



IDA15

IDA'S LONG-TERM FINANCIAL CAPACITY

**International Development Association
Resource Mobilization (FRM)**

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ABBREVIATIONS AND ACRONYMS

DDP	World Bank Development Data Group
DECPG	World Bank Development Prospects Group
GDP	Gross Domestic Product
GNI	Gross National Income
HIPC	Heavily Indebted Poor Country
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFC	International Finance Corporation
IoC	Instrument of Commitment
MDRI	Multilateral Debt Relief Initiative
SDR	Special Drawing Rights

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EXECUTIVE SUMMARY

- 1. Since the inception of IDA, replenishment resources have increased from USD 1 billion in 1960 to USD 33 billion in IDA14,** rising by about 6 percent per year in real financial terms. Over more than two decades, however, IDA's real growth has been about flat. Donors provided 71 percent of IDA's resources to date, complemented by internal resources (23 percent, mostly credit reflows), contributions from IBRD and, most recently, a contribution from the IFC.
- 3. Debt relief and grants have lowered IDA's internal financing capacity, increasing IDA's and poor countries' reliance on future donor contributions.** Donors have provided commitments to replace, over time, IDA's forgone credit reflows due to debt relief and grants. In the context of the MDRI, donors also set a baseline for their future financial support to IDA so as to establish the additionality of their compensatory contributions for debt relief costs. With full – and additional – donor compensation, in addition to donors' baseline contributions, IDA's supply of resources could remain about constant in real terms into the future.
- 4. Country graduations from IDA could free up considerable resources for other IDA recipients over time.** Since the inception of IDA, 23 countries have graduated from IDA on a net basis. Scenario analysis shows that a number of further countries – primarily at the higher end of the income range – could graduate from IDA over the next two decades, potentially freeing up some 30-40 percent of IDA's financial allocations. As a result, assuming that donors contribute according to the baseline, with full and additional compensation for debt relief and grants, IDA's supply of resources to those countries that would remain within IDA over the long term could increase by about 2 percent per year in real terms. This compares with a historical real growth rate of IDA's allocations of about 6 percent per year.
- 5. Net financial transfers by IDA to recipient countries are highly positive, currently representing 70 percent of IDA's gross disbursements.** Scenario analysis suggests that net transfers of IDA could remain highly positive over the foreseeable future for those countries remaining eligible for IDA's assistance, especially to countries in the Africa and South Asia regions and to the poorest IDA countries.
- 6. Donor financing for IDA15 would need to reflect the increasing compensatory financing needs due to the HIPC Initiative and the MDRI.** Under the donor baseline established in the context of the MDRI, donors would keep their future regular contributions stable in real SDR terms, at the level of IDA14, resulting in an IDA15 baseline amount of about USD 16.1 billion. Current estimates of HIPC financing needs over the IDA15 period would add USD 2.2 billion. For the MDRI, donors have recognized the need to provide firm financing commitments on a rolling 10-year basis so as to maintain IDA's advance commitment capacity, which is based on future credit reflows. The MDRI adds USD 6.1 billion of financing needs for IDA15, affecting primarily those donors that have not yet provided firm MDRI financing over the first decade. Total donor financing for IDA15, on this basis, could amount to about USD 24.5 billion. However, these are illustrative figures only and are not to be seen as scenarios. The financing needs of poor countries during IDA15 will be reviewed by IDA Deputies during the course of the IDA15 discussions.

IDA'S LONG-TERM FINANCIAL CAPACITY

I. INTRODUCTION

1. At the IDA14 Mid-term Review on November 20-21, 2006, Deputies requested a review of IDA's financial position, including analysis of the long-term impact of debt relief and grants on IDA's financial capacity. Furthermore, during the replenishment discussions for the Multilateral Debt Relief Initiative (MDRI), Deputies agreed to review the donor financing status for the MDRI as "a priority item on the agenda for the IDA15 discussions in 2007".¹ Along with a companion paper on the status of MDRI debt relief provided by IDA and donor financing received to date², this paper responds to these requests.³

2. The paper is organized as follows: Section II summarizes IDA's financial history and the various sources of funding that back IDA's financing commitments for credits, grants and guarantees. Section III illustrates IDA's future financing capacity on a going concern basis, assuming continued replenishments by donors in the future. Section IV provides scenario analysis for future country graduations from IDA and, using this information, illustrates the hypothetical volume of available IDA assistance for countries remaining IDA-eligible in the future, including net financial transfers from IDA. Section V offers an outlook to IDA15 and illustrates the volume of donor financing under the MDRI baseline and the currently estimated costs related to HIPC and MDRI compensation.

3. The financial scenarios laid out in this paper are solely based on a set of financial assumptions, including about the level of future donor contributions to IDA and the rate of future economic growth of IDA-eligible countries. These scenarios are illustrative only, providing hypothetical volumes for the future supply of IDA's financial assistance based on the underlying assumptions set out in the paper. The scenarios do not represent an assessment of countries' future financing needs and demand for IDA's resources, or countries' absorptive capacity for development aid in the future.

II. FINANCIAL RESOURCES OF IDA

A. IDA's History and Purpose

4. The International Bank for Reconstruction and Development (IBRD), more commonly known as the World Bank ("the Bank"), was established in 1944 to help Europe recover from the devastation of World War II. The success of that enterprise led the World Bank, within a few years, to turn its attention to the emerging group of the newly independent and developing

¹ *IDA's Implementation of the Multilateral Debt Relief Initiative*, IDA/R2006-0042, March 17, 2006.

² See the companion paper prepared for the first IDA15 meeting: *MDRI: Update on Debt Relief by IDA and Donor Financing to Date*, February 2007.

³ A full presentation of IDA's financial structure and its financial policies is available in the following document: *Compendium of IDA Financial Policies*, Resource Mobilization Department, October 2006.

countries. In parallel, it became clear that the poorest developing countries needed softer lending terms than those that could be offered by the Bank, so they could afford to borrow the capital they needed to grow.

5. With the United States taking the initiative, a group of the Bank's member countries decided to set up an agency that could lend to the poorest countries on more favorable terms than those provided by the IBRD. They called the agency the "International Development Association." Its founders saw IDA as a way for the "haves" of the world to help the "have-nots." But they also wanted IDA to be run with the discipline of a bank. For this reason, the U.S. Government proposed, and other countries agreed, that IDA should be part of the World Bank. As a result, IDA was established in 1960 as a revolving fund, providing credits on concessional terms to the poorest countries (see also [Box 1](#)).

Box 1: IDA's Articles of Agreement - Article I: Purposes

"The purposes of the Association are to promote economic development, increase productivity and thus raise standards of those living in the less-developed areas of the world included within the Association's membership, in particular by providing finance to meet their important developmental requirements on terms which are more flexible and bear less heavily on the balance of payments than those of conventional loans, thereby furthering the developmental objectives of the International Bank for Reconstruction and Development (hereinafter called "the Bank") and supplementing its activities.

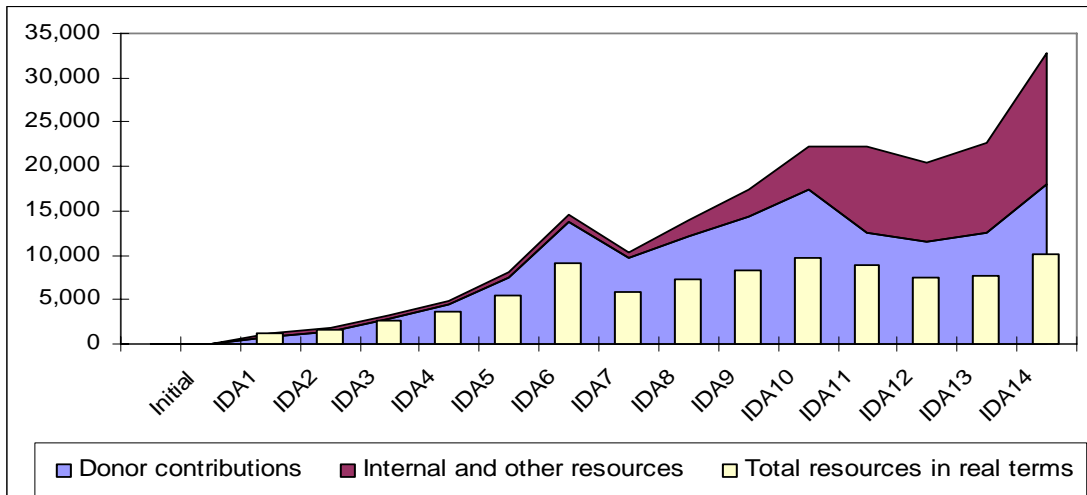
The Association shall be guided in all its decisions by the provisions of this Article."

