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IDA16

Updated IDA16 Financing Framework and Key Financial Variables

International Development Association
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ABBREVIATIONS AND ACRONYMS

AfDF	African Development Fund
CAS	Country Assistance Strategy
CRW	Crisis Response Window
GAC	Governance and Anti-Corruption
FY	Fiscal Year
HIPC	Heavily Indebted Poor Country
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFC	International Finance Corporation
MDG	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
SDR	Special Drawing Right

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EXECUTIVE SUMMARY

i. **At the second IDA16 meeting in Bamako in June 2010, IDA Deputies reviewed five potential scenarios for the financing framework for IDA16** based on IDA countries' needs and a realistic assessment of how these scenarios can be financed.[1] The scenarios provided a broad range of options from keeping IDA16 flat in real terms relative to IDA15 to incrementally higher scenarios which allow for progress to be made with regards to scaling up IDA to meet the MDGs as well as to address additional financing needs under IDA16. These scenarios included significant increases in internal resources. During this meeting, many Deputies proposed narrowing the range of the replenishment scenarios to three based on the middle scenarios presented at the Bamako meeting. Based on that guidance, this paper updates the financing framework for IDA16 and provides Deputies with information on a number of key financial variables in the context of donors' financing pledges.

ii. **Update of the IDA16 Replenishment Scenarios.** In response to the feedback from IDA Deputies at the Bamako meeting and subsequent consultations, Management presents a preferred IDA16 replenishment scenario of SDR 31.5 billion, which represents a 15.3 percent increase over IDA15. In addition, Management presents a lower and higher case scenario for consideration by Deputies. IDA is financed by a partnership among donors, including IDA graduates, the World Bank Group, and borrowers (through reflows). Under the preferred scenario, each would do its part to support IDA. Total donor contributions would increase by 5.6 percent over IDA15 (or SDR1.15 billion), while internal resources would increase by 45.4 percent (or SDR3.04 billion), with the latter component accounting for 73 percent of the total increase. Individual items in the scenarios have been updated in response to clarifications sought at the Bamako meeting. As proposed by Deputies, all scenarios include the special needs, consisting of arrears clearance, extension of post conflict phase-out, the Crisis Response Window (which now includes provisions for Haiti), and the regional projects scale-up. The preferred scenario accommodates some real increase in the core IDA program to help address additional financing needs to step up efforts toward meeting the MDGs and also builds upon the robust internal resource mobilization effort while requiring donor contributions that reflect the fiscal constraints of some donors.

iii. **Updated IDA16 Financing Framework.** Several elements of the IDA16 financing framework have been adjusted. These adjustments include updates to the donor cost of compensation for debt relief under the HIPC Initiative and MDRI reducing the total donor resources by SDR360 million. This amount is offset by a corresponding increase in available internal resources for IDA16. Adjustments have also been made for some of the special needs items in line with the discussions in Bamako.

iv. **Potential additional financing from accelerated credit repayments**. At the Bamako meeting most Deputies supported management's proposal to invoke the acceleration clause for eligible IDA graduates. IDA management has undertaken extensive

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[1] See "IDA16 Financing Framework", IDA Resource Mobilization Department, Washington, DC, May 2010.

follow up consultations with the seven affected countries that have outstanding IDA credits eligible for exercising the acceleration clause. These countries are now evaluating the principal and interest options that have been presented and are in the process of informing IDA Management of their election. Management will seek formal approval from IDA's Executive Directors for the exercise of the repayment acceleration clause on these eligible credits and intends to distribute a paper to the IDA Board before the third IDA Replenishment meeting. For the purpose of this paper, Management is presenting a conservative estimate of the increase in internal resources of SDR526 million as potential additional financing for the IDA16 scenarios based on all eligible countries choosing the "interest option" whereby borrowers would pay an interest rate on eligible credits that would result in the same net present value as the doubling of the principal repayments ("principal option").

v. **Contributions for Financing of Debt Relief, Arrears Clearance and Forgone Principal from Grants.** For contributions for HIPC debt relief financing, arrears clearance and forgone principal from grants, donor financing would be paid in three equal annual installments. This is the same procedures for donor contributions used in IDA15 for HIPC and arrears clearance.[2] Donor contributions to cover MDRI costs during the IDA16 disbursement period (FY12-22) would be provided and accounted for in line with the established procedures under the MDRI replenishment.

vi. **Donors' Basic Contributions.** It is proposed that donors' basic contributions in IDA16 be encashed over the customary 9-year standard schedule, as has been the case in prior IDA replenishments. This would generate a small acceleration benefit of about SDR300 million when compared with the expected IDA16 disbursement profile. This benefit would lead to a reduction in any structural gap. As in prior replenishments, donors could instead choose to accelerate the encashment of their IDA16 contributions to less than 9 years. This would generate either contribution credits that increase the funds available for commitment, or encashment discounts that reduce the cost to the respective donors. The discount rate proposed for accelerated donor encashments in IDA16 is 2.5 percent p.a. However, IDA's framework also can provide flexibility to donors by offering an extended period over which to contribute resources and thus ensuring that contributions are drawn down on an "as-needed" basis.

vii. **Structural and Financing Gaps.** During the Bamako meeting, Deputies asked for further information to clarify and address the structural gaps in donors' basic contributions and the financing gaps in contributions for compensatory items. Over time, the donor financing shares have reflected changing donor circumstances. A "structural gap" has resulted in the burden sharing scheme because basic burden shares are calculated on the targeted replenishment level and on a net basis, some donors have reduced their shares over time without a compensating increase by other donors. For basic contributions, donors are asked to consider recalibrating burden shares to 95 percent based on total donor

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[2] As with HIPC and arrears clearance, the donor contributions required to compensate IDA for lost principal due to issuing grants covers IDA for the actual lost reflows during FY12-14. Therefore, donor compensation on a dollar-for-dollar basis is required over this three year period, rather than the full 9-year disbursement period available for basic contributions.

contributions pledged. This would allow other donors' reported burden shares to remain constant irrespective of any subsequent changes in donor contributions or additional supplemental contributions. For the compensatory items (MDRI, HIPC, arrears clearance, and grant principal forgone), where real financing gaps occur as the result of the structural gap, donors are asked to scale up their burden shares so as to eliminate the financing gaps.

viii. **Guidance is sought from IDA Deputies on the following questions**:

A. Financing Scenarios:

- Do Deputies agree to the preferred financing scenario of SDR31.5 billion that would enable IDA to scale up core IDA resources slightly over IDA15 and to address the additional financing needs described in this paper?

B. Encashment Profile and Discount Rate:

- Do Deputies agree to adopt the 9-year encashment profile for IDA16 shown in Table 5?
- Do Deputies agree to set the discount rate for accelerated encashment of donor contributions in IDA16 to 2.5 percent p.a?

C. Structural and Financing Gaps:

- In order to lower the structural gap in donors' basic contributions, do Deputies agree to recalibrate the burden shares for all donors to 95 percent of donors' IDA16 contributions?
- On the financing gaps for IDA's cost of debt relief and grants, do Deputies agree to scale up proportionally their respective MDRI, HIPC, arrears clearance, and grant financing burden share, so as to close the financing gaps?

UPDATED IDA16 FINANCING FRAMEWORK AND KEY FINANCIAL VARIABLES

I. INTRODUCTION

1. At the second IDA16 meeting in Bamako in June 2010, IDA Deputies reviewed five potential scenarios for the financing framework for IDA16 based on IDA countries' needs and a realistic assessment of how these scenarios can be financed.[3] The scenarios provided a broad range of options from keeping IDA16 flat in real terms relative to IDA15 to incrementally higher scenarios which allow for progress to be made with regards to scaling up IDA to meet the MDGs as well as to address additional needs under IDA16 related to expected country arrears clearances and reactivations, extension of the post-conflict and re-engaging countries exceptional allocation phase-out, the proposed Crisis Response Window including a special reconstruction allocation for Haiti, and a scale up of regional projects. These scenarios included significant increases in internal resources, including the potential additional resources from changes in IDA's financing terms and credit repayment accelerations. During this meeting, many Deputies proposed narrowing the range of the replenishment scenarios to three based on the middle scenarios presented at the Bamako meeting.

2. This paper updates the financing framework scenarios for IDA16 and provides Deputies with information on a number of key financial variables in the context of donors' financing pledges. Section II reviews the demand for IDA resources. In response to the recommendation from IDA Deputies at the Bamako meeting, Management presents a preferred IDA16 replenishment scenario of SDR 31.5 billion. In addition, Management presents a lower and higher case scenario for consideration by Deputies. Individual items in the scenarios are also updated in response to clarifications sought at the Bamako meeting.

3. Section III provides the updated IDA16 financing framework. The updated financing framework reflects the latest available estimates for IDA's cost of providing debt relief under the HIPC Initiative and the Multilateral Debt Relief Initiative (MDRI). This updated framework also takes into account recent consultations with the seven countries that have IDA credits subject to accelerated repayments, and the discussion of the Executive Directors of IBRD and IFC about undertakings concerning IBRD and IFC net income transfers in support of IDA16.

4. Section IV of the note provides the following information: (i) burden shares and the standard encashment schedule for donor contributions to IDA16; (ii) illustrative alternative schedules for accelerated encashment of donor contributions; and (iii) information on the applicable discount rate for accelerated donor encashment in IDA16.

5. Section V reviews the structural gap in basic contributions to IDA and the financing gaps of donors' MDRI, HIPC, arrears clearance and forgone principal from grants compensation in IDA replenishments and presents recommendations to reduce such gaps.

6. At the first IDA16 meeting in Paris, Deputies agreed to use the daily average foreign exchange rates over the 6-month period from April 1 to September 30, 2010 for purposes of converting national currency contributions to IDA16 into SDR equivalent amounts. The final

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[3] See "IDA16 Financing Framework", IDA Resource Mobilization Department, Washington, DC, May 2010.

IDA16 reference rates are not included in this paper as the period does not end until September 30, 2010. Thus, a separate note will be issued to Deputies in early October prior to the third IDA16 replenishment meeting with these reference exchange rates. For this paper, US$ equivalents are based on the five month average period April 1, 2010 to August 31, 2010 of US$/SDR 1.49774.[4]

II. DEMAND FOR IDA RESOURCES

7. During the second IDA16 meeting in Bamako, Management presented a range of scenarios for financing IDA countries for the IDA16 implementation period. Many Deputies recommended that Management narrow the financing scenarios based on the three middle scenarios and update the replenishment framework to take account of comments and suggestions that were made with respect to its individual items, notably for the special needs items to be reflected in each scenario. After a detailed review of the sources and uses of financing for the IDA16 period, Management identifies an IDA16 replenishment of SDR31.5 billion as its preferred scenario, representing a nominal increase of 15.3 percent from the IDA15 original envelope (or a 9.6 percent increase in real terms after adjusting for inflation) (see Table 1; also see Annex 1 for US$ figures).[5] The preferred scenario accommodates some real increase in the core IDA program to help address additional financing needs to step up efforts toward meeting the MDGs and also builds upon the robust internal resource mobilization effort while requiring donor contributions that reflect the fiscal constraints of some donors. Management also presents a lower and higher scenario for consideration by IDA Deputies (see Table 3 and Annex 1 for US$ figures). As IDA16 will cover the critical period before 2015, the target date for the MDGs, a strong replenishment will be needed to match a high level of ambition. IDA's overarching theme and focus will be on development results. To this end, the Bank is working with governments to achieve better and faster development outcomes by further strengthening IDA's results framework and implementing internal reforms aimed at increasing corporate effectiveness and accountability.

