ended June 30, 2016 and June 30, 2015, no development credits were placed into nonaccrual status.

During the fiscal year ended June 30, 2016, service charge revenue recognized on development credits in nonaccrual status was $3 million ($2 million - fiscal year ended June 30, 2015 and less than $1 million - fiscal year ended June 30, 2014).

Guarantees

Guarantees of $1,059 million were outstanding at June 30, 2016 ($411 million—June 30, 2015). This amount 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 9 and 23 years, and expire in decreasing amounts through 2035.

At June 30, 2016, liabilities related to IDA's obligations under guarantees of $97 million (June 30, 2015—$33 million), have been included in Accounts payable and miscellaneous liabilities on the Balance Sheet. These include the accumulated provision for guarantee losses of $19 million ($6 million—June 30, 2015).

During the fiscal years ended June 30, 2016 and June 30, 2015, no guarantees provided by IDA were called.

Segment Reporting

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

Charge revenue comprises service charges and interest charges on outstanding development credit balances and guarantee fee revenue. For the fiscal year ended June 30, 2016, charge revenue from three countries was in excess of ten percent of total charge revenue. The charge revenue totaled $211 million, $142 million and $115 million for the three countries in the current year.

The following table presents IDA's development credits outstanding and associated charge revenue as of and for the fiscal years ended June 30, 2016 and June 30, 2015, by geographic region.

In millions of U.S. dollars

	June 30, 2016		June 30, 2015	
Region	Development Credits Outstanding	Service and Interest Charges	Development Credits Outstanding	Service and Interest Charges
Africa	$ 48,393	$ 340	$ 44,140	$ 308
East Asia and Pacific	19,699	178	19,888	176
Europe and Central Asia	7,587	103	7,622	86
Latin America and the Caribbean	2,449	23	2,297	19
Middle East and North Africa	3,166	24	3,331	26
South Asia	55,441	481	53,600	450
Total	$ 136,735	$ 1,149	$ 130,878	$ 1,065

Buy-down of Development Credits

During the fiscal year ended June 30, 2016, one development credit with an outstanding carrying value of $85 million was purchased for a present value equivalent of $58 million under the buy-down mechanism by the Global Program to Eradicate Poliomyelitis Trust Funds (buy-down mechanism), resulting in a $27 million write-off through provision as an expense in the Statement of Income.

During the fiscal year ended June 30, 2015, there were no development credits purchased under the buy-down mechanism by the Global Program to Eradicate Poliomyelitis Trust Fund.

Discount on Development Credits Prepaid under the Seventeenth Replenishment of IDA's Resources (IDA17)

During the fiscal year ended June 30, 2016, as part of IDA17, one IDA graduate country prepaid development credits with an outstanding carrying value of $54 million. The total amount prepaid of $51 million reflected the present value of the development credits as on the date of prepayment, resulting in an aggregate discount of $3 million charge through provision as an expense in the Statement of Income.

During the fiscal year ended June 30, 2015, one IDA graduate country prepaid development credits with an outstanding carrying value totaling $30 million. The total amount prepaid of $28 million reflected the present value of the development credits as of the date of prepayment, resulting in an aggregate discount of $2 million charge through provision as an expense in the Statement of Income.

Fair Value Disclosures

IDA's development credits are carried and reported at amortized cost. The table below presents the fair value of development credits for disclosure purposes, along with their respective carrying amounts as of June 30, 2016 and June 30, 2015. As of June 30, 2016, IDA's development credits would be classified as Level 3 within the fair value hierarchy.

In millions of U.S dollars

	June 30, 2016		June 30, 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Net Development Credits Outstanding	$ 132,825	$112,276	$ 126,760	$ 94,276

Valuation Methods and Assumptions

The fair value of development credits 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.

NOTE G—AFFILIATED ORGANIZATIONS

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

Transfers

Cumulative transfers made to IDA as of June 30, 2016 were $18,346 million ($17,356 million—June 30, 2015). Details by transferor are as follows;

In millions of U.S dollars

Transfers from	*Beginning of the fiscal year*	*Transfers during the fiscal year*	*End of the fiscal year*
Total	$ 17,356	$ 990	$ 18,346
Of which from:			
IBRD	13,979	650	14,629
IFC	3,161	330	3,491

Receivables and Payables

As of June 30, 2016, and June 30, 2015, the total amounts receivable from or (payable to) affiliated organizations comprised:

In millions of U.S dollars

	Receivable From (Payable To) IBRD				
			Derivative transactions		
	Administrative Services[a]	*Pension and Other Postretirement Benefits*	*Receivable*	*Payable*	*Total*
June 30, 2016	$ (397)	$ 821	$ 8,214	$ (7,942)	$ 696
June 30, 2015	$ (364)	$ 831	$ 8,914	$ (8,962)	$ 419

a. Includes $61 million for the fiscal year ended June 30, 2016 ($32 million - June 30, 2015) 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
Receivables (payables) for derivative transactions	Derivative assets/liabilities – Asset-liability management
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.

During the fiscal year ended June 30, 2016, IDA's share of joint administrative expenses totaled $1,425 million ($1,542 million - fiscal year ended June 30, 2015 and $1,650 million - fiscal year ended June 30, 2014).

Other revenue: Includes IDA's share of other revenue jointly earned with IBRD during the fiscal year ended June 30, 2016 totaling $229 million (fiscal year ended June 30, 2015—$248 million and fiscal year ended June 30, 2014—$281 million). The allocation of revenue is based upon an agreed revenue sharing formula, and amounts are settled quarterly.