B. Growth of IDA Over Time

6. The initial replenishment of IDA in 1960 provided USD 1.1 billion, including USD 900 million from donor resources and USD 210 million transferred from IBRD net income. Thereafter, subsequent replenishments of IDA took place, generally every three years, with total resources available for commitment increasing on average by 9.5 percent per year in nominal terms through IDA14 (FY06-08). IDA14 provides about USD 33 billion of concessional financial assistance over three years. Donor contributions have increased by about 9 percent per year in nominal terms over this 45-year period. In real financial terms⁴, IDA's supply of financial resources has increased by about 6 percent per year since the inception of IDA. Since IDA6 (FY81-84), however, the available resources for IDA have been about flat in real financial terms (see [Chart 1](#)).

⁴ Applying a constant discount rate of 3 percent per year in USD terms, and of 2 percent per year in SDR terms.

**Chart 1: Growth of IDA Since Inception, in Nominal and Real Terms
(per replenishment, USD equiv. million)**



C. Donor Contributions

7. Donor contributions are the main source of funding of IDA. Since the inception of IDA, donors have provided about USD 138 billion in contributions, accounting for 71 percent of total resources. Donors provide their contributions to IDA based on a burden sharing framework agreed for each new replenishment. The level of individual donor contributions depends primarily on a donor's capacity to contribute, which is reflected in the size and relative wealth of the economy; the country's fiscal situation and indebtedness; the strength of the donor's national currency vs. the SDR basket of currencies which IDA uses; individual donor preferences of allocating contributions between multilateral and bilateral aid; and broader, political considerations at any given time. Donors have in the past shown considerable flexibility in determining their contributions and, in a number of replenishments, provided more than their "fair" shares reflecting specific circumstances and priorities.

8. **Structural Financing Gap.** Over time, actual donor shares have reflected changing donor circumstances. Some donors have reduced their share without a compensating increase by other donors. This has created a "structural financing gap" in the burden sharing scheme, currently accounting for about 14 percent of total IDA14 donor financing. [Annex 1](#) shows contribution shares of each IDA donor, from the initial replenishment through IDA14, including the effective structural financial gaps.

9. **Status of IDA14 Contributions.** As of January 31, 2007, 35 out of 39 donors had submitted their Instruments of Commitment (IoCs) to IDA14. Except for Canada, Spain and the US, all donors had submitted unqualified IoCs. [Annex 2](#) shows the status of donor contributions to IDA14 in terms of IoCs submitted and installment payments made.

10. **Unpaid Contributions.** As of January 31, 2007, about USD 525 million of contributions remain unpaid from one donor, the United States.⁵ This amount includes unpaid contributions from IDA12 of USD 73 million, from IDA13 of USD 255 million (including incentive contributions of USD 248 million), and from IDA14 of USD 198 million.⁶ About USD 337 million of the unpaid amount of USD 525 million was provided through qualified IoCs that remain qualified.

D. Internal Resources of IDA

11. Since IDA's inception, internal resources have accounted for about USD 46 billion of IDA's funding, contributing 23 percent of total resources available to IDA. Principal repayments from borrowers are the most important component of internal resources. Other internal resources include investment income of IDA and a draw-down of IDA's liquid assets. Internal resources become available at the start of the replenishment period, upon approval by IDA's Board of Executive Directors. This enables a smooth transition between replenishments by providing the necessary commitment authority to finance IDA's operations prior to the availability of donor contributions and other resources. Internal resources also function as a stabilizing factor in view of changing volumes of donor contributions over time, helping to improve the predictability of IDA's assistance flows to poor countries over the long run.

12. **Credit Reflows.** IDA's credit reflows are composed of principal repayments and charge income. Principal repayments are applied to support new financing commitments of IDA, while charge income is used to cover IDA's allocated share of Bank administrative expenses. In view of the long maturity and the back-loaded amortization schedules of IDA's credits, and due to the historical growth of IDA over time, credit reflows have only started to become available in important volumes since about one decade ago, starting from IDA11.

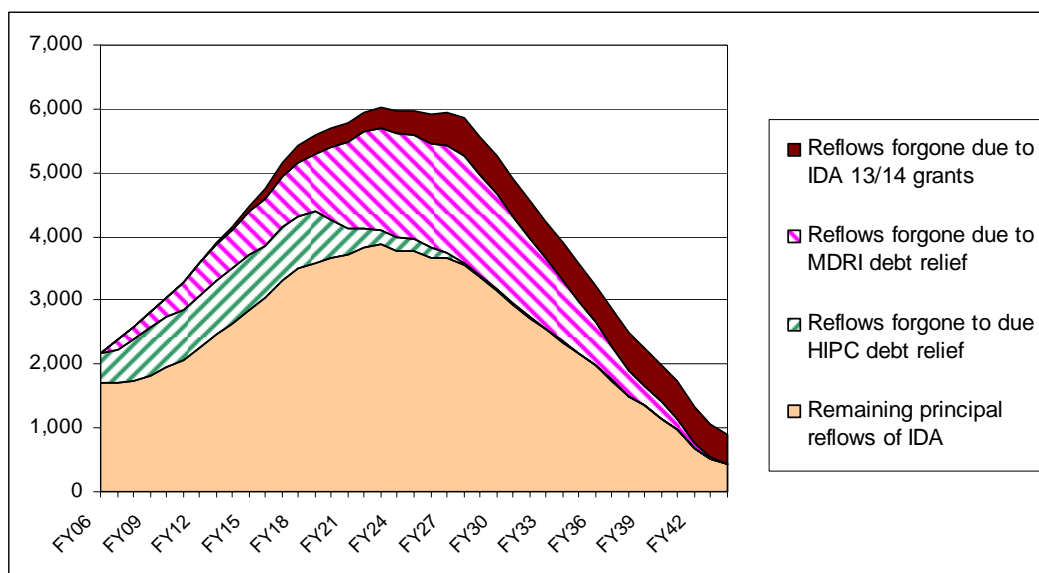
13. Based on credits extended under prior replenishments and in IDA14, and after the reduction of credit reflows due to IDA grants and debt relief, the profile of IDA's future credit reflows shows that IDA would not be able to sustain the current level of new commitments without fresh contributions from donors. Chart 2 shows the volume of available principal reflows over the next 40 years, in nominal USD equivalent terms. In FY07, available reflows on credit principal are about USD 1.7 billion, which compares with expected new commitments for credits and grants of USD 10-11 billion per year during the IDA14 period. While principal reflows of IDA, after the impact of HIPC and the MDRI, are still projected to increase over the next two decades, they would top out at about USD 4 billion per year, well below the current level of IDA's annual financing commitments.

14. On a going concern basis, IDA is assumed to benefit from replenishments by donors in the future. This would lead to additional lending by IDA and therefore to further credit reflows over the long-term. Section III illustrates this further.

⁵ The unpaid contributions of the United States have triggered pro-rata withholding of contributions in IDA12 and IDA13 by three other donors, for a combined volume withheld equivalent to about USD 71 million.

⁶ As of end-January 2007, the U.S. Congress was in the process of discussing a Continuing Resolution that would enable the U.S. Treasury to disburse to IDA in early 2007 a portion of the unpaid subscriptions and contributions due under IDA14.