A. Building Blocks of the IDA16 Preferred Replenishment Scenario

8. **The preferred IDA16 financing scenario includes two building blocks** (see Table 1): core IDA increases, including adjustments to the IDA15 envelope and core IDA programs, and additional specific-purpose needs during the IDA16 period.

Core IDA Increases

a. Adjustments to Original IDA15 Envelope

9. **The first step in defining the IDA16 preferred replenishment scenario is to adjust the original IDA15 envelope for inflation, arrears clearances, country graduations and expected country re-activations** as follows: (i) the baseline is adjusted for inflation using the three-year annual average SDR inflation over the IDA15 period of 5.72 percent; (ii) the amount of IDA15 arrears clearance funds set aside in IDA15 of about SDR742 million is netted out of the original IDA15 envelope since the arrears clearance framework, as agreed during IDA15,[6] is by design

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[4] Further adjustments will be incorporated into the IDA16 financing framework based upon final reference exchange rates including the SDR equivalent of transfers from IBRD which are provided in US dollars.

[5] Using the three-year annual average SDR inflation over the IDA15 period of 5.72 percent.

[6] Details of the approach to arrears clearance are contained in the IDA15 paper on, "*Further Elaboration of a Systematic Approach to Arrears Clearance.*" IDA. June 2007. See also, "*Report from the Executive Directors of*

outside the PBA envelope; (iii) the indicative allocation of SDR140 million for Azerbaijan during IDA15 is deducted as the country is expected to graduate at the end of IDA15; and (iv) inclusion of SDR300 million for the possible re-activation of countries currently in arrears. It should be noted that Armenia and Georgia, two countries on their way to graduation from IDA, have been set back by the global crisis and will need to receive continued funding under IDA16.

Table 1: Preferred IDA16 Replenishment Scenario (SDR million)

	Preferred Scenario	
	SDR million	% Increase over IDA15
Original IDA15 Envelope	**27,347**	
I. Core IDA Increases	**1,875**	**6.9%**
A. Adjustments	**982**	**3.6%**
a) Adjustment for inflation	1,564	5.7%
b) IDA15 arrears clearance set-aside [1/]	(742)	-2.7%
c) Allocation changes due to graduation	(140)	-0.5%
d) Allocation changes due to projected re-activation	300	1.1%
B. Core IDA Program Increase/(Decrease)	**892**	**3.3%**
II. Special Needs	**2,315**	**8.5%**
e) IDA16 arrears clearance needs	400	1.5%
f) Extension of phase-out	280	1.0%
g) Permanent Crisis Response Window (including SDR329 million for Haiti)	1,335	4.9%
h) Regional projects scale up	300	1.1%
Nominal increase over Original IDA15 Envelope (I+II)	**4,190**	**15.3%**
Total IDA16 Financing Needs	**31,537**	

Note:
1/ IDA15 arrears clearance funds are netted out of the original IDA15 envelope, while estimated IDA16 arrears clearance costs are added to IDA16 as additional special needs. The entire IDA15 arrears clearance set-aside was deployed to fund the pilot Crisis Response Window in IDA15.

b. The Core IDA Program

10. **The preferred replenishment of SDR31.5 billion would allow for a 3.3 percent increase of the core IDA program** which seeks to support the post crisis recovery, scaled up efforts towards the MDGs, addressing investment gaps including infrastructure and climate adaptation and mitigation, gender mainstreaming, and responding to the needs of fragile and conflict affected countries. This funding level would allow IDA to play its role as an effective partner, including by providing a platform for development assistance.

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the International Development Association to the Board of Governors. Additions to IDA Resources: Fifteenth Replenishment. IDA: The Platform for Achieving Results at the Country Level." Approved by the Executive Directors of IDA on February 28, 2008.

11. **The Core IDA Program is implemented through Country Assistance Strategies (CASs) customized for each country** in line with IDA's country-based development model which helps countries align aid to their national development priorities. IDA's support to countries is in line with the World Bank Group's long-term strategy[7] recently updated in the "Post-Crisis Directions Paper" (PCD).[8] All CASs are results-based and identify specific results for each area of support to be funded in accordance with the priorities detailed below during the IDA16 implementation period.

12. Restoring momentum to the MDGs requires ambitious efforts to deliver on the economic growth and access agenda for basic services (health, education and basic infrastructure). In this context, the main priorities identified for accelerating economic growth and employment creation in IDA countries include: increasing productivity of agriculture, food security and rural incomes; addressing shortfalls in infrastructure investment; strengthening the business environment and growth of the private sector, including access to financial services. With respect to the access agenda, the main priorities include expanding primary education with a focus on unreached populations and gender disparities and the need to address the growing demands for secondary and tertiary education and labor market skills gaps; improving the delivery of health services with a focus on the lagging health MDGs such as nutrition and reproductive health; strengthening capacities to minimize the impact of exposure to risk and vulnerability through labor market interventions and social insurance programs, safety net programs and job creation. As a cross-cutting theme, IDA will also support institutional development across key sectors and continue to mainstream the Governance and Anti-Corruption (GAC) strategy. The combination of IDA support for the above priorities will depend on countries' specific strategies, programs and available financing from other development partners. Details of the regional strategies and examples of specific country needs are presented in the paper on "The Demand for IDA16 Resources and The Strategy for their effective use".[9] The paper also presented key underlying Bank sector strategies for addressing them.

13. IDA will also help address through its core IDA program additional challenges linked to gender mainstreaming with efforts on gender-related MDGs and economic empowerment and climate change in vulnerable IDA countries.

- All the regions identify the need to address **climate change** as a priority within the IDA core program. The preferred IDA16 financing scenario includes, as an integral part of the core IDA program, the incremental costs of climate proofing of IDA projects since these costs are no longer optional in IDA operations. IDA financing for climate change related activities begun during the IDA15 period. The incremental costs for climate proofing of IDA projects is estimated at 8 to 10 percent of the IDA investment projects or approximately US$950 million to US$1.1 billion per year for the IDA16 period. IDA will also continue to support vulnerable countries to integrate climate change resilience and capture mitigation opportunities in their development strategies, although the preferred

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[7] Meeting the Challenges of Global Development. A Long-Term Strategy Exercise. World Bank, 2007.

[8] World Bank, 2010a. "New World, New World Bank Group: (I) Post-Crisis Directions." (forthcoming). Its vision is to support an inclusive and sustainable globalization, to overcome poverty and enhance growth with care for the environment and to create individual opportunity and hope.

[9] See, "The Demand for IDA16 Resources and The Strategy for their effective use", IDA Resource Mobilization Department, Washington, D.C., May 2010.

financing scenario would not provide sufficient resources for a significant scale up in this area. Significant effort is already underway to strengthen monitoring and reporting of IDA resources used for climate change, including through the establishment by the end of IDA16 of baselines for monitoring investments in climate adaptation and mitigation.

- Given the importance of **gender equality** in combating poverty and fostering growth, IDA will scale up its efforts to mainstream gender issues in its core program at the country level. The multi-sectoral nature of gender issues (e.g., girls' enrollment and completion rates, maternal mortality, labor force participation and asset ownership) calls for integrating them across sectors, including in agriculture, water, sanitation, infrastructure and access to financial services. The preferred IDA16 financing scenario includes, as part of the core IDA program, the financing required for scaling up gender interventions at the country level.

Special Needs

14. The preferred replenishment scenario would also enable IDA to finance additional expected needs which include: potential exceptional support for arrears clearance; extension of the phase-out period for exceptional allocations to post-conflict and re-engaging countries, the proposed Crisis Response Window (including a special reconstruction allocation for Haiti following the 2010 earthquake) and strengthening regional integration through the scale-up of regional projects.

15. **Arrears Clearance.** During the IDA16 period, four countries (Myanmar, Somalia, Sudan and Zimbabwe) are eligible or could become eligible for exceptional IDA support for arrears clearance.[10] The total arrears of these countries are projected to amount to SDR1.4 billion at the start of the IDA16 period. The amount needed in order to provision for the potential cost to IDA of providing exceptional arrears clearance support to these countries during the IDA16 period depends on several factors, including the timing of reengagement, the capacity to mobilize resources with which to finance the clearance of their arrears, and decisions by IDA's Executive Directors regarding adding countries to the list of countries grandfathered for eligibility under the Heavily Indebted Poor Country (HIPC) Debt Relief Initiative.[11] In terms of likelihood, Management considers the probability of reengagement and arrears clearance to be 50 percent for both Sudan and Zimbabwe, and zero percent for Myanmar and Somalia. In terms of capacity to pay, Management considers it possible that Sudan and perhaps also Zimbabwe would be in a position to contribute to the clearance of arrears. Due to Sudan's oil revenues, it is estimated that the country would be able to contribute up to one-third of the arrears. Based on these assumptions, it is estimated that, for the IDA16 period, SDR 400 million is needed for arrears clearance operations (see Table 2).

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[10] See "IDA's Performance Based Allocation System: Review of the Current System and Key Issues for IDA16", IDA Resource Mobilization Department, Washington, D.C., May 2010.

[11] Under the terms of the systematic approach for arrears clearance agreed with IDA donors in the context of the IDA15 replenishment, HIPC eligibility is required in order for a country to be eligible for exceptional arrears clearance support from IDA.

Table 2. Estimated Arrears Clearance Needs for the IDA16 Period (SDR million)

Country	Projected arrears as of June 30, 2011 (SDR million)	Probability of Arrears Clearance during IDA16	Expected IDA16 Arrears	Country Contribution	Estimated Arrears Clearance Needs during IDA16
Sudan	419.5	Medium (50%)	209.8	33 percent	140.5
Zimbabwe	558.6	Medium (50%)	279.3	0 percent	259.5
Myanmar	240.4	Unlikely (0%)	0.0	0 percent	0.0
Somalia	153.5	Unlikely (0%)	0.0	0 percent	0.0
Total	**1,372.1**		**489.1**		**400.1**

16. It is important to note that the estimated IDA16 needs for arrears clearance are based on a conservative assumption and that in the event that the amount budgeted for arrears clearance during IDA16 turns out to be less than the required amount, the shortfall will be included in the arrears clearance request for the IDA17 replenishment. Conversely, any amounts unused will be carried forward to the IDA17 period.