For the fiscal years ended June 30, 2016, June 30, 2015 and June 30, 2014, 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:

In millions of U.S dollars

	Fiscal Year Ended June 30,		
	2016	*2015*	*2014*
Fees charged to IFC	$ 59	$ 64	$ 64
Fees charged to MIGA	4	5	6

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 life 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 four currencies of the SDR basket.

Investments

During the fiscal year ended June 30, 2015, IDA purchased a debt security issued by the 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 6 years. As of June 30, 2016, the principal amount due on the debt security was $1,082 million and it had a fair value of $1,105 million. The investment is reported under Investments in the Balance Sheet. During the fiscal year ended June 30, 2016, IDA recognized interest income of $21 million on this debt security ($18 million- fiscal year ended June 30, 2015).

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 during the fiscal years ended June 30, 2016, June 30, 2015 and June 30, 2014:

In millions of U.S dollars

	Fiscal Year Ended June 30,		
	2016	*2015*	*2014*
IDA-executed trust funds expenses	$ 340	$ 326	$ 354

These amounts are included in Administrative expenses and the corresponding revenue is included in Other revenue 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 as of June 30, 2016 and June 30, 2015:

In millions of U.S dollars

	June 30, 2016	*June 30, 2015*
IDA-executed trust funds	$ 439	$446

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

Revenues

During the fiscal year ended June 30, 2016, June 30, 2015 and June 30, 2014, IDA's revenues for the administration of trust fund operations were as follows:

In millions of U.S dollars

	Fiscal Year Ended June 30,		
	2016	*2015*	*2014*
Revenues	$ 42	$ 45	$ 65

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

Amounts collected from donor contributions but not yet earned totaling $62 million at June 30, 2016 ($67 million—June 30, 2015) 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 development credits are repaid to trust funds, in certain cases the repayments are transferred to IDA. During the fiscal year ended June 30, 2016, funds recorded as Other revenue under these arrangements totaled $9 million ($7 million – fiscal year ended June 30, 2015 and $9 million –fiscal year ended June 30, 2014).

NOTE I—DEVELOPMENT GRANTS

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

In millions of U.S dollars

	June 30, 2016	*June 30, 2015*
Balance, beginning of the fiscal year	$ 6,637	$ 6,983
Commitments	1,232	2,319
Disbursements (including PPA grant activity)	(1,731)	(2,040)
Translation adjustment	(39)	(625)
Balance, end of the fiscal year	$ 6,099	$ 6,637

For the fiscal years ended June 30, 2016 and June 30, 2015, the commitment charge rate on the undisbursed balances of IDA's grants was set at nil percent.

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) and currency translation adjustments on functional currencies. These items are presented in the Statement of Comprehensive Income.

The following table presents the changes in Accumulated Other Comprehensive Income balances for the fiscal years ended June 30, 2016, June 30, 2015 and June 30, 2014:

In millions of U.S dollars

	Fiscal Year Ended June 30,		
	2016	*2015*	*2014*
Balance, beginning of the fiscal year	$ (875)	$ 12,997	$ 9,258
Currency translation adjustments on functional currencies	(344)	(13,872)	3,739
Balance, end of the fiscal year	$ (1,219)	$ (875)	$ 12,997

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 a Staff Retirement Plan and Trust (SRP), a Retired Staff Benefits Plan and Trust (RSBP) and a 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, 2016, IDA's share of IBRD's costs relating to all the three plans totaled $215 million ($257 million - fiscal year ended June 30, 2015 and $296 million - fiscal year ended June 30, 2014).

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, 2016, the SRP and the RSBP were underfunded by $2,801 million and $712 million, respectively. The PEBP, after reflecting IBRD and IDA's share of assets which are included in IBRD's investment portfolio of $717 million, was underfunded by $757 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 as of June 30, 2016, and June 30, 2015.

In millions of U.S dollars

	June 30, 2016		*June 30, 2015*	
	Carrying Value	*Fair Value*	*Carrying Value*	*Fair Value*
Assets				
Due from Banks	$ 672	$ 672	$ 356	$ 356
Investments (including securities purchased under resale agreements)	31,493	31,493	33,173	33,173
Net Development Credits Outstanding	132,825	112,276	126,760	94,276
Derivative Assets				
Investments	4,624	4,624	6,619	6,619
Asset-Liability Management	8,214	8,214	8,914	8,914
Liabilities				
Borrowings	2,906	3,585	2,150	2,332
Securities sold/lent under repurchase agreements/ securities lending agreements and payable for cash collateral received	1,968	1,968	4,904	4,904
Derivative Liabilities				
Investments	4,794	4,794	6,507	6,507
Asset-Liability Management	7,943	7,943	8,963	8,963

Valuation Methods and Assumptions

As of June 30, 2016 and June 30, 2015, IDA had no financial assets or liabilities measured at fair value on a non–recurring basis.

For additional fair value disclosures regarding Investments, Credits, Borrowings and Derivative assets and liabilities, refer to Note C—Investments, Note D— Borrowings, Note E— Derivative Instruments and Note F—Development credits and other exposures, 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, for the fiscal years ended June 30, 2016, June 30, 2015 and June 30, 2014.

In millions of U.S dollars

	Unrealized mark-to-market Gains (Losses) Fiscal Year Ended June 30,		
	2016	*2015*	*2014*
Investments-Trading- Note E	$ 509	$ 103	$ 173
Non-trading portfolios, net			
Investment portfolio - Note C	$ 35	$ (19)	$ -
Asset-liability management - Note E	(35)	(160)	(35)
Total	$ *	$ (179)	$ (35)

** Indicates amount less than $0.5 million.*

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. IDA's Management does not believe 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, 2016, will have a material adverse effect on IDA's financial position, results of operations or cash flows.