**Chart 2: Principal Reflows of IDA, Based on Prior Replenishments and IDA14
(per year, nominal terms, USD equiv. million)**



15. **Other Internal Resources.** In addition to principal reflows, IDA’s expected future income on its liquid asset investments is also utilized to fund new replenishments. Investment income is dependent on IDA’s investment policy as well as market conditions.⁷ The primary investment objective is to provide a ready source of liquidity when needed by IDA to meet projected cash requirements due to disbursements on credits and grants and for administrative expenses. A second objective is to maximize investment returns, subject to risk limits, so as to generate investment income that would increase IDA’s internal resources available for future replenishments. Liquid assets are also used to manage IDA’s exposure to foreign exchange risks.

16. As of end-December 2006, IDA’s liquid assets totaled about USD 17 billion. Of this amount, nearly half (about USD 8 billion) represented accelerated contributions by donors who have provided cash payments to IDA ahead of time, before funds are required for disbursement on new credits and grants, often in return receiving payment discounts on their IDA contributions. IDA needs to invest these funds so as to earn sufficient income to recreate the full, required nominal flows from donors, based on the standard encashment profile for a given replenishment. Another USD 5.5 billion of liquid assets represented funds held for future disbursement on credits and grants approved under previous and the current replenishment. Returns on liquid assets of IDA have averaged about 4.5 percent over the past five years, and about 5 percent over the long term.

17. In addition to investment income, IDA has committed its stock of liquidity to support disbursements under new credits and grants, in particular in support of IDA13 and IDA14

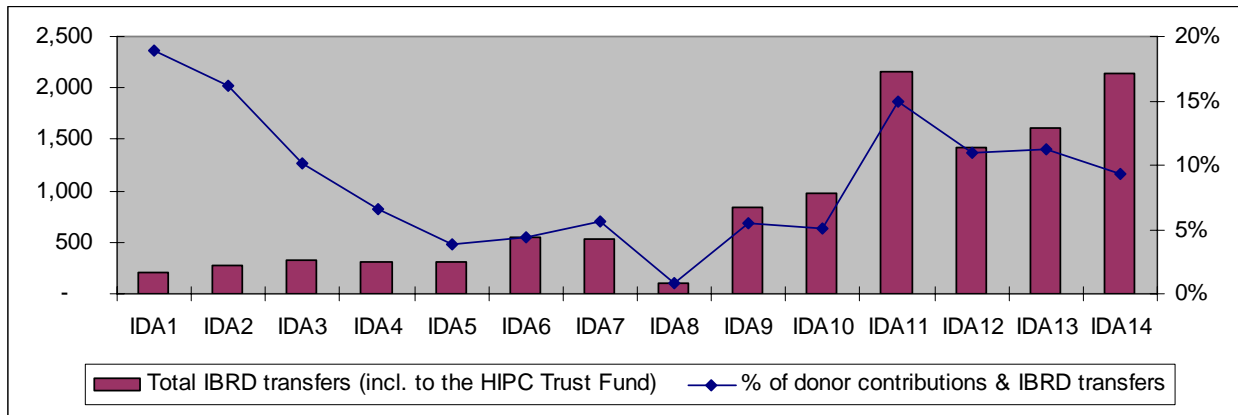
⁷ Refer to *IDA Investment Policy*, IDA/R2001-0006, January 10, 2001; and *Investment of IDA’s Liquid Assets: A Review*, AC2005 -0057, June 22, 2005.

commitments. As a result, liquidity is projected to decrease to a minimum prudent level over the next 10 years.⁸ This assumes conservatively that donors would not provide accelerated encashment of their contributions in future replenishments.

E. IBRD and IFC Resources

18. Since the inception of IDA, the IBRD has committed transfers amounting to about USD 11.7 billion from its net income and surplus account in support of IDA’s replenishments. This amount includes transfers of IBRD net income of USD 2.3 billion to the HIPC Trust Fund to help cover IDA’s cost of providing debt relief under the HIPC Initiative. Currently, IBRD financing represents about 9 percent of total donor contributions to IDA (see [Chart 3](#)). Moreover, in FY07, the IFC has approved a grant of USD 150 million to IDA in support of grant-financed private sector development projects in IDA countries.

Chart 3: IBRD Net Income Transfers to IDA, Since IDA Inception (USD equiv. million)



F. IDA’s Reported Total Resources

19. IDA annually prepares audited financial statements, complemented by unaudited statements every quarter. As of the end of FY06, IDA’s total applications of development resources (equivalent to total assets) were USD 102.9 billion⁹, down from USD 130.4 billion as the previous fiscal year. This large decline was primarily due to the USD 32.1 billion loss provision recorded representing the expected write-off of the principal component of debt relief to be delivered under the MDRI. This provision is in addition to the provision under the HIPC Initiative of USD 13.0 billion and has been recorded as a reduction of outstanding development credits and as a charge to income during this period.

⁸ The minimum prudential level of IDA’s liquidity is set at one third of annual gross disbursements on credits and grants over a rolling 3-year period. Refer to *Investment of IDA’s Liquid Assets: A Review*, AC2005 -0057, June 22, 2005.

⁹ IDA’s functional (reporting) currency for its financial statements is U.S. dollars. As more than 90 percent of IDA’s outstanding credits are denominated in SDR, a depreciation (appreciation) of the U.S. dollar vs. the SDR basket of currencies will increase (decrease) total reported resources of IDA.

III. FUTURE ASSISTANCE CAPACITY OF IDA

20. This section provides scenario analysis to illustrate IDA's hypothetical future financing capacity on a going concern basis, assuming continued replenishments by donors every three years into the future. These illustrative scenarios are solely based on underlying assumptions about the level of future donor contributions to IDA. They are provided to illustrate the impact of debt relief and grants on IDA's future financial capacity and the associated increased reliance of IDA and its client countries on donors' future financial support.

A. Core Financial Assumptions

21. **Need for a Long-term Horizon.** Simulations about IDA's potential future assistance capacity should encompass a long-term horizon, and they should reflect financial values in real terms. There are three considerations supporting this objective. First, IDA's regular credits have a very long maturity of 40 years and feature back-loaded repayment profiles. This implies that decisions about providing debt relief and offering IDA grants will have a long-term impact on IDA's future cash flows and its financial capacity, which will not become evident over the near term. Second, following Board approval, new IDA credits and grants generally disburse over an extended period of about a decade; therefore, the impact of new credit and grant commitments on IDA's level of liquid assets will not become visible over the near term either. And third, IDA's credits are extended free of interest, leading to a high level of embedded concessionality in view of the long repayment periods, so that financial values should be analyzed in real financial (i.e., present value) terms.

22. **Simulation Assumptions.** Financial simulations over a long-term horizon require the use of assumptions. Small differences in assumed growth rates, interest rates and forward foreign exchange rates could have an important impact on financial outcomes. The assumptions employed for IDA's financial simulations have evolved over time. The current set of assumptions is primarily anchored in agreements reached by donors in the context of the HIPC Initiative¹⁰ and the MDRI replenishment of IDA¹¹ – relating to compensation for IDA's forgone reflows due to debt relief; and in the context of the IDA13 and IDA14 replenishments – relating to the financing of forgone credit reflows due to IDA grants. Table 1 lists the current set of core assumptions.

23. **Impact of the MDRI.** The MDRI in particular has altered IDA's financing framework by cancelling future credit reflows (starting from FY07) that had already been firmly committed in advance under prior IDA replenishments (IDA11 through IDA14), and by lowering credit reflows that will become available to support future IDA replenishments. IDA operates as a

¹⁰ In IDA14, donors reaffirmed the intent of the Development Committee that HIPC costs should not damage IDA's finances (see: *Development Committee Communique*, dated September 27, 1999). In IDA14, donors also supported the arrangement whereby the IDA Deputies had agreed that the financing of IDA's HIPC debt relief costs would be addressed in 2004, in conjunction with the IDA14 replenishment discussions (see: *Chairman's Summary, HIPC Technical Meeting*, Paris, October 24, 2002).