17. **Post-conflict and Re-engaging Countries**. During the IDA15 replenishment, there was a recognition that post conflict countries may need more time to put them firmly on the track towards recovery and sustainable development. As a result, the phase-out period for exceptional allocations was increased from three to six years resulting in ten years of support for post-conflict countries which would have otherwise exited the window during IDA15. [12] Similarly, the phase-out period for re-engaging countries (Haiti, Central African Republic and Togo) was extended from two to three years (for a total five years of exceptional allocation). During IDA16, only two countries (Côte d'Ivoire and Liberia) would continue to receive exceptional allocations if there is no further extension of the phase out period.

18. At the second IDA16 replenishment meeting in Bamako, IDA Deputies reviewed the phase out period for post conflict and re-engaging countries and considered two options for an extension: a uniform extension for all countries, or a case-by-case approach where extension is granted to countries against a specified set of criteria. While Deputies broadly endorsed the case-by-case approach, they requested that Management further refine the criteria for a case-by-case extension[13] and provide a cost update of this approach at the third replenishment meeting. Annex 3 provides an update to the case-by-case approach of extending the phase-out period for post conflict and re-engaging countries. It proposes alternative criteria in some areas, and refines them in others as requested by the IDA Deputies. Specifically, the criteria for continued exceptional treatment by other MDBs would be replaced by a criterion on portfolio performance and the criterion for the pace of the transition from post-conflict status would be confirmed by the presence of UN peacekeeping forces. Overall, based on the application of the revised and streamlined criteria to the current set of post conflict and re-engaging countries, the updated financial cost of this case-by-case approach for the IDA16 period is SDR280 million, slightly lower than the SDR330 million presented in the financing scenarios at the Bamako meeting.

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[12] Afghanistan, Angola, Burundi, Côte d'Ivoire, Democratic Republic of Congo, Republic of Congo, Eritrea, Liberia and Timor-Leste. IDA, 2009. IDA's Exceptional Allocation: A Review of the Implementation Experience with Lengthened Phase Out.

[13] In particular, Deputies requested refinement to criterion (iii) "Continued exceptional treatment by other MDBs", see page 18, "IDA's Performance Based Allocation System: Review of the Current System and Key Issues for IDA16", IDA Resource Mobilization Department, Washington, D.C., June 2010.

19. **Regional Projects.** The preferred scenario would allow for a scale-up of funding for regional projects by SDR300 million (i.e. from the current IDA15 level of SDR 1.2 billion to SDR1.5 billion during IDA16). During IDA15, SDR1.2 billion was made available to leverage the national country allocations to promote regional integration. As of June 30, 2010, total commitments for regional projects during IDA15 reached SDR0.8 billion, including contributions from country IDA allocations. Sub-Saharan Africa has accounted for the greatest share of the commitments. The demand for funding for the regional initiatives has substantially increased, including in the regions other than Sub-Saharan Africa. The existing strong pipeline of regional projects indicates that IDA15 regional resources should be fully committed by the end of FY11 and that there is high demand for the IDA16 period (SDR2.8 billion) over and above the allocations proposed. The highest demand is for regional infrastructure projects in water management, roads networks, trade facilitation and energy access. Furthermore, as part of its package of support for regional operations, IDA will also continue the pilot to provide direct grant financing to regional organizations to ensure successful implementation of the regional programs.

20. **Crisis Response Window**. At the Bamako meeting, views were mixed on the choice of the financing option for the Crisis Response Window (CRW), with some IDA Deputies indicating that they would not be able to support the *ex post* funding options given their internal budgetary provisions.[14] After careful consideration, and taking into account the expressed difficulty some participants had with committing to reimburse IDA under the *ex post* option, Management proposes that the CRW be financed *ex ante* for an amount of SDR1,335 million (4.2 percent of the preferred scenario). This amount would include an exceptional allocation of SDR329 million for Haiti (see paras. 22-24 below) for the purpose of supporting reconstruction after the earthquake in 2010. To ensure that *ex ante* resources would not remain idle for long periods of time, Management proposes that the decision to reallocate unused resources be discussed at the IDA16 Mid-Term Review (around November 2012) based on Management's assessment of the level of resources that may be needed to respond to crises and emergencies during the last year of IDA16 (FY14). Any amounts exceeding this level by the end of FY13 could then be distributed through the regular Performance Based Allocation (PBA) system in the allocation exercise for FY14. As a rule of thumb, it may be prudent to ensure that at a minimum one third of total CRW resources excluding the Haiti allocation be available for FY14.

21. Should additional resources prove necessary, Management proposes to solicit additional donor contributions and advance reflows on an exceptional basis from the subsequent replenishment period (up to the 5 percent of the total IDA16 replenishment resources). Management notes that the modality for ensuring *ex post* financing remains an option for the financing of unexpected crises and emergencies. Should future developments point to a need to raise additional resources within a replenishment period that may not be available through additional donor financing or advance reflows, Management may bring the option of a bridge financing from IBRD back for further consideration by IDA's Executive Directors (including through prior discussion by the Audit Committee).

22. **Special Reconstruction Allocation for Haiti**. The funding required to assist Haiti rebuild following the devastating January 2010 earthquake is more than what could be provided under the

[14] For details on the operational aspects of the proposed CRW, please see the companion paper "Technical Note on the Establishment of the Crisis Response Window in IDA16", IDA Resource Mobilization Department, Washington, D.C., September 2010.

current IDA allocation system and Management recommends a special reconstruction allocation of SDR329 million.[15] As recommended by some of the Deputies during the Bamako meeting, this allocation is proposed to be provided as part of the permanent Crisis Response Window.

23. The post-disaster needs assessment (PDNA) estimated the scale of damage and losses at around US$7.9 billion or 120 percent of Haiti's 2009 GDP.[16] Recovery and reconstruction is expected to cost US$11.5 billion. Following the earthquake, IDA responded by committing an additional US$150 million for the remainder of the IDA15 period. The proposed special reconstruction allocation for Haiti is somewhat higher on a per capita basis than what IDA has typically provided in the aftermath of past natural disasters in medium sized countries, but lower than what IDA has provided to island states in the past. This reflects three main factors: (1) the unusual extent of the destruction of the earthquake; (2) the location of the earthquake, which devastated Haiti's biggest population center as well as its political and economic capital, thus having far-ranging consequences in terms of foregone economic opportunities for the rest of Haiti; (3) the capacity of Haiti to finance its recovery from internal resources is highly constrained (Government revenues are projected at 10 percent of GDP and the latter is estimated at US$6.5 billion for 2010). It is therefore in a very different situation from, for example, India in the aftermath of the Indian Ocean tsunami, or Indonesia in the aftermath of the earthquake in Aceh, where the disasters had a local impact on large countries which were for the most part unaffected by the disasters. In contrast, the Haiti earthquake has directly affected close to 30 percent of the population, killed 30 percent of the civil service, with the remaining population suffering from indirect impacts, notably from reduced economic activity and access to services (65 percent of Haiti's GDP was generated in the quake area). It is anticipated that this funding will be absorbed rapidly – the current disbursement rate of IDA funding is about 40 percent, reflecting very pro-active and timely efforts by IDA to accompany day-to-day project implementation and to bolster Government implementation capacity in the current crisis environment.

24. The exceptional allocation thus seeks to strike a balance between enormous needs and IDA's responsibilities to other countries. It will meet only about 6 percent of the needs estimated in the PDNA, and it builds on other efforts by IDA, including the provision of an exceptional allocation during FY10, the provision of debt relief, as well as IDA's efforts to channel donor resources through the multi-donor Haiti Reconstruction Fund.

B. Trade-Offs

25. **There are tradeoffs to be considered for the IDA16 replenishment.** A lower and a higher scenario are presented below detailing a different combination of increase/decrease in the core IDA program and additional financing needs. In line with recommendations of the Deputies at the second IDA16 Replenishment meeting, the special themes (fragile states and re-engaging countries, climate change and gender), have also been included in these financing scenarios.

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[15] This would replace the regular PBA funding.

[16] The assessment was coordinated by the World Bank, the UN and the Inter-American Development Bank (IDB).

Table 3: Preferred and Alternative IDA16 Funding Scenarios (SDR million)

	Lower Scenario		Preferred Scenario		Upper Scenario	
	SDR million	% of IDA15	SDR million	% Increase over IDA15	SDR million	% of IDA15
Original IDA15 Envelope	**27,347**		**27,347**		**27,347**	
I. Core IDA Increases	**441**	**1.6%**	**1,875**	**6.9%**	**3,162**	**11.6%**
A. Adjustments	**982**	**3.6%**	**982**	**3.6%**	**982**	**3.6%**
a) Adjustment for inflation	1,564	5.7%	1,564	5.7%	1,564	5.7%
b) IDA15 arrears clearance set-aside [1/]	(742)	-2.7%	(742)	-2.7%	(742)	-2.7%
c) Allocation changes due to graduation	(140)	-0.5%	(140)	-0.5%	(140)	-0.5%
d) Allocation changes due to projected re-activation	300	1.1%	300	1.1%	300	1.1%
B. Core IDA Program Increase/(Decrease)	**(542)**	**-2.0%**	**892**	**3.3%**	**2,179**	**8.0%**
II. Special Needs	**2,265**	**8.3%**	**2,315**	**8.5%**	**2,365**	**8.6%**
e) IDA16 arrears clearance needs	400	1.5%	400	1.5%	400	1.5%
f) Extension of phase-out	280	1.0%	280	1.0%	280	1.0%
g) Permanent Crisis Response Window (including SDR329 million for Haiti)	1,335	4.9%	1,335	4.9%	1,335	4.9%
h) Regional projects scale up	250	0.9%	300	1.1%	350	1.3%
Nominal increase over Original IDA15 Envelope (I+II)	**2,706**	**9.9%**	**4,190**	**15.3%**	**5,527**	**20.2%**
Total IDA16 Financing Needs	**30,053**		**31,537**		**32,874**	

Note:
1/ IDA15 arrears clearance funds are netted out of the original IDA15 envelope, while estimated IDA16 arrears clearance costs are added to IDA16 as additional special needs. The entire IDA15 arrears clearance set-aside was deployed to fund the pilot Crisis Response Window in IDA15.

26. **The Lower Scenario**. A replenishment that would result in an overall increase of 9.9 percent in nominal terms (4.2 percent in real terms) over the IDA15 funding level would allow IDA to finance the special themes as in the preferred scenario and provide SDR1,335 million for *ex ante* financing for the CRW (including the special reconstruction allocation for Haiti). However, this replenishment level would result in a decrease, 2.0 percent, in funding of the core IDA program over the original IDA15 funding level. This would impact efforts to help countries recover from the recent crises, step up their programs to close the gaps to the MDGs targets and build climate resilience into IDA-financed projects. Furthermore, this scenario would allow for a smaller additional scale-up of regional projects (SDR250 million).

27. **The Higher Scenario**. With an increase of 20.2 percent over the IDA15 level in nominal terms (14.5 percent in real terms), IDA would have additional resources to help address financing needs of client countries for stepping up efforts towards economic growth and meeting the MDGs. Core IDA program spending would increase by 8.0 percent over the IDA15 funding level. Support would be focused on the priorities already outlined above that aim to foster sustained growth and improved access to basic services, and further scale up efforts to address climate resilience into IDA-financed projects and better mainstream gender. In addition, the funding would allow for a more significant scale-up in the level of funding for regional projects to SDR350 million.

III. UPDATED IDA16 FINANCING FRAMEWORK

28. Based on the feedback for narrowing of the range to three scenarios, Management is providing an updated set of scenarios for the financing framework of IDA16 including a lower case, preferred case and higher case scenario. Subsequent to the Bamako meeting, several elements of the IDA16 financing framework have been adjusted. The updated preferred IDA16 financing framework is shown in Table 4. Under the preferred scenario, total donor contributions would increase by 5.6 percent over IDA15 (or SDR1.15 billion) while internal resources would increase by 45.4 percent (or SDR3.04 billion), with the latter component accounting for 73 percent of the total increase. The updated three IDA16 financing scenarios including the higher and lower scenarios are shown in Annex 2.

Table 4: Updated IDA16 Financing Framework
(SDR million)

Source of Funds	IDA15	IDA16 Financing	
	Original [a/]	Preferred Scenario	
I. TOTAL DONOR RESOURCES	**20,657**	**21,809**	*+5.6%*
Donor basic contributions	14,537	16,450	*+13.2%*
Supplemental contributions	91		
Donor compensation for HIPC (FY12-14)	1,138	1,387	
Donor financing of arrears clearance operations	742	400	
Donor compensation for grant principal forgone	-	60	
Total Donor Contributions	**16,509**	**18,297**	*+10.8%*
Donor compensation for MDRI (FY20-22)	2,182	2,558	
Donor compensation for MDRI carry forward (pre FY20)	1,966	954	
Total MDRI Compensation	**4,148**	**3,512**	*-15.3%*
II. TOTAL INTERNAL RESOURCES	**6,690**	**9,727**	*+45.4%*
Internal Reflows	4,132	6,575	
IBRD Transfers	1,279	1,313	
IFC Transfers	1,279	*[tbd]*	
Potential Additional Financing:			
Hardening of lending terms		1,314	
Acceleration		526	
Total Financing Framework	**27,347**	**31,537**	*+15.3%*

Notes:
Amounts may not add up due to rounding
a/ Original IDA15 Financing Framework as agreed at the start of IDA15.

29. **Updated Costs of Debt Relief and Arrears Clearance.** Estimates for IDA's forgone reflows due to the provision of debt relief under the HIPC Initiative and the MDRI have been updated as of June 30, 2010.[17] The resulting revised donor financing requirements for this debt relief have been reflected in the updated financing framework. These updated costs will form the

[17] "Update on Debt Relief Costs and Donor Financing as of June 30, 2010", IDA Resource Mobilization Department, Washington, D.C., September 2010.

basis for donors' financing pledges for IDA16. The last update of IDA's MDRI and HIPC costs for donor financing occurred on September 30, 2007 during the IDA15 replenishment discussions.

30. The compensation requirements for the HIPC Initiative and MDRI during IDA16 have decreased by SDR360 million compared to prior estimates included in the IDA16 financing framework scenarios provided for the June 2010 IDA16 replenishment meeting in Bamako.[18] The decrease of SDR360 million resulted from a decrease in HIPC costs of SDR328 million and a decrease in MDRI costs of SDR32 million. These changes are driven primarily by the revision of projected decision and completion point dates for a number of HIPC countries and where HIPC relief has been interrupted as two countries have reached the ceiling for interim debt relief but had not yet reached the completion point. Therefore, the volume of available internal reflows for IDA16 increases by the same amount to SDR6.6 billion. This will lower the overall amount of total donor resources requested from SDR22.2 billion to SDR21.8 billion under the preferred scenario.[19]

31. As discussed above, the revised estimate for the needs for arrears clearance operations is SDR400 million. This is a decrease of SDR370 million reported for the Bamako meeting. In order to meet the demand for resources as proposed, donors are asked to maintain their level of contributions by increasing their basic contributions by this amount to offset the lower donor resources needed for arrears clearance operations.

32. **Accelerated Repayments of Eligible IDA Credits.** Since the second IDA16 replenishment meeting in Bamako, IDA management has undertaken extensive follow-up consultations with the seven affected countries that have outstanding IDA credits eligible for exercise of the repayment acceleration clause. IDA Management has reached out to the affected countries and responded to their questions and concerns regarding the implementation of the acceleration clause in the legal agreements. These countries are now evaluating the principal and interest options that have been presented and are in the process of informing IDA Management of their choice of option. Management will distribute a paper to IDA's Executive Directors in September to seek formal approval for the exercise of the repayment acceleration clause on these eligible credits. If exercising the repayment acceleration clause for eligible countries is approved by IDA's Executive Directors prior to the October 2010 IDA Replenishment meeting, Management will update the IDA Deputies. For the purpose of this paper, Management is presenting a conservative estimate of the increase in internal resources of SDR526 million as potential additional financing for the IDA16 scenarios based on all eligible countries choosing the "interest option" whereby borrowers would pay an interest rate on eligible credits that would result in the same net present value as the doubling of the principal repayments ("principal option").

33. **Contributions from the World Bank Group.** In their meeting on August 5, 2010, the Executive Directors of IBRD reviewed possible IBRD transfers from net income in support of IDA16. It is assumed in the preferred scenario that annual transfers to IDA from IBRD will increase (from US$583 million) at an annual growth rate of 2.11 percent for inflation adjustments from FY11 onwards subject to availability of net income and annual Board approvals, as previously indicated in the IDA16 financing scenarios for the Bamako meeting. Including investment income projected at of about US$0.17 billion based on transfers over the three year period, this would provide about US$2.0 billion (SDR1.3 billion) for IDA16. For IFC, no specific recommendation

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[18] "IDA16 Financing Framework", IDA Resource Mobilization Department, Washington, D.C., May 2010.

[19] This amount is a reduction from the total donor resources requested under scenario 3 provided in the "IDA16 Financing Framework". IDA Resource Mobilization Department, Washington, D.C., May 2010.

was discussed during the August Board meeting, and Management will provide a technical briefing to IFC's Board on September 14, 2010 on IFC's net income allocation and deepening involvement in IDA countries.

34. **Regular contributions from donors.** Under the preferred financing framework donors would be requested to contribute SDR18.3 billion (excluding MDRI) to IDA16 representing an increase of 10.8 percent (in SDR terms) over the original framework agreed for IDA15. This would include basic contributions of SDR16.5 billion, HIPC compensation of SDR1.4 billion, arrears clearance financing of SDR0.4 billion, and compensation for grant principal forgone of SDR0.1 billion. Under the lower scenario, donors' regular contributions would decrease to SDR16.8 billion, while under the higher scenario they would increase to SDR19.6 billion (see Annex 2). Including MDRI, total donor resources requested would be SDR21.8 billion or a 5.6 percent increase (in SDR terms) over the original framework agreed for IDA15 under the preferred scenario.

IV. KEY FINANCIAL VARIABLES FOR IDA16

35. **Burden Shares and Standard Encashment Schedule.** For IDA16, donors would provide regular contributions as well as additional contributions to cover IDA's cost of debt relief, composed of contributions to finance MDRI costs of IDA and HIPC-related contributions, and the financing for arrears clearance operations and compensation for principal forgone on grants. The encashment schedule for contributions to these initiatives would be based on the annual volume of forgone reflows incurred by IDA. Over time donors have chosen to use slightly different burden shares as the agreed basis for the financing of various replenishment components. IDA16 will be the first replenishment for which donor compensation is requested to finance forgone principal reflows due to grants extended since IDA13. As requested in the Bamako meeting, donors are asked to consider using their scaled-up HIPC burden shares to finance this component. When deciding on their regular IDA contributions, donors have according to a long standing tradition taken the regular burden shares of the preceding replenishment. For IDA16, donor burden shares will need to address the various financing gaps that arise from applying the different burden sharing frameworks (see Section V on the structural and financing gaps).

36. MDRI Contributions. For MDRI financing, donor contributions would continue to be encashed consistent with the annual payment schedule attached to donors' Instruments of Commitments for the separate MDRI replenishment. These Instruments of Commitment and related annual payment schedules will need to be updated by donors in conjunction with the IDA16 replenishment.[20] As in current practice, donor contributions for the MDRI will continue to be encashed separately from IDA16 contributions.

37. HIPC Contributions. Under the current donor compensation arrangement for the HIPC Initiative, financing contributions to cover IDA's HIPC-related costs are encashed in equal annual amounts. For IDA16, the same procedure would apply. Therefore, HIPC contributions would be encashed in three equal installments over the 3-year commitment period of IDA16 (i.e., fiscal years 2012 through 2014).

[20] Refer to the updated MDRI Resolution Table 10, which is contained in the paper : "Debt Relief Provided by IDA under the MDRI and HIPC Initiative: Update on Costs and Donor Financing as of June 30, 2010". IDA Resource Mobilization Department, Washington D.C., September 2010.

38. Financing of Arrears Clearance. With respect to arrears clearance financing, the actual timing of specific arrears clearance operations over the IDA16 commitment period is uncertain and would depend on individual country circumstances. In view of the strong economic linkage between arrears clearance and the provision of debt relief under the HIPC Initiative, and in order to maintain predictability for donors' encashment profile, contributions to finance arrears clearance operations would continue to be encashed in equal annual amounts over the 3-year commitment period of IDA16 similar to the profile used in IDA15.

39. Compensation for Principal Forgone on Grants. In IDA14, donors committed to replace forgone principal reflows of grants provided by IDA, on a pay-as-you-go basis. Similar to the pay-as-you-go basis for HIPC contributions, donors are asked to provide compensation for the forgone reflows that IDA would have received during the three year replenishment period (i.e., IDA16 – fiscal years 2012 through 2014). As noted above, under the HIPC contributions and financing of arrears clearance, contributions would be encashed in three equal installments over the 3-year commitment period of IDA16. IDA would apply this same process for compensation for forgone principal from grants.

40. Regular Donor Contributions. In past replenishments, regular donor contributions were encashed by IDA in line with the expected time profile of disbursements that result from credits and grants to be approved during the IDA16 commitment period. This practice ensures that donor contributions are drawn down by IDA on an "as-needed" basis. To determine the expected disbursement profile of credits and grants to be approved during IDA16, Management made the following assumptions:

- Donor contributions are expected to be committed by IDA evenly over the 3-year IDA16 commitment period;
- Commitments for development policy operations are assumed to account for 25 percent of total IDA16 commitments; and
- Disbursements on investment projects and on development policy operations would follow the historical disbursement pattern observed over the past 10 years.