¹¹ Refer to "IDA's Implementation of the Multilateral Debt Relief Initiative," IDA/R2006-0042, March 17, 2006, and also to "Additions to Resources: Financing the Multilateral Debt Relief Initiative," Resolution No. 211 adopted on April 21, 2006.

revolving fund, redeploying the reflows on its concessional credits for new credits and grants to poor countries. Debt relief reduces IDA's available credit reflows. Without additional, compensatory resources, poor countries would not actually benefit on a net basis from the debt relief provided, as IDA would need to reduce its financial support for these countries by the amount of debt relief that IDA has granted. Poor countries would, in effect, be 'financing their own debt relief'. At Gleneagles in 2005, donor governments pledged to avoid such an outcome. They committed to replace the lost credit reflows of IDA on a dollar-for-dollar basis, over a total period of 40 years. If donors live up to this long-term commitment in full, there would be no negative impact on IDA's long-term financial capacity to assist the world's poorest countries in the future. The core assumptions used in this section reflect this commitment by donors.

Table 1: Core Assumptions for IDA's Financial Simulations

Regular donor contributions in future IDA replenishments	Rising flow of new contributions, increasing by 2 percent per year (i.e., stable in real SDR terms), from the level of regular donor contributions in IDA14. This is the agreed donor baseline under the MDRI replenishment of IDA.
Debt relief costs	In addition to regular contributions , donors would cover 100 percent of HIPC & MDRI costs (both principal and forgone charges) through additional contributions in future replenishments, on a pay-as-you-go basis, without leaving a financing gap. Any future, additional debt relief to be provided by IDA would also be covered through additional donor contributions.
IDA grant costs	In addition to regular contributions , donors would finance foregone <u>principal reflows</u> due to grants through additional contributions in future replenishments, on a pay-as-you-go basis. Foregone <u>charge income</u> due to grants would be financed through volume discounts on IDA grants (as is the case for IDA14). Assumed is a grant share of 20%.
Non-accruals	Stable at the long-term average rate of 5 percent of the credit portfolio.
Credit charges	Fixed service charge of 75 basis points; commitment charge reset annually between 0 and 50 basis points, as required to cover any annual income gap.
Administrative expenses of IDA	Increasing by 3 percent per year in USD terms (in line with IBRD corporate assumptions), starting from the last year for which corporate projections are available.
Foreign exchange rates	Currency amounts are converted into SDR, based on forward market exchange rates.
IBRD transfers	Constant at USD 500 million per year.

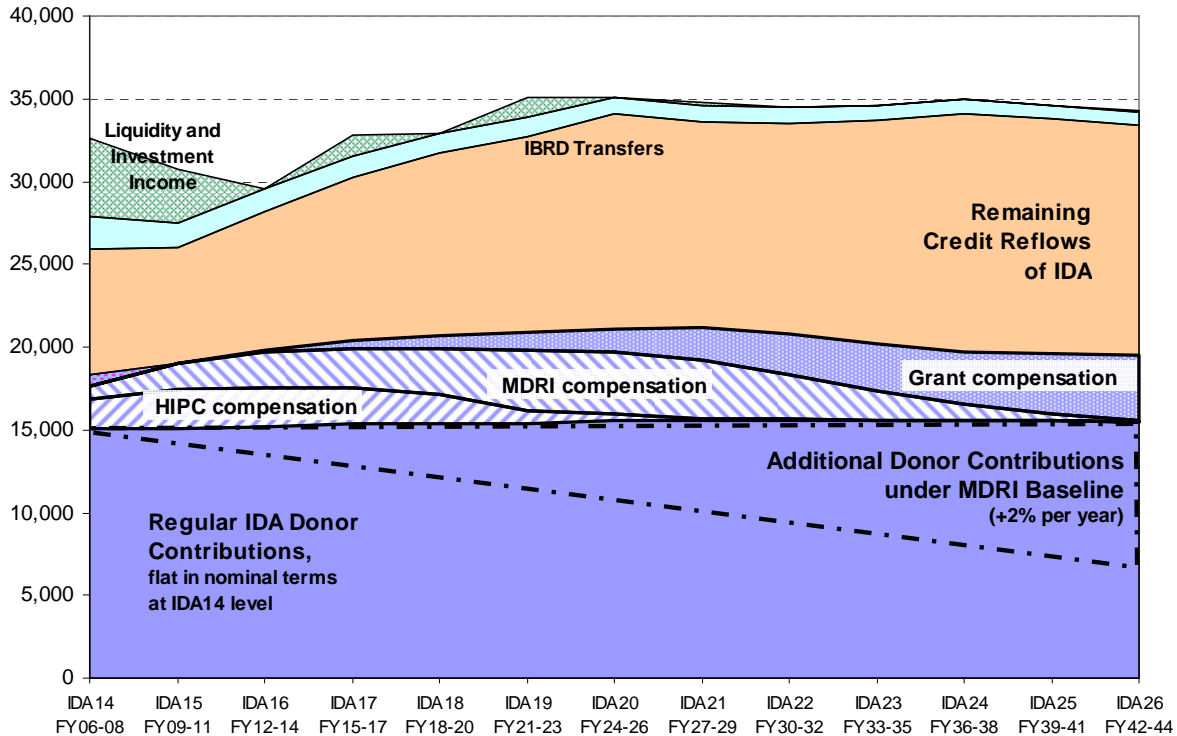
B. Simulation of Future Assistance Capacity

24. **Liquidity as the Binding Constraint.** IDA's future assistance capacity will depend on the volume of available future donor contributions and internal resources of IDA. The projected level of IDA's liquid assets becomes the binding constraint when projecting the commitment authority under future IDA replenishments: The objective is to avoid a negative level of

liquidity and, preferably, to maintain liquidity at or above a prudential minimum level.¹² Simulations about the future volume of IDA’s commitment capacity are, therefore, dependent on projections about the future level of IDA’s liquidity. The scenario shown in this section uses an optimization technique which maintains the level of future liquid assets of IDA at around the minimum prudential level by adjusting the volume of internal resources of IDA to be made available for each replenishment.

25. **Simulation Outcome.** Based on the above assumptions, IDA’s commitment capacity could increase by about 2 percent per year, over the next four decades, in nominal terms. In real financial terms, assuming a long-term inflation rate of 2 percent per year in SDR terms, IDA’s total commitment capacity would remain about constant over the next four decades (see [Chart 4](#)). As a result, IDA’s financial capacity would continue to remain at about the same level that has prevailed since IDA6.

Chart 4: Future Assistance Capacity, by IDA Replenishment, with Full Additional Compensation (real terms, USD equiv. million)



26. **Impact of Debt Relief and Grants.** Chart 4 illustrates the impact of debt relief and grants on IDA’s future credit reflows and total assistance capacity. As agreed in IDA14 and under the MDRI, donors would provide the required contributions, in addition to the baseline

¹² While IDA is allowed under its Articles to borrow, it does not do so as a matter of policy since market borrowing would entail a net financial cost, given that IDA charges no interest on its credits while it would need to pay market interest rates on borrowed funds, hence reducing IDA’s resources available for poor countries. Without access to borrowed funds, IDA needs to manage its level of liquidity so as to ensure that sufficient liquid funds are readily available for IDA to disburse against approved credits and grants.

established under the MDRI replenishment, to replace forgone credit reflows due to debt relief and grants on a pay-as-you-go basis. The impact of grants on lowering available credit reflows would only become apparent over the long term, which is due to the very long maturity and the back-loaded repayment schedule of regular IDA credits.¹³ Without full and additional compensation from the donors and without an increase of donors' regular contributions by 2 percent per year, IDA's commitment capacity would remain about flat in nominal terms into the future; in real financial terms, IDA's financial capacity would fall by about 2 percent per year, on average, or by more than 20 percent over a decade.

IV. GRADUATION SCENARIOS AND FUTURE NET TRANSFERS

A. Historical Country Graduations from IDA

27. Throughout IDA's history, 32 countries have graduated or have ceased to borrow from IDA. Nine of these countries have since "reverse graduated" or are currently IDA eligible countries, resulting in a total of 23 countries that have graduated from IDA on a net basis. [Table 2](#) lists these graduating countries and the fiscal year in which they received their last IDA credit.

Table 2: Countries that have Graduated from IDA, Since IDA Inception

Country	Year of Last IDA Credit	Year of Reverse-Graduation to IDA	Country	Year of Last IDA Credit	Year of Reverse-Graduation to IDA
Chile	FY61		Tunisia	FY77	
Colombia	FY62		Jordan	FY78	
Costa Rica	FY62		Thailand	FY79	
Nigeria	FY65	FY89	Honduras	FY80	FY91
Cote d'Ivoire	FY73	FY92	Indonesia	FY80	FY99
Dominican Republic	FY73		Cameroon	FY81	FY94
Korea	FY73		Nicaragua	FY81	FY91
Turkey	FY73		Congo	FY82	FY94
Botswana	FY74		Papua New Guinea	FY83	FY03
Ecuador	FY74		Zimbabwe	FY83	FY92
Syria	FY74		Eq. Guinea	FY93	
Mauritius	FY75		Philippines	FY93	
Morocco	FY75		St. Kitts	FY94	
Swaziland	FY75		China	FY99	
El Salvador	FY77		Egypt	FY99	
Paraguay	FY77		Macedonia FYR	FY02	

B. Illustrating Future Graduations from IDA

28. **Simulation Assumptions.** As further countries will graduate from IDA in the future, this will free up resources that could become available for other IDA countries. To illustrate potential country graduations over the next two decades, assumptions are required regarding IDA's eligibility criteria and the economic growth of IDA-eligible countries. For illustrating the potential distribution of IDA resources among countries that would remain within IDA, assumptions are needed about future IDA allocations. [Annex 3](#) lists these assumptions and

¹³ Regular IDA credits feature a maturity of 40 years, including 10 years of grace. Principal repayments are at 2 percent per year in years 11-20, increasing to 4 percent per year in years 21-40.

provides further detailed information about simulated future country graduations from IDA. Assumed is an increase in regular donor contributions by 2 percent per year, and also full and additional compensation by donors for credit reflows forgone due to debt relief and grants, as set out in Section III. The analysis in this paper is not intended to project the timing of expected graduations of individual countries from IDA; rather, it aims to provide a sense of magnitude of the potential volume of IDA's resources that could become available over time for redistribution to those countries expected to remain within IDA over the long term.

29. **Simulation Outcomes.** The scenario analysis shows that most of IDA's poorest borrowers – those with a 2006 GNI per capita of USD 600 or less – would remain eligible for IDA's assistance in the foreseeable future, over the next two decades. The poorest IDA countries would need to grow by more than 4 percent per year, in real terms, to graduate from IDA within the next 20 years.¹⁴ In contrast, at the higher end of the IDA country income range, all of the current IDA borrowers with a per capita income of USD 1,000 and above could potentially graduate from IDA over the next several years. They could free up as much as 8 percent of IDA's total allocated resources, and as early as during the IDA15-16 period.

30. Simulated graduations among IDA countries with a per capita income between USD 600 and 1,000 generate mixed outcomes, depending on the assumptions made about the projected future economic growth rates for each country. Many of these countries could potentially graduate from IDA over the next two decades, freeing up an additional 20-35 percent of IDA's total allocated resources by fiscal year 2029. In aggregate and across all IDA countries, the simulations show that between about 30 and 40 percent of IDA's total resources could potentially become available for redistribution due to future country graduations from IDA over the next two decades.

31. **Allocations for Countries Remaining in IDA.** Section III presented an illustrative scenario for IDA's future assistance capacity, assuming an increase in regular donor contributions by 2 percent per year and also additional compensation by donors for credit reflows forgone due to debt relief and grants. In this scenario, IDA's total supply of resources would remain about constant in real terms into the future. After possible country graduations from IDA, additional resources could become available to those countries that would remain IDA-eligible. As a result, IDA's country allocations to these countries could increase, on average, by about 2 percent per year in real terms into the future.

32. This outcome compares with a historical average, real growth rate of IDA's country allocations of about 6 percent per year, since the inception of IDA. Poor countries have been able to absorb these additional resources from IDA over time, reflecting their strengthening institutional capacity. The hypothetical country graduations from IDA over the next two decades would not free up sufficient incremental IDA resources to sustain the historical growth rate of IDA's assistance volumes, even after assuming an increase in regular donor contributions by 2 percent per year and additional compensation for debt relief and grants.

¹⁴ In comparison, the average, 10-year historical GNI per capita growth rate for this group of countries was about 1.7 percent, and the average 10-year future GNI per capita growth rate is not projected to exceed 2.7 percent.

C. Estimating Future Net Transfers

33. **Historical Net Transfers.** The net financial transfers of IDA to its borrowing members have always been highly positive. Net financial transfers are defined as annual gross disbursements to IDA countries on credits and grants, less annual borrower repayments of principal and charges. In aggregate, across all of IDA's recipient countries, net transfers of IDA were equivalent to about 90 percent of gross disbursements 20 years ago, in fiscal year 1985, and they equaled about 70 percent of gross disbursements during FY06.

34. Positive net transfers of IDA have been observed across all regions and income levels over the past two decades, with the highest positive net transfers being provided by IDA to countries in the Africa and South Asia regions. In recent years, many IDA countries have been further assisted by debt relief provided under the HIPC Initiative, which has increased IDA's net financial transfers in particular to the Africa region. Based on country income levels, the highest growth in net transfers by IDA has been to poor countries with a per capita income of less than USD 750, while IDA's net transfers to better-off countries have seen a gradual decline over time.

35. **Simulation Assumptions.** To illustrate the level of hypothetical net transfers of IDA over the next two decades, a model has been employed that is based on the simulated country graduations from IDA as set out in the prior sub-section. The following assumptions were used:

- *Growth of IDA:* IDA's total supply of development resources would increase by 2 percent per year in real terms. This reconciles with the rate of growth in IDA's allocations for those countries remaining in IDA over time, after country graduations;
- *Operational cutoff:* IDA's FY07 operational cut-off of USD 1,025 has been used. Four years of further IDA lending is assumed, after an IDA country reaches the operational cut-off, consistent with the country graduation simulations above; and
- *Debt relief:* Net transfers are expressed net of forgone reflows due to debt relief provided – or expected to be provided – under the HIPC Initiative and the MDRI.

36. **Simulation Outcomes.** With the increased debt relief provided by IDA, following implementation of the MDRI in FY07, the level of net financial transfers by IDA is expected to increase to approximately 75 percent of gross disbursements over the next several years. Thereafter, net transfers could decline gradually to about 50 percent of gross disbursements, by fiscal year 2020. This would be the result of a number of countries graduating and ceasing to receive new assistance from IDA. Net financial transfers of IDA would remain highly positive for the foreseeable future to those countries remaining eligible for IDA's assistance. These outcomes assume an increase in regular donor contributions by 2 percent per year and also additional compensation by donors for credit reflows forgone due to debt relief and grants, as set out in Section III. Higher (lower) donor contributions than assumed in Section III would lead to higher (lower) net financial transfers to IDA countries.

37. There is a to-be-expected shift of positive net transfers from non-African to African borrowers, as many African countries receive benefits under the HIPC Initiative and the MDRI, while many non-African countries would graduate from IDA over time (see [Chart 5](#)). The poorest IDA countries with a per-capita income of below USD 400 would continue to receive the

highest positive net transfers from IDA. Net transfers for countries with higher per-capita income would decline over time, as many of these countries are expected to graduate from IDA while continuing to repay their long-term concessional IDA credits (see [Chart 6](#)).