41. The resulting disbursement profile for IDA16 is very similar to the disbursement profile for IDA15. As a result, the IDA16 disbursement profile extends over a total of 11 years. This profile incorporates the share of regional investment projects, which often involve a longer implementation period given their complex institutional arrangements.

Table 5: Estimated Encashment Schedule for IDA16 vs. IDA15
(Percent of Total Contributions)

	11-year profile					9-year profile				
Fiscal Year	IDA16 Regular	HIPC	Arrears Clearance	Forgone Principal from Grants	Weighted Current Profile	IDA15/14 Regular	HIPC	Arrears Clearance	Forgone Principal from Grants	Weighted Standard Profile
2012	3.0	33.0	33.0	33.0	6.0	3.0	33.0	33.0	33.0	6.0
2013	8.0	33.0	33.0	33.0	10.5	10.0	33.0	33.0	33.0	12.3
2014	12.5	34.0	34.0	34.0	14.7	16.0	34.0	34.0	34.0	17.8
2015	14.0				12.6	18.0				16.2
2016	13.5				12.1	16.0				14.4
2017	13.5				12.1	13.0				11.7
2018	12.5				11.2	10.0				9.0
2019	10.0				9.0	8.0				7.2
2020	7.5				6.7	6.0				5.4
2021	4.5				4.0					
2022	1.0				0.8					
Total	100	100	100	100	99.7	100	100	100		100.0
Discount rate					2.5%					2.5%
NPV equivalent					87.95					89.39
% of face value Credit										1.63%

42. Composite Encashment Profile for IDA16. Adding the 3-year encashment profiles for HIPC contributions, arrears clearance contributions and contributions for forgone principal from grants to the latest profile for regular donor contributions results in a weighted encashment profile for IDA16 that extends over a total 11 years, as shown in Table 5. However, during IDA15 donors agreed to maintain the established 9-year encashment profile that has been used in IDA13 and IDA14. For IDA16, there are benefits of retaining the established 9-year encashment period. Donors are familiar with the 9-year period and have adopted their internal procedures and payment systems to this timing of encashments which was used during the past IDA replenishments.

43. Moreover, the 9-year encashment schedule would provide IDA with a small amount of additional liquidity that would generate additional investment income until the time of disbursement. This income could be used to reduce the structural gap in donor contributions.[21] Assuming a volume of regular IDA16 donor contributions (net of the structural gap) of SDR18.3 billion, the additional investment income that could be generated using the 9-year standard encashment schedule would be 1.63 percentage points or about SDR300 million.

44. In view of these benefits, Management recommends that donors adopt the 9-year weighted profile shown in Table 6 as the standard encashment schedule for IDA16. Individual donors could nevertheless opt to use an 11-year schedule, provided that the present value of their encashments is equivalent to that under the standard 9-year schedule. IDA's framework provides flexibility to donors by offering an extended period over which to contribute resources and thus ensuring that contributions are drawn down on an "as-needed" basis.

[21] The structural gap in IDA14 regular donor contributions was 18.55 percent. See the discussion paper issued for the second IDA15 Replenishment meeting, called "IDA15 Financing Framework", June 2007.

45. **Accelerated Encashment Schedules**. In past replenishments, donors have been given the option, under the terms of the replenishment resolution, of providing their contributions in cash 'up-front', provided that the present value of the accelerated encashment schedule is at least equal to that of the standard schedule (i.e., 9-year schedule). In IDA12 and IDA13, the additional resources provided through acceleration of donor encashments were used to reduce the structural gap. In IDA14 and IDA15, many donors used the additional resources from accelerated encashment as a *credit* item, either to increase their own regular burden share, to cover a share of their costs under the MDRI replenishment, or to lower the overall structural gap in the replenishment. In each case, donors received additional subscription votes on account of the additional resources provided to IDA from accelerated encashment. Other donors that used accelerated encashment chose to benefit from a *discount* on the amounts encashed.

46. Such contribution credits or encashment discounts would also be available in IDA16. Table 6 shows the proposed 9-year standard encashment profile for IDA16 and provides three options for accelerated donor encashment (for 3, 4, and 6 year encashment periods). For example, under the 3-year schedule a donor would receive a contribution credit of 6.48 percent if the entire contribution is encashed over three years, without a discount. This credit could be used to increase the donor's regular burden share in IDA16. Alternatively, the donor could benefit from an encashment discount of 6.08 percent on the actual amounts paid to IDA over three years. As per current practice, donors providing additional resources through accelerated encashment would receive additional IDA subscription votes.

Table 6: Standard and Accelerated Encashment Schedules for IDA16
(Percent of Total Contributions)

	Standard 9-year	Accelerated Schedules		
Fiscal Year	**Encashment Schedule**	**Over 3 years**	**Over 4 years**	**Over 6 years**
2012	6.0	33.0	25.0	5.4
2013	12.3	33.0	25.0	13.1
2014	17.8	34.0	25.0	22.0
2015	16.2		25.0	24.5
2016	14.4			23.4
2017	11.7			11.6
2018	9.0			
2019	7.2			
2020	5.4			
Total	100.0	100	100	100
Discount rate	2.5%	2.5%	2.5%	2.5%
NPV equavalent	89.39	95.18	94.05	91.05
% of face value				
Credit		***6.48%***	***5.22%***	***1.86%***
Discount		***6.08%***	***4.96%***	***1.82%***

47. **Discount Rate for Accelerated Donor Encashments**. The amounts receivable by IDA under the regular encashment schedule and an accelerated schedule should be identical in present value terms. This ensures that all donors will contribute to IDA16 at their agreed level. The financial equivalency is achieved if the projected liquidity investment return to be generated by IDA on

accelerated donor balances is applied as the discount rate for the present value calculations. As in past replenishments, for reasons of simplicity and transparency, it is recommended to use a single, SDR-based discount rate that would apply for donor contributions in all currencies.

48. In IDA15, the discount rate for accelerated donor encashment was 4.0 percent per annum. This rate reflected the expected SDR-based investment return of IDA's portfolio of liquid assets over the 9-year encashment horizon of IDA15, based on forward interest rates observed in capital markets at the time. Since setting the discount rate for IDA15, interest rates have been decreasing across the four SDR-constituent currencies. At present, the SDR-based investment return of IDA's liquid assets is estimated at 2.5 percent per annum over the suggested 9-year standard encashment period for IDA16. It is therefore proposed to set the discount rate for accelerated donor encashments in IDA16 at 2.5 percent.

V. THE STRUCTURAL AND FINANCING GAPS

49. Over time, the donor financing shares used in prior replenishments have reflected changing donor circumstances. On a net basis, some donors have reduced their share without a compensating increase by other donors. This has created a "structural gap" in the burden sharing scheme. The volume of donor financing required for IDA16 is expressed net of the structural gap that currently exists in donors' IDA burden shares. This means that in order for IDA to receive this amount of financing, donors would need to scale up their contributions to 100 percent or apply their current burden share to a target volume that is higher so as to receive this amount.

50. During the second IDA16 replenishment meeting in Bamako, Deputies were asked to consider proportionally scaling up their respective burden share contributions for MDRI, HIPC, and arrears clearance, so as to close the financing shortfall in compensation for these initiatives. During the meeting, Deputies asked for further work to clarify and address these financing gaps and in addition to address the structural gap in donors' basic contributions.

Gap in Donors' Basic Contributions

51. In the IDA15 replenishment, the actual amount of basic contributions that donors made available to IDA equals 79.8 percent of the total target amount, leaving a structural gap of 20.2 percent (equivalent to US$3.3 billion).[22] For IDA16, if donors choose to apply the same basic burden shares as in IDA15, the same structural gap would arise.[23] The structural gap in IDA's basic burden sharing scheme has grown considerably in recent replenishments. From 9 percent in the IDA9 replenishment, it has grown to 20 percent in IDA15. The growth of the structural gap results from the reduction of the burden shares of some donors without commensurate increases in the shares of other donors. The structural gap has two important consequences. First, it leads to

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[22] See column (1), Table 1, page 62 in: *Additions to IDA Resources: Fifteenth Replenishment*, February 28, 2008. The structural gap in basic IDA15 donor contributions was 20.2 percent. Since donors agreed to accelerate their basic contributions over a 9-year encashment schedule instead of the 11-year disbursement profile, this gap was reduced to 18.36 percent. However, since this acceleration does not change donors' basic burden shares, the full gap of 20.2 percent is carried forward to IDA16.

[23] Mathematically, the target volume for donors' regular contributions would be scaled up to 100 percent so as to mobilize the actual donor funding required for IDA16. To determine their actual contributions, donors would then multiply this higher total target volume expressed in SDRs with their regular IDA15 burden share and convert this into local currency amounts at the IDA16 foreign exchange reference rates.

underfunding relative to the donor consensus regarding the financial needs of IDA countries in the coming replenishment period. Second, it leads to under-reporting of each donor's "effective or real burden share" of total IDA donor contributions.

52. The concept of the structural gap in donors' regular contributions would in itself be inconsequential from an operational and financial risk point of view. IDA's commitment authority will only take into account the actual financing contributions to be received from the donors, net of any gap. However, the increase in the structural gap in recent replenishments shows that IDA is unable to secure funding to fully meet projected demand. Furthermore, it means that the reported burden share for each donor is understated, since reported burden shares are based on the target funding volume for the replenishment, rather than on the overall actual amount pledged by donors.

53. Donor burden shares have historically been reported based on target funding volume for each replenishment, rather than on the actual level of donor funding received. The reasons for reporting burden shares based on target funding volume rather than actual donor funding include:

- **Accommodating donors' internal budgeting processes**. The targeted funding volume is known relatively early during the replenishment process. The actual level of donor funding is, however, not known until after the final pledging meeting. For those donors that want to make an effort either to maintain or increase their reported burden shares, the burden share (with a corresponding amount) based on the target funding volume is thus useful for budget planning purposes, since it will be available early in the replenishment process.
- **Reporting constant burden shares**. Following the finalization of the replenishment process, burden shares based on the target funding volume also remain constant, irrespective of any subsequent changes in other donors' contributions or additional supplemental contributions. These changes would, however, be reflected in every donor's "effective burden share", based on actual donor funding and updated to reflect all changes and/or supplemental contributions.
- **Providing an incentive for additional contributions**. Ongoing reporting of the gap between actual contributions and the target funding volume offers an incentive for donors to provide supplemental contributions or new donors to join.

54. In past IDA replenishments, donors have taken the following actions for lowering the structural gap in donors' basic contributions:

- **Increase in donors' burden shares**. Some donors have increased their individual burden shares or provided supplemental contributions.
- **Additional financing from new donors**. New donors have joined and provided additional financing.
- **Shortening the standard encashment schedule**. Donors' have agreed to set the standard encashment schedule for the given replenishment shorter than the projected disbursement profile without receiving an accelerated encashment discount.[24]

[24] In the IDA12 replenishment, a 6-year acceleration approach was chosen by donors. Exceptions were allowed for donors who were unable to encash on an accelerated schedule. In the IDA15 replenishment, a 9-year acceleration

> Therefore, donors provide their cash resources ahead of IDA's projected disbursement schedule for new credits and grants, thereby generating additional investment income for IDA that is used to lower the structural gap.

55. There are various alternatives available to reduce or eliminate the structural gap in donors' basic contributions for IDA16. The primary driver behind the substantive widening of the structural gap has been the reduction of burden shares of some donors over time without a compensating increase by other donors. An option for IDA16 would be for those donors that have decreased their individual burden share proportionately more in recent replenishments to increase their share vs. IDA15. The gap could also be lowered somewhat through additional funding from potential new donors that may join the IDA16 replenishment.[25] A third option would be to accelerate the encashment of basic contributions for all donors without encashment discounts to a 9-year encashment schedule or shorter. A fourth option is to recalculate the burden shares for all donors, once final donor pledges to IDA16 are known, so as to recalibrate – or "normalize" – the sum of all burden shares back to 95 percent. This would mean an upward adjustment in the reported burden share for all donors.

56. If donors agreed to recalibrate (or normalize) burden shares so as to leave a structural gap of 5 percent, donor burden shares would be recalibrated to 95 percent based on total donor contributions pledged. As an indicative example, if this approach was applied to IDA15, the basic shares for IDA15, which totaled 79.8 percent of the target funding volume, would be recalibrated to 95 percent. Table 7 provides donor burden shares for IDA15 and the burden share rescaled to 95 percent (See also Annex 4). This would then form the starting point for pledging discussion for IDA16.

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approach was chosen by donors versus the projected 11-year disbursement horizon for IDA15 credits and grants, which reduced the total structural gap by 1.61 percent.

[25] However, it should be noted that the estimated cumulative amount of IDA16 contributions from all potential new donors would be rather small (less than US$500 million), as measured against their capacity to contribute based on per-capita income and size of the economy. Therefore, this would be insufficient to reduce the large structural gap from the IDA15 burden shares in a substantial way.

Table 7: Indicative Rescaled Burden Shares Based on Contributions to IDA15

Contributing Members	Basic Contributions Share to IDA15	*Contribution Share Rescaled*	Contributing Members	Basic Contributions Share to IDA15	*Contribution Share Rescaled*	Contributing Members	Basic Contributions Share to IDA15	*Contribution Share Rescaled*
Australia	1.80%	*2.14%*	Italy	3.80%	*4.52%*	Sweden	2.96%	*3.52%*
Austria	1.56%	*1.86%*	Japan	9.28%	*11.05%*	Switzerland	2.10%	*2.50%*
Barbados	0.002%	*0.00%*	Korea	0.91%	*1.08%*	Turkey	0.06%	*0.07%*
Belgium	1.55%	*1.85%*	Kuwait	0.18%	*0.21%*	United Kingdom	14.39%	*17.13%*
Brazil	0.61%	*0.73%*	Latvia	0.01%	*0.01%*	United States	11.24%	*13.38%*
Canada	3.98%	*4.74%*	Lithuania	0.01%	*0.01%*			
China	0.10%	*0.12%*	Luxembourg	0.19%	*0.22%*	Sub-Total	79.80%	*95.00%*
Cyprus	0.02%	*0.02%*	Mexico	0.05%	*0.06%*			
Czech Republic	0.05%	*0.06%*	Netherlands	3.00%	*3.57%*	Structural Financing Gap	20.20%	*5.00%*
Denmark	1.08%	*1.29%*	New Zealand	0.12%	*0.14%*			
Egypt	0.006%	*0.01%*	Norway	1.46%	*1.74%*	Total	100.00%	*100.00%*
Estonia	0.01%	*0.01%*	Poland	0.03%	*0.04%*			
Finland	0.94%	*1.11%*	Portugal	0.20%	*0.24%*			
France	6.49%	*7.72%*	Russia	0.25%	*0.30%*			
Germany	7.11%	*8.47%*	Saudi Arabia	0.22%	*0.26%*			
Greece	0.24%	*0.29%*	Singapore	0.08%	*0.10%*			
Hungary	0.06%	*0.07%*	Slovak Republic	0.01%	*0.01%*			
Iceland	0.04%	*0.05%*	Slovenia	0.03%	*0.03%*			
Ireland	0.43%	*0.51%*	South Africa	0.09%	*0.11%*			
Israel	0.07%	*0.08%*	Spain	3.00%	*3.57%*			

57. A small structural gap, such as 5 percent, allows donors' reported burden shares to remain constant irrespective of any subsequent changes in other donors' contributions or additional supplemental contributions.[26] Furthermore, this would accommodate a potential increase in individual donor financing shares from one replenishment to the next, and or adding contributions from new donors, without the need to recalibrate all donor burden shares. **Therefore, Management proposes to minimize the structural gap by recalibrating the IDA16 donor contributions to 95 percent.**

Gap in Donors' Contributions for Compensatory Items

58. The financing gaps in contributions for compensatory items (MDRI, HIPC, arrears clearance and grant principal forgone) represent an actual funding shortfall for IDA. Specifically:

- During IDA15, donors primarily continued to use their IDA14 burden shares to finance IDA's forgone reflows due to the HIPC Initiative, leaving a structural financing gap of 5.24 percent. To help lower the financing gap for HIPC costs during IDA15, seventeen donors agreed to "scale up" their IDA14 burden shares.
- Compensation to cover arrears clearance operation was part of IDA's overall new financing commitments during IDA15. Contributions from donors of the arrears clearance operations were 85.36 percent of the target level, leaving a structural financing gap of 14.64 percent.
- IDA16 will be the first replenishment for which donor compensation is requested to finance forgone principal reflows due to grants. If donors decide to use their burden shares for HIPC, arrears clearance, or their basic burden shares from IDA15 to finance the forgone reflows from grants, similar financing gaps would occur.

[26] Note that a residual structural gap would only be desirable for donors' basic contributions. Contributions to finance IDA's debt relief and other initiatives (HIPC, MDRI, Arrears Clearance , and Forgone Grant Principal) would need to be fully financed, without a residual gap, so as to achieve the objective of full donor compensation of such costs.

- Under the initial MDRI replenishment, donors used customized burden shares. For the IDA14 through IDA16 disbursement period (FY07-22), even with all donors delivering on their financial pledges at the agreed MDRI burden shares, a financing gap of 8.0 percent remains, equivalent to SDR723 million. Over the entire 40-year financing period of the MDRI, the financing gap is equivalent to SDR1.9 billion.[27]

59. **To reduce these financing gaps to zeros, Management recommends that donors' burden shares be proportionally scaled up compared to IDA15**. Unlike the recalibration of the burden share for basic contributions, this change would increase the necessary contribution amount required from each donor as well as increase their reported burden share. This would allow IDA to receive the full compensation requested for these initiatives in the preferred scenario. Annex 4 provides indicative burden shares for each donor proportionally rescaled to 100 percent for these initiatives.

VI. Issues for Discussion

60. Guidance is sought from IDA Deputies on the following questions:

A. Financing Scenarios:

- Do Deputies agree to the preferred financing scenario of SDR31.5 billion that would enable IDA to scale up core IDA resources slightly over IDA15 and to address the additional financing needs described in this paper?

B. Encashment Profile and Discount Rate:

- Do Deputies agree to adopt the 9-year encashment profile for IDA16 shown in Table 5?
- Do Deputies agree to set the discount rate for accelerated encashment of donor contributions in IDA16 to 2.5 percent p.a?

C. Structural and Financing Gaps:

- In order to lower the structural gap in donors' basic contributions, do Deputies agree to recalibrate the burden shares for all donors to 95 percent of donors' IDA16 contributions?
- On the financing gaps for IDA's cost of debt relief and grants, do Deputies agree to scale up proportionally their respective MDRI, HIPC, arrears clearance, and grant financing burden share, so as to close the financing gaps?

[27] See Table 8a, page 28 in "Debt Relief Provided by IDA under the MDRI and HIPC Initiative: Update on Costs and Donor Financing as of June 30, 2010", IDA Resource Mobilization Department, Washington, DC, September 2010.

ANNEX 1

Updated Demand for IDA 16 Resources
(US$ eq. million)

	Lower Scenario		Preferred Scenario		Upper Scenario	
	US$ million	% increase over IDA15	US$ million	% increase over IDA15	US$ million	% increase over IDA15
Original IDA15 Envelope	**41,690**		**41,690**		**41,690**	
I. Core IDA Increases	**(71)**	**-0.2%**	**2,076**	**5.0%**	**4,004**	**9.6%**
A. Adjustments	**740**	**1.8%**	**740**	**1.8%**	**740**	**1.8%**
a) Exchange rate adjustment 1/	(731)	-1.8%	(731)	-1.8%	(731)	-1.8%
b) Adjustment for inflation	2,343	5.6%	2,343	5.6%	2,343	5.6%
c) IDA15 arrears clearance set-aside 2/	(1,111)	-2.7%	(1,111)	-2.7%	(1,111)	-2.7%
d) Allocation changes due to graduation	(210)	-0.5%	(210)	-0.5%	(210)	-0.5%
e) Allocation changes due to projected re-activation	449	1.1%	449	1.1%	449	1.1%
B. Core IDA Program Increase/(Decrease)	**(811)**	**-1.9%**	**1,337**	**3.2%**	**3,264**	**7.8%**
II. Special Needs	**3,393**	**8.1%**	**3,468**	**8.3%**	**3,543**	**8.5%**
f) IDA16 arrears clearance needs	599	1.4%	599	1.4%	599	1.4%
g) Extension of phase-out	419	1.0%	419	1.0%	419	1.0%
h) Permanent Crisis Response Window (including SDR329 million for Haiti)	2,000	4.8%	2,000	4.8%	2,000	4.8%
i) Regional projects scale up	374	0.9%	449	1.1%	524	1.3%
Nominal Increase over Original IDA15 (I+ II)	**3,322**	**8.0%**	**5,544**	**13.3%**	**7,547**	**18.1%**
Total IDA16 Financing Needs	**45,012**		**47,234**		**49,237**	

Note:

1/ The IDA16 scenario US$ amounts are based on the 5-month average exchange rate (1 Apr 2010 to 31 Aug 2010) of US$/SDR=1.49774. This reflects the difference in the conversion of the original IDA15 envelope from IDA15 reference exchange rate of SDR1=US$1.52448 to the IDA16 exchange rate of SDR1=US$1.49774.