Chart 5: Historical and Hypothetical Net Transfers to IDA Countries, by Region (FY1985-2020, USD equiv. million)

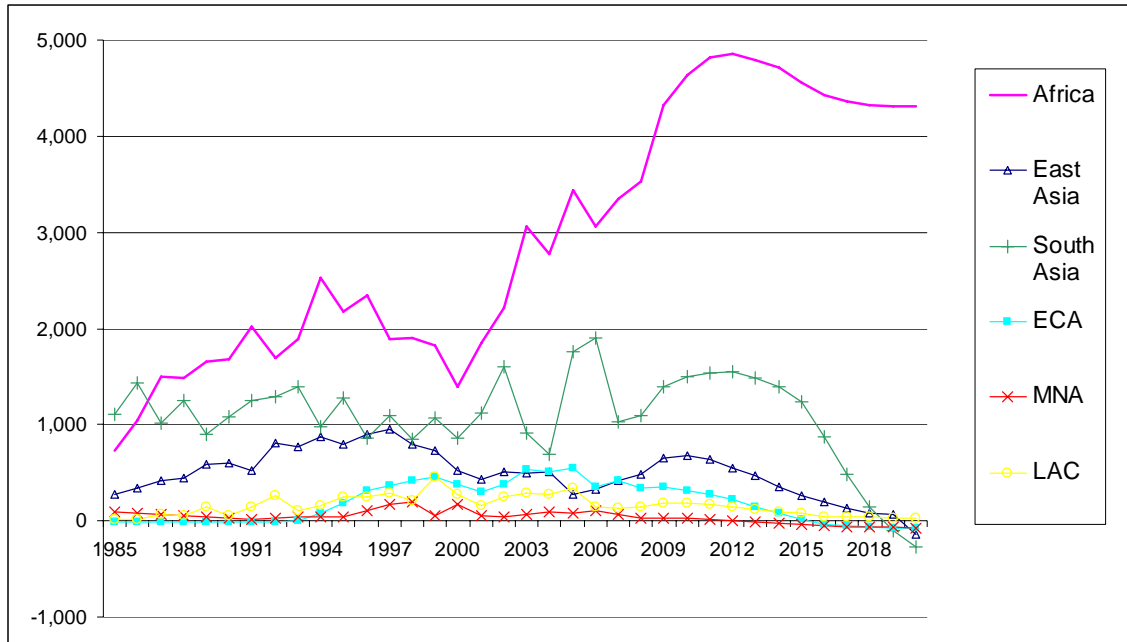
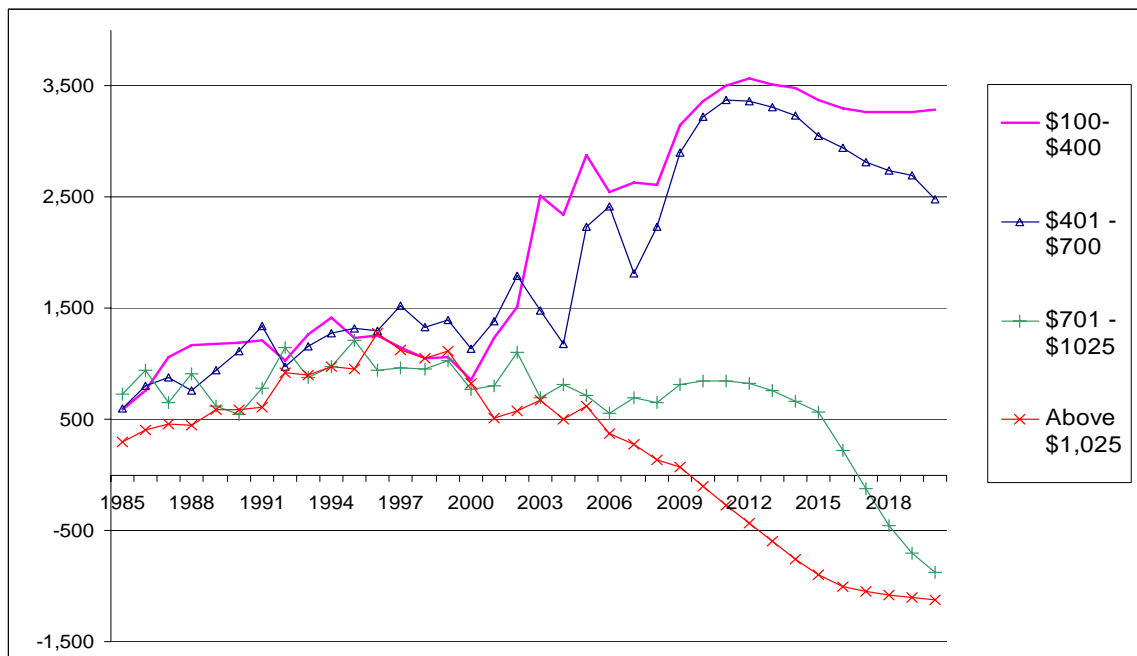


Chart 6: Historical and Hypothetical Net Transfers to IDA Countries, by Country Income Level (FY1985-2020, USD equiv. million)



V. OUTLOOK FOR IDA15

A. The MDRI Baseline

38. Under the recent replenishment of IDA's resources in conjunction with the MDRI, donors agreed to a contribution baseline so as to establish the additionality of donor financing of forgone credit reflows due to debt relief provided by IDA. This contribution baseline has been set at the volume of regular donor contributions to IDA14, to be maintained in real SDR terms during future replenishments. Assuming an inflation rate of 2 percent per year, regular contributions in IDA15 would increase by 6.12 percent over each donor's regular contributions to IDA14, in SDR terms.

39. In IDA14, regular donor contributions – excluding the structural financing gap and net of accelerated, supplemental and incentive contributions – amount to SDR 10.2 billion. Increasing this amount by 6.12 percent would lead to a baseline amount for regular contributions of SDR 10.8 billion in IDA15, equivalent to currently about USD 16.1 billion (see [Table 5](#)). This amount would continue to increase by the SDR inflation rate for subsequent replenishments.

B. Compensation for Grants, HIPC and MDRI Debt Relief

40. **Grants.** Donors committed to meet the ongoing costs to IDA over time from grants and debt relief under the HIPC Initiative and the MDRI. Regarding IDA grants, donors financed the forgone charges due to IDA13 grants by providing SDR 470 million during IDA14. For grants extended in IDA14, donors agreed to recover forgone charge income through the volume discount on grants. Donors agreed in IDA13 that the impact of grant financing should be explicitly treated in IDA's financial framework and that the costs due to forgone principal reflows should be compensated for by additional donor contributions in order to maintain IDA's financial capacity into the future. Consequently, donors committed in IDA14 to replace forgone principal reflows due to the making of grants over time, on a pay-as-you-go basis. IDA16 would be the first replenishment for the financing of forgone principal reflows due to IDA13 grants.

41. **HIPC Compensation.** Regarding IDA's cost of providing debt relief, IDA14 was the first replenishment in which donors started to finance forgone credit reflows due to the HIPC Initiative. Prior to IDA14, IDA's HIPC costs were primarily financed by transfers from IBRD net income to the HIPC Trust Fund. Under the current compensation arrangements, donor financing of HIPC costs occurs on a pay-as-you-go basis, over the 3-year commitment period of IDA replenishments.

42. Over the 3-year commitment period of IDA14 (FY06-08), IDA will forgo a currently estimated amount of USD 1,798 million of credit reflows due to the HIPC Initiative. After using remaining resources of USD 384 million from prior IBRD transfers to the HIPC Trust Fund, a balance of about USD 1,414 million of HIPC costs during FY06-08 would be financed by donor commitments received under IDA14 (see [Table 3](#)).

43. For the IDA15 period, HIPC costs of IDA are currently estimated at about USD 2,499 million. Required donor contributions in IDA15 to cover IDA's HIPC costs are projected at USD 2,220 million, after a carry-over amount of USD 279 million reflecting the projected reduction of the estimated HIPC costs during the IDA14 period.

**Table 3: Estimated HIPC Costs and Donor Financing in IDA14 and IDA15
(as of December 31, 2006)**

HIPC costs of IDA - current estimates	USD millions		
	<u>Original Estimate</u>	<u>Updated Estimate</u>	<u>Change</u>
IDA14 Commitment Period (FY06-08)			
HIPC costs of IDA	2,019	1,798	
Less: IBRD financing in HIPC Trust Fund	<u>(326)</u>	<u>(384)</u>	
Amount to be financed by donors	1,693	1,414	(279)
IDA15 Commitment Period (FY09-11)			
HIPC costs of IDA		2,499	
Less: Cost reduction during IDA14 period		<u>(279)</u>	
Amount to be financed by donors		2,220	

44. **MDRI Compensation.** To finance IDA's forgone credit reflows under the MDRI so as to provide financing additionality for poor countries receiving debt relief, donors established a separate MDRI replenishment, spanning four decades (FY07-44). In order to preserve IDA's advance commitment capacity – under which IDA uses its stream of expected future credit reflows to back disbursements on approved credits and grants – donors acknowledged the need to provide unqualified, firm MDRI financing commitments over a rolling decade, thereby matching the disbursement period of each future IDA replenishment. In implementation since FY07, the MDRI has cancelled future credit reflows of IDA that had already been firmly committed as available internal resources under the financing frameworks for IDA11 through IDA14. These cash reflows are now no longer available, prompting the need for firm compensatory financing commitments from the donors through the end of the IDA14 disbursement period.