2/ IDA15 arrears clearance funds are netted out of the original IDA15 envelope, while estimated IDA16 arrears clearance costs are added to IDA16 as additional special needs. The entire IDA15 arrears clearance set-aside was deployed to fund the pilot Crisis Response Window in IDA15.

ANNEX 2

Table A: Updated IDA16 Financing Framework (SDR million)

Source of Funds	IDA15 Original [a/]	IDA16 Financing Framework: Lower Scenario		Preferred Scenario		Higher Scenario	
I. TOTAL DONOR RESOURCES	**20,657**	**20,325**	*-1.6%*	**21,809**	*+5.6%*	**23,147**	*+12.1%*
Donor basic contributions	14,537	14,966	*+2.9%*	16,450	*+13.2%*	17,787	*+22.4%*
Supplemental contributions	91						
Donor compensation for HIPC (FY12-14)	1,138	1,387		1,387		1,387	
Donor financing of arrears clearance operations	742	400		400		400	
Donor compensation for grant principal forgone	-	60		60		60	
Total Donor Contributions	**16,509**	**16,813**	*+1.8%*	**18,297**	*+10.8%*	**19,635**	*+18.9%*
Donor compensation for MDRI (FY20-22)	2,182	2,558		2,558		2,558	
Donor compensation for MDRI carry forward (pre FY20)	1,966	954		954		954	
Total MDRI Compensation	**4,148**	**3,512**	*-15.3%*	**3,512**	*-15.3%*	**3,512**	*-15.3%*
II. TOTAL INTERNAL RESOURCES	**6,690**	**9,727**	*+45.4%*	**9,727**	*+45.4%*	**9,727**	*+45.4%*
Internal Reflows	4,132	6,575		6,575		6,575	
IBRD Transfers	1,279	1,313		1,313		1,313	
IFC Transfers	1,279	*[tbd]*		*[tbd]*		*[tbd]*	
Potential Additional Financing:							
Hardening of lending terms		1,314		1,314		1,314	
Acceleration		526		526		526	
Total Financing Framework	**27,347**	**30,053**	*+9.9%*	**31,537**	*+15.3%*	**32,874**	*+20.2%*

Notes:
Amounts may not add up due to rounding
a/ Original IDA15 Financing Framework as agreed at the start of IDA15.

Table B: Total Target Volume of Donor Basic Contributions for IDA16[a/] (SDR million)

Based on IDA15 regular burden shares	IDA16 Financing Framework: Lower Scenario	Preferred Scenario	Higher Scenario
Regular donor contributions			
Net amount of resources required i.e. 79.8% after the structural financing gap.	14,966	16,450	17,787
1) Under the current IDA15 burden shares, in order to achieve "full" (100%) basic contribution funding, IDA15 burden shares would need to be compared to a target volume (i.e. basic contribution required / 79.8%)	*18,754*	*20,614*	*22,290*
2) Under the indicative rescaled IDA15 burden shares, in order to achieve "full" (100%) basic contribution funding, IDA15 burden shares would need to be compared to a lower target volume (i.e. basic contribution required / 95%)	*15,753*	*17,315*	*18,723*

a/ The volume of donor financing required for IDA16 is expressed net of the structural financing gap that currently exists in donors' IDA burden shares. This means that this is the amount of financing that needs to actually be paid by the donors' so as to enable IDA to reach the level of donor contributions included in the scenario. For IDA15, the burden shares of donors' regular contributions summed to only 79.8 percent. For IDA16, if donors choose to apply the same regular burden shares as in IDA15, this target funding would need to be scaled up to account for this gap. As an example, under the Preferred Scenario, if a donor's IDA15 burden share was 2 percent, the basic contribution for IDA16 would be SDR412.28 million (SDR20,614 million*0.02). Under the indicative rescaled burden shares, the donor's burden share would be 2.381 percent. Therefore, the basic contribution would continue to be the same at SDR412.28 million, but the target funding level would be adjusted (SDR 17,315 * .02381).

Table C: Updated IDA16 Financing Framework
(US$ eq. billion)

Source of Funds	IDA15	IDA16 Financing Framework					
	Original [a/]	Lower Scenario		Preferred Scenario		Higher Scenario	
I. TOTAL DONOR RESOURCES	**31.5**	**30.4**	*-3.3%*	**32.7**	*+3.7%*	**34.7**	*+10.1%*
Donor basic contributions	22.2	22.4	*+1.1%*	24.6	*+11.2%*	26.6	*+20.2%*
Supplemental contributions	0.1	-		-		-	
Donor compensation for HIPC (FY12-14)	1.7	2.1		2.1		2.1	
Donor financing of arrears clearance operations	1.1	0.6		0.6		0.6	
Donor compensation for grant principal forgone	-	0.1		0.1		0.1	
Total Donor Contributions	**25.2**	**25.2**	*+0.1%*	**27.4**	*+8.9%*	**29.4**	*+16.8%*
Donor compensation for MDRI (FY20-22)	3.3	3.8		3.8		3.8	
Donor compensation for MDRI carry forward (pre FY20)	3.0	1.4		1.4		1.4	
Total MDRI Compensation	**6.3**	**5.3**	*-16.8%*	**5.3**	*-16.8%*	**5.3**	*-16.8%*
II. TOTAL INTERNAL RESOURCES	**10.2**	**14.6**	*+43.8%*	**14.6**	*+43.8%*	**14.6**	*+43.8%*
Internal Reflows	6.3	9.8		9.8		9.8	
IBRD Transfers	1.9	2.0		2.0		2.0	
IFC Transfers	1.9	*[tbd]*		*[tbd]*		*[tbd]*	
Potential Additional Financing:							
Hardening of lending terms		2.0		2.0		2.0	
Acceleration		0.8		0.8		0.8	
Total Financing Framework	**41.7**	**45.0**	*+8.0%*	**47.2**	*+13.3%*	**49.2**	*+18.1%*

Notes:

Amounts may not add up due to rounding

IDA16 scenario US$ amounts based on the 5 month average exchange rate (1-Apr-10 to 31-Aug-10) of US$/SDR 1.49774

a/ Original IDA15 Financing Framework as agreed at the start of IDA15.

ANNEX 3

Update to the Case-by-Case Extension of the Phase-out Period for Post Conflict and Re-engaging Countries

1. At the second IDA16 replenishment meeting in Bamako, IDA Deputies considered two options for extending the phase out period for post conflict and re-engaging countries: a uniform extension for all countries, or a case-by-case approach where extension is granted to countries against a specified set of criteria. While Deputies broadly endorsed the case-by-case approach, they requested that Management further refine the criteria for a case-by-case extension (in particular criterion iii) and provide a cost update of this approach at the next replenishment meeting.

2. As presented in the PBA Paper,[28] the proposed criteria for a case-by-case extension were: (i) limited economic status and financing options as measured by GNI per capita (that is less than the IDA operational cutoff) or lack of access to IBRD financing; (ii) the presence of clear factors slowing down the transition, most notably a resurgence or continuation of conflict in parts of the country; and (iii) continued exceptional treatment by other MDBs (as demonstrated, for example, by special allocation) in recognition of the country's special development needs. The decision rule would be NOT to extend a country's phase out period if the first condition is not met; and to extend the country's phase out period if it meets the first condition plus at least one of the other two conditions.

3. IDA Deputies requested Management to revisit the third criterion—"continued exceptional treatment by other MDBs"—with a view to proposing an alternative criterion that better captures the circumstances of these countries. In addition, some Deputies requested that the second criterion be refined in order that it could be made more objective and measurable. This rest of this annex responds to these requests.

(i) Replacement of the Third Criterion by a New Criterion (Portfolio Performance)

4. **Management proposes to replace the third criterion by a new criterion--portfolio performance.** This would be measured by the IDA portfolio performance rating, averaged over the last three years where the threshold for extension would be at least 3.0. This criterion would enable to capture the effectiveness of continued exceptional IDA funds, either in development or peace-building terms, as reflected in the overall implementation health of the portfolio. A serious deterioration in portfolio quality (with a threshold average of less than 3.0) would be one of the considerations that would prevent extension of special assistance in an environment where existing IDA resources may not be effectively used. The portfolio performance criterion could also help provide incentives for country authorities and the Bank teams to focus on improving portfolio implementation and effectiveness on the ground.

5. The application of this criterion to the existing set of post conflict and re-engaging countries would mean that Eritrea and Timor-Leste would be the only two countries whose phase-out period would not be extended using this criteria (see Table A1). The rest of the countries would be potentially eligible for extension provided they meet the basic income and financing options criterion (i.e. criterion i).

[28] Refer to "IDA's Performance Based Allocation System: Review of the Current System and Key Issues for IDA16", IDA Resource Mobilization Department, May 2010, pp. 16-20

Table A1. IDA Portfolio Rating for Post Conflict and Reengaging Countries, Average 2007-09

	Average 2007-09 IDA portfolio rating	Extension if based solely on this criterion?
Post-conflict countries		
Afghanistan	3.2	Yes
Angola	3.7	Yes
Burundi	3.3	Yes
Congo, DR	3.0	Yes
Congo, Republic of	3.2	Yes
Côte d'Ivoire	3.2	Yes
Eritrea	2.7	No
Liberia	3.2	Yes
Timor-Leste	2.8	No
Re-engaging countries		
Central African Republic	4.0	Yes
Haiti	3.3	Yes
Togo	3.3	Yes

(ii) Refinement of the Second Criterion by Including the Presence of UN Peacekeeping Forces

6. **Management proposes to further refine the second criteria by using the presence or absence of the UN peacekeeping forces in a country as a verifiable indicator.** While the second criterion intends to capture the "authorizing environment" for the Bank in extending the phase-out period on a case-by-case basis, it would at the same time be important to seek, as much as possible, an indicator that is objective and unambiguous, and allows for some degree of measurability. Recognizing that there is no perfect metric that would achieve multiple objectives, one possible indicator to use would be the UN stance in a country—i.e. the presence or absence of UN Security Council mandates for peace-keeping forces (with the exclusion of border monitoring missions). While a number of other approaches could potentially be considered—e.g. conflict related deaths in relation to the population of the conflict affected areas of the country (international databases have this information), and/or the presence of significant areas of the country where development assistance is not possible, etc.--the 'presence of peace-keeping forces' indicator may be the simplest and most verifiable indicator. Such a metric would also be consistent with the Bank's definition of fragile situations.

7. The application of this indicator would mean that five countries—Angola, Burundi, the Republic of Congo, Eritrea, and Togo—lack the presence of the UN peacekeeping forces and therefore would not be eligible for further extension using this criterion.[29] The rest of the countries meet this criterion and would be potentially eligible for extension provided they meet the basic income and financing options criterion (i.e. criterion i).

[29] See http://www.un.org/en/peacekeeping/currentops.shtml#africa for current data on presence of the UN Peacekeeping missions around the world.