45. For the period covered by IDA15 disbursements (FY09-19), additional and firm MDRI financing commitments that are equivalent to USD 6.1 billion would be required from the donors (see Table 4). This amount is estimated as follows below.

46. At the time of establishment of the MDRI replenishment, the original MDRI cost estimates for disbursements related to IDA14 and prior replenishments, during the period of FY07-16, equaled about USD 7.8 billion. Updated cost estimates for the MDRI suggest cost reductions over that period of about USD 1.0 billion, primarily due to the reduction of the

number of HIPCs from 42 to 40 countries¹⁵ and also due to a backward shift of the expected timing of several HIPC countries reaching their respective completion point. For IDA15, the 3 additional years at the end of the IDA15 disbursement period (FY17-19) would result in further MDRI costs of about USD 3.1 billion. As a result, total estimated MDRI costs of IDA over the combined IDA14 and IDA15 disbursement period equal about USD 9.9 billion.

47. Against this revised MDRI cost estimate of USD 9.9 billion for IDA14 and IDA15, donors have provided firm MDRI financing commitments of about USD 3.7 billion as of December 31, 2006. Assuming that the currently still qualified donor contributions for the first two years of the MDRI (FY07-08) would become unqualified, the firm MDRI financing gap for IDA15 would equal USD 6.1 billion. The impact on individual donors would vary greatly, affecting primarily those donors that have not yet provided firm MDRI financing over the first decade.

**Table 4: Estimated MDRI Costs and Donor Financing in IDA14 and IDA15
(as of December 31, 2006)**

MDRI costs of IDA - current estimates	SDR millions		USD millions equiv.	
	IDA14	IDA15	IDA14	IDA15
MDRI cost estimates of IDA				
IDA14: 2-year costs (FY07-08)	546	(10)	807	(15)
IDA14: 8-year costs (FY09-16)	4,721	(683)	6,975	(1,021)
for IDA15: Additional 3-year costs (FY17-19)	-	2,110	-	3,153
IDA14: MDRI costs	5,267		7,781	
IDA15: Additional MDRI costs		1,417		2,117
Combined IDA14 and IDA15 MDRI costs	6,684		9,899	
Donor compensation for MDRI costs	<i>Received</i>	<i>Required</i>	<i>Received</i>	<i>Required</i>
Unqualified MDRI contributions (as of end-Dec 06)				
2-year unqualified (FY07-08)	412	124	609	185
8-year unqualified (FY09-16)	2,049	1,989	3,027	2,972
for IDA15: Additional 3-year unqualified (FY17-19)	15	2,095	22	3,131
Firm MDRI financing received (as of end-Dec 06)	2,476		3,658	
Firm MDRI financing gap, IDA14 and IDA15		4,208		6,288
less: FY07-08 contributions becoming unqualified		(124)		(185)
Firm MDRI financing gap for IDA15 only (FY09-19)		4,084		6,103

¹⁵ Current estimates for IDA's HIPC and MDRI debt relief are based on a list of 40 HIPC countries, including 10 pre-decision point HIPCs that meet the income and indebtedness criteria based on end-2004 figures and that might wish to be considered for HIPC debt relief. Prior estimates for IDA's MDRI debt relief included 42 potential HIPC countries. Following a meeting of the IDA Board on the HIPC Sunset Clause on September 7, 2006, two countries originally included in list of 42 HIPCs have been excluded from this list: Myanmar, due to insufficient data to assess debt ratios against the HIPC thresholds; and Lao PDR, which had expressed its desire not to participate in the HIPC Initiative.

C. Combining the Baseline and Debt Relief Compensation

48. Adding the MDRI baseline amount of USD 16.1 billion to the HIPC and MDRI financing amounts would result in a total IDA15 donor volume of about USD 24.5 billion. This compares with a combined amount of IDA14 and HIPC contributions plus firm MDRI financing received to date of about USD 21.7 billion (see [Table 5](#)).

49. Contribution amounts for individual donors would vary significantly, depending primarily on the volume of firm MDRI financing provided to date by each donor and also the foreign exchange reference rates to be determined for IDA15.¹⁶

Table 5: Illustrative Donor Financing in IDA14 and IDA15, MDRI Baseline and Debt Relief Costs (as of December 31, 2006)

Donor financing items, based on MDRI baseline	SDR millions		USD millions equiv.	
	IDA14	IDA15	IDA14	IDA15
Regular contributions				
IDA14 regular contributions, excluding gap	10,181		14,902	
Baseline for IDA15, excluding gap (+2% p.a)		10,804		16,145
Accelerated/ supplemental/ incentive contributions	495	-	724	-
IDA13 grants - financing forgone charges	470	-	688	-
Donor contributions before HIPC and MDRI	11,146	10,804	16,314	16,145
HIPC costs - IDA14 (FY06-08), net of IBRD financing	1,160	(187)	1,693	(279)
HIPC costs - IDA15 (FY09-11)	-	1,672	-	2,499
Donor contributions before MDRI	12,306	12,290	18,007	18,365
MDRI costs - Firm MDRI financing to date	2,476		3,658	
MDRI costs - Firm financing gap for IDA15		4,084		6,103
Total donor contributions after MDRI	14,782	16,374	21,665	24,468

50. The donor contribution amounts shown in Table 5 are illustrative only and based on calculations rooted in the MDRI baseline and IDA's current cost estimates for providing debt relief. They do not reflect an assessment of the financing needs of poor countries during the IDA15 period, nor are they meant to pre-empt a discussion about the amount of other resources (such as internal resources and net income transfers from IBRD) that may become available for the IDA15 replenishment. These latter issues are scheduled for discussion by IDA Deputies during the second and third IDA15 replenishment meetings, during the course of calendar year 2007.

¹⁶ Refer to the companion note prepared for the first IDA15 meeting: *Effective Foreign Exchange Rates for Use in the IDA15 Replenishment*, February 2007.