(iii) Summary: Updated Extension Decisions and Costs for the IDA16 Period

8. **Overall, based on the revised criteria, four countries—Angola, Congo Republic, Eritrea and Timor-Leste—would not meet the conditions for extension of their phase out period.** The rest of the countries—Afghanistan, Burundi, Congo DR, Central African Republic, and Togo—would meet the criteria for further extension during IDA16 (Table A2). Based on the country performance parameters used in FY11 allocations, the estimated financial cost of this case-by case approach for the IDA16 period is about SDR280 million, slightly lower than the SDR330 million contained in the financing scenarios presented at the Bamako meeting. This update cost estimate is also what is included in the updated demand for IDA resources scenarios during IDA16.

Table A2. Application of the Revised Phase Out Extension Criteria to Current Post Conflict and Reengagement Countries

Country	Criterion (i): Limited income & financing options as measured by GNI per capita under IDA operational cutoff or lack of access to IBRD?	Criterion (ii): Continuation of conflict as measured by the presence of a UN peacekeeping mission?	Criterion (iii): Effectiveness of use of IDA resources as measured by IDA portfolio rating at above 3.0 over the last 3 years?	Extension Decision 1/	Estimated incremental cost of extension in IDA16 (SDR million)
Post-conflict countries					
Afghanistan	Yes	Yes	Yes	Extend	38
Angola	No	No	No	Do not extend	NA
Burundi	Yes	No	Yes	Extend	40
Congo, DR	Yes	Yes	No	Extend	185
Congo, Republic of	No	No	No	Do not extend	NA
Côte d'Ivoire 2/	Yes	Yes	Yes	NA	NA
Eritrea	Yes	No	No	Do not extend	NA
Liberia 2/	Yes	Yes	Yes	NA	NA
Timor-Leste	No	Yes	No	Do not extend	NA
Re-engaging countries					
Central African Republic	Yes	Yes	Yes	Extend	3
Haiti 2/	Yes	Yes	Yes	NA	NA
Togo	Yes	No	Yes	Extend	13
Total cost of case-by-case extension of the phase out period during the IDA16 period					280

Notes:

1/ The extension decision is based on having met criterion (i) and at least one of criterion (ii) or (iii).

2/ "NA" indicates "not applicable". The decision as to whether to extend the phase out is not under consideration for Côte d'Ivoire and Liberia because they do not need extension during the IDA16 period; and for Haiti because its phase out period ends in FY11, and a separate financing proposal is being presented for the IDA16 period.

Source: IDA Resource Mobilization Department, staff estimates.

ANNEX 4

Indicative Rescaled Burden Shares to Reduce/Eliminate the Structural and Financing Gaps Based on Contributions to IDA15

Contributing Members	Basic Contributions Share to IDA15	*Contribution Share Rescaled*	HIPC Costs Share to IDA15	*Contribution Share Proportionally Scaled Up*	Arrears Clearance Share to IDA15	*Contribution Share Proportionally Scaled Up*	Forgone Grant Principal Share to IDA15/1	*Contribution Share Proportionally Scaled Up*	MDRI Share to IDA15/2	*Contribution Share Proportionally Scaled Up*
Australia	1.80%	*2.14%*	1.61%	*1.70%*	1.61%	*1.89%*	1.61%	*1.70%*	1.61%	*1.75%*
Austria	1.56%	*1.86%*	0.86%	*0.91%*	0.86%	*1.01%*	0.86%	*0.91%*	0.78%	*0.85%*
Barbados	0.002%	*0.00%*	0.002%	*0.002%*	0.002%	*0.002%*	0.002%	*0.002%*	0.000%	*0.000%*
Belgium	1.55%	*1.85%*	1.71%	*1.80%*	1.71%	*2.00%*	1.71%	*1.80%*	1.55%	*1.68%*
Brazil	0.61%	*0.73%*	0.67%	*0.71%*	0.67%	*0.78%*	0.67%	*0.71%*	0.00%	*0.00%*
Canada	3.98%	*4.74%*	4.14%	*4.37%*	4.14%	*4.85%*	4.14%	*4.37%*	3.91%	*4.25%*
China	0.10%	*0.12%*	0.10%	*0.11%*	0.10%	*0.12%*	0.10%	*0.11%*	0.00%	*0.00%*
Cyprus	0.02%	*0.02%*	0.02%	*0.02%*	0.02%	*0.02%*	0.02%	*0.02%*	0.02%	*0.02%*
Czech Republic	0.05%	*0.06%*	0.06%	*0.06%*	0.06%	*0.07%*	0.06%	*0.06%*	0.05%	*0.05%*
Denmark	1.08%	*1.29%*	1.21%	*1.28%*	1.21%	*1.42%*	1.21%	*1.28%*	1.74%	*1.89%*
Egypt	0.006%	*0.01%*	0.01%	*0.01%*	0.01%	*0.01%*	0.01%	*0.01%*	0.00%	*0.00%*
Estonia	0.01%	*0.01%*	0.01%	*0.01%*	0.01%	*0.01%*	0.01%	*0.01%*	0.00%	*0.00%*
Finland	0.94%	*1.11%*	0.66%	*0.70%*	0.66%	*0.77%*	0.66%	*0.70%*	0.60%	*0.65%*
France	6.49%	*7.72%*	6.62%	*6.99%*	6.62%	*7.76%*	6.62%	*6.99%*	6.17%	*6.71%*
Germany	7.11%	*8.47%*	11.37%	*12.00%*	1.97%	*2.31%*	11.37%	*12.00%*	9.90%	*10.76%*
Greece	0.24%	*0.29%*	0.13%	*0.14%*	0.13%	*0.15%*	0.13%	*0.14%*	0.13%	*0.14%*
Hungary	0.06%	*0.07%*	0.07%	*0.07%*	0.07%	*0.08%*	0.07%	*0.07%*	0.06%	*0.07%*
Iceland	0.04%	*0.05%*	0.04%	*0.04%*	0.04%	*0.05%*	0.04%	*0.04%*	0.04%	*0.04%*
Ireland	0.43%	*0.51%*	0.20%	*0.21%*	0.20%	*0.23%*	0.20%	*0.21%*	0.20%	*0.22%*
Israel	0.07%	*0.08%*	0.11%	*0.12%*	0.11%	*0.13%*	0.11%	*0.12%*	0.00%	*0.00%*
Italy	3.80%	*4.52%*	3.80%	*4.01%*	3.80%	*4.45%*	3.80%	*4.01%*	3.96%	*4.30%*
Japan	9.28%	*11.05%*	16.00%	*16.88%*	16.00%	*18.74%*	16.00%	*16.88%*	13.17%	*14.32%*
Korea	0.91%	*1.08%*	1.00%	*1.06%*	1.00%	*1.17%*	1.00%	*1.06%*	0.91%	*0.99%*
Kuwait	0.18%	*0.21%*	0.15%	*0.16%*	0.15%	*0.18%*	0.15%	*0.16%*	0.15%	*0.16%*
Latvia	0.01%	*0.01%*	0.01%	*0.01%*	0.01%	*0.01%*	0.01%	*0.01%*	0.01%	*0.01%*
Lithuania	0.01%	*0.01%*	0.01%	*0.01%*	0.01%	*0.01%*	0.01%	*0.01%*	0.00%	*0.00%*
Luxembourg	0.19%	*0.22%*	0.18%	*0.19%*	0.18%	*0.21%*	0.18%	*0.19%*	0.10%	*0.11%*
Mexico	0.05%	*0.06%*	0.06%	*0.06%*	0.06%	*0.07%*	0.06%	*0.06%*	0.00%	*0.00%*
Netherlands	3.00%	*3.57%*	2.87%	*3.03%*	2.87%	*3.36%*	2.87%	*3.03%*	2.87%	*3.12%*
New Zealand	0.12%	*0.14%*	0.13%	*0.14%*	0.13%	*0.15%*	0.13%	*0.14%*	0.13%	*0.14%*
Norway	1.46%	*1.74%*	1.68%	*1.77%*	1.68%	*1.97%*	1.68%	*1.77%*	1.68%	*1.83%*
Poland	0.03%	*0.04%*	0.03%	*0.03%*	0.03%	*0.04%*	0.03%	*0.03%*	0.03%	*0.03%*
Portugal	0.20%	*0.24%*	0.22%	*0.23%*	0.22%	*0.26%*	0.22%	*0.23%*	0.22%	*0.24%*
Russia	0.25%	*0.30%*	0.09%	*0.09%*	0.09%	*0.11%*	0.09%	*0.09%*	0.09%	*0.10%*
Saudi Arabia	0.22%	*0.26%*	0.43%	*0.45%*	0.43%	*0.50%*	0.43%	*0.45%*	0.39%	*0.42%*
Singapore	0.08%	*0.10%*	0.08%	*0.08%*	0.08%	*0.09%*	0.08%	*0.08%*	0.14%	*0.15%*
Slovak Republic	0.01%	*0.01%*	0.01%	*0.01%*	0.01%	*0.01%*	0.01%	*0.01%*	0.01%	*0.01%*
Slovenia	0.03%	*0.03%*	0.03%	*0.03%*	0.03%	*0.04%*	0.03%	*0.03%*	0.03%	*0.03%*
South Africa	0.09%	*0.11%*	0.09%	*0.09%*	0.09%	*0.11%*	0.09%	*0.09%*	0.09%	*0.10%*
Spain	3.00%	*3.57%*	1.99%	*2.10%*	1.99%	*2.33%*	1.99%	*2.10%*	1.99%	*2.16%*
Sweden	2.96%	*3.52%*	2.89%	*3.05%*	2.89%	*3.39%*	2.89%	*3.05%*	2.89%	*3.14%*
Switzerland	2.10%	*2.50%*	2.10%	*2.22%*	2.10%	*2.46%*	2.10%	*2.22%*	2.43%	*2.64%*
Turkey	0.06%	*0.07%*	0.00%	*0.00%*	0.00%	*0.00%*	0.00%	*0.00%*	0.00%	*0.00%*
United Kingdom	14.39%	*17.13%*	11.19%	*11.81%*	11.19%	*13.11%*	11.19%	*11.81%*	13.82%	*15.02%*
United States	11.24%	*13.38%*	20.12%	*21.23%*	20.12%	*23.57%*	20.12%	*21.23%*	20.12%	*21.87%*
Sub-Total	79.80%	*95.00%*	94.76%	*100.00%*	85.36%	*100.00%*	94.76%	*100.00%*	91.99%	*100.00%*
Structural Financing Gap	20.20%	*5.00%*	5.24%	*0.00%*	14.64%	*0.00%*	5.24%	*0.00%*	8.01%	*0.00%*
Total	100.00%	*100.00%*	100.00%	*100.00%*	100.00%	*100.00%*	100.00%	*100.00%*	100.00%	*100.00%*

/1 Donor burden shares for compensation to cover forgone principal from grants are based on donors' burden shares for their HIPC contributions.

/2 MDRI burden shares are based on donors burden shares agreed for the period FY17-44.