Annex 2

**Status of IDA14 Contributions
as of January 31, 2007**

Donor		Received Instruments of Commitment	Received		Instrument of Commitment Amounts		
			First	Second	SDR	National Currency	
Australia		✓	✓		206,300,000	423,960,000	AUD
Austria		✓	✓	✓	207,720,000	250,630,000	EUR
Barbados		✓	✓		280,000	820,000	BBD
Belgium					219,020,000	264,270,000	EUR
Brazil		✓	✓		86,190,000	379,900,000	BRL
Canada		✓	✓	✓	534,400,000	1,043,250,000	CAD
Czech Republic		✓	✓	✓	7,070,000	271,460,000	CZK
Denmark		✓	✓	✓	177,450,000	1,592,580,000	DKK
Finland	b/	✓	✓	✓	84,780,000	102,300,000	EUR
France		✓	✓	✓	1,004,990,000	1,470,960,000	USD
Germany		✓	✓	✓	1,163,230,000	1,163,230,000	SDR
Greece	a/	✓	✓	✓	17,070,000	20,600,000	EUR
Hungary					8,590,000	2,595,610,000	HUF
Iceland		✓	✓	✓	6,370,000	673,720,000	ISK
Ireland		✓	✓		58,010,000	70,000,000	EUR
Israel	a/	✓	✓	✓	10,560,000	70,000,000	ILS
Italy					536,940,000	647,880,000	EUR
Japan	a/	✓	✓	✓	1,729,520,000	277,585,000,000	JPY
Korea, Republic of		✓	✓	✓	128,580,000	217,936,120,000	KRW
Kuwait	a/	✓	✓	✓	19,780,000	8,540,000	KWD
Luxembourg		✓	✓		23,890,000	28,830,000	EUR
Mexico					7,070,000	118,000,000	MXN
Netherlands		✓	✓	✓	392,380,000	473,450,000	EUR
New Zealand		✓	✓	✓	17,070,000	39,010,000	NZD
Norway	f/	✓	✓	✓	313,800,000	2,690,330,000	NOK
Poland	a/	✓	✓	✓	4,280,000	4,280,000	SDR
Portugal		✓	✓	✓	28,490,000	34,380,000	EUR
Russian Federation		✓	✓		40,000,000	40,000,000	SDR
Saudi Arabia		✓	✓	✓	34,160,000	50,000,000	USD
Singapore		✓	✓	✓	12,298,000	18,000,000	USD
Slovak Republic		✓	✓	✓	1,880,000	2,267,239	EUR
Slovenia		✓	✓	✓	4,100,000	4,940,000	EUR
South Africa	a/	✓	✓	✓	11,300,000	107,170,000	ZAR
Spain	e/	✓	✓	c/	306,540,000	369,880,000	EUR
Sweden		✓	✓	d/	579,240,000	6,400,000,000	SEK
Switzerland		✓	✓	✓	322,400,000	471,883,678	USD
Turkey		✓	✓		9,000,000	9,000,000	SDR
United Kingdom		✓	✓	c/	1,862,340,000	1,430,000,000	GBP
United States	g/	✓	✓		1,947,190,000	2,850,000,000	USD
TOTAL					12,124,278,000		

a/ IDA14 contribution paid in full.

b/ Installments payable over 6 years.

c/ Due in April 2007.

d/ Due in September 2007.

e/ Installments payable over 5 years.

f/ Includes additional contribution (paid in full) of SDR 77.08 million (NOK 310.33 million) to fill the HIPC costs structural gap.

g/ First installment not paid in full.

IDA Country Graduation Scenarios

1. **Simulation Assumptions.** As further countries will graduate from IDA in the future, this will free up resources that could become available for other IDA countries. To illustrate potential country graduations over the next two decades, assumptions are required regarding IDA's eligibility criteria and the economic growth of IDA-eligible countries. For illustrating the potential distribution of IDA resources among countries that would remain within IDA, assumptions are needed about future IDA allocations. For this exercise, the following assumptions were made:

- *IDA's eligibility criteria:* There are currently two basic criteria of a country's eligibility for receiving IDA resources: (a) relative poverty, measured by per capita income (the "operational cut-off"); and (b) lack of creditworthiness. For the scenario analysis in this paper, IDA's operational cut-off of USD 1,025¹⁷ (in FY07) has been kept constant, since real rates of economic growth are being applied. In the model used, a country would graduate from IDA if GNI per capita is above the operational cut-off for five consecutive years. No assumptions are made regarding the future creditworthiness of individual countries;¹⁸
- *Economic growth scenarios:* To project each borrower's GNI per capita, four growth scenarios were used: (1) average of past 10-year country-specific GDP per capita growth rates¹⁹; (2) average of projected future 10-year country-specific GDP per capita growth rates²⁰; (3) average of past and future country-specific GDP per capita growth rates; and (4) an annual constant real growth rate of 4 percent²¹ for all countries; and
- *Distribution of IDA country allocations:* IDA countries were divided into four groups based on their FY07 GNI per capita: (i) low income countries with GNI per capita in the USD 100-600 range; (ii) medium income countries with GNI per capita in the USD 600-1,000 range; (iii) higher income countries with GNI per capita in the USD 1,000-3,500 range; and (iv) small island economies with GNI per capita in the USD 1,000-4,500 range.

¹⁷ The operational cutoff for IDA eligibility for FY07 is a 2005 GNI per capita of USD 1,025. Refer to *IBRD/IDA Operational Manual – OP3.10*, Annex D, July, 2006.

¹⁸ For the purpose of this analysis, IDA's creditworthy blend countries (India, Pakistan and Azerbaijan) are announced a "graduate" on the first year of reaching the operational IDA cut-off. For other countries, it is assumed that a country becomes creditworthy and hence not eligible for IDA assistance after five years of reaching the operational cut-off.

¹⁹ GDP per capita growth rates were used as a proxy for GNI per capita growth rates. GDP data was obtained from the World Bank's Development Data Platform (DDP), which has been developed and is maintained by the World Bank's Development Data Group (DECDG).

²⁰ Projected by the World Bank's Development Prospects Group (DECPG).

²¹ Four percent is the rounded future projected 10-year average growth rate for all IDA countries (the exact rate is 3.63 percent). Source: DDP.

- The assumed distribution of IDA resources to each country group during the IDA14 period is summarized in Table A. It is assumed that future country performance and relative allocations would remain unchanged, at the IDA14 levels.

Table A: Assumed Distribution of IDA Resources, IDA14 Period

	FY06 GNI per capita, USD	Number of Countries	Assumed Share of IDA14 Resources
Low Income Countries	100-600	42	56%
Medium Income Countries	600-1,000	16	35%
Vietnam	620	1	7%
Pakistan	690	1	7%
India	730	1	11%
Other	600-1000	13	10%
Higher Income Countries	1,000-3,500	14	9%
Small Island Economies	1,000-4,500	10	0.4%
Total IDA Countries		82	100%

2. **Simulation Outcomes.** To simplify the analysis further, small island economies have been excluded from the simulations, both in view to their exceptional access to IDA resources since IDA13 and also because of their very low share of overall IDA14 allocations of 0.4 percent. On this basis, the simulation results of hypothetical country graduations from IDA are as follows:

- *Low income IDA countries:* Most of IDA's 42 poorest borrowers would remain eligible for IDA's assistance, over the next two decades;²²
- *Medium income IDA countries:* The results for this group of 16 countries are mixed. Many countries could potentially graduate from IDA over the next two decades, under the growth scenarios assumed. Table B illustrates the hypothetical graduation scenarios for the three largest IDA recipients in this group; and
- *Higher income IDA countries:* The model suggests that under any growth rate scenario, all 14 countries in this group could graduate from IDA over the next several years.

²² The poorest IDA countries with a FY06 GNI per capita in the USD 100-600 range would need to grow by more than 4 percent per year, in real terms, to graduate from IDA within the next two decades. In comparison, the average, 10-year historical GNI per capita growth rate for this group of countries was about 1.7 percent, and the average 10-year future GNI per capita growth rate is not projected to exceed 2.7 percent.

Table B: Largest IDA Recipients Among Medium Income Countries - Hypothetical Graduation from IDA

Country	GNI per capita growth rate			
	Past 10-year average	Future 10-year average	Average of Past and Future rates	4%
Vietnam	2021	2021	2021	2025
Pakistan	2032	2018	2022	2018
India	2015	2014	2014	2016

3. **Resources Potentially Becoming Available.** Based on the assumptions described above, if all of the 14 higher-income countries were to graduate from IDA over the next several years, some 8 percent of IDA’s total resources could become available for other borrowers during the IDA15 period. Going forward, due to graduations among the group of medium income countries, an additional 12 percent of IDA resources could hypothetically become available during the IDA17 period. In aggregate, over the next two decades, between 29 percent and 43 percent of IDA’s total resources could become available for redistribution due to country graduations from IDA (see [Table C](#)).

Table C: Hypothetical IDA Resources Becoming Available After Graduations

Real GNI per capita growth rate scenarios	IDA15 FY09-11	IDA16 FY12-14	IDA17 FY15-17	IDA18 FY18-20	IDA19 FY21-23	IDA20 FY24-26	IDA21 FY27-29	Total FY09-29
(1) Past 10-year average	8%	1%	12%	1%	7%	1%	0%	29%
(2) Future 10-year average	8%	1%	12%	8%	9%	0%	1%	38%
(3) Average of past and future rates	8%	1%	12%	1%	14%	1%	1%	38%
(4) 4% growth rate applied to all countries	8%	1%	12%	8%	1%	9%	5%	43%