The Multilateral Debt Relief Initiative: Implementation Modalities for IDA

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Abbreviations and Acronyms

AfDF	African Development Fund
CAS	Country Assistance Strategy
CP	Completion Point
CPIA	Country Policy and Institutional Assessment
DOD	Debt Outstanding and Disbursed
DSA	Debt Sustainability Analysis
DSF	Debt Sustainability Framework
HIPC	Heavily Indebted Poor Country
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IMF	International Monetary Fund
IoC	Instrument of Commitment
JSAN	Joint Staff Advisory Note
MDGs	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
MOP	Memorandum of the President
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PEFA	Public Expenditure and Financial Accountability
PEM	Public Expenditure Management
PRGF	Poverty Reduction and Growth Facility
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
SDR	Special Drawing Rights

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EXECUTIVE SUMMARY

At the Development Committee and in other discussions, there has been broad support for augmenting debt relief to countries that reach the completion point under the Heavily Indebted Poor Countries (HIPC) Initiative, leading to 100 percent cancellation of debt owed by them to IDA, the African Development Fund (AfDF) and the IMF. This Multilateral Debt Relief Initiative (MDRI) provides a framework that seeks to achieve two objectives: deepening debt relief to HIPCs to help them reach the MDGs, while safeguarding the long-term financial capacity of IDA and the AfDF; and encouraging the best use of additional donor resources for development by allocating them to low-income countries on the basis of policy performance. The Development Committee welcomed the MDRI and asked the Bank to prepare a compensation schedule and monitoring system of all donor contributions, and to proceed with the steps to ensure all necessary arrangements for implementation.

This paper sets out the implementation modalities for <u>debt cancellation</u> and arrangements for <u>compensatory financing</u> under the MDRI. To finalize these modalities and arrangements, the following issues need to be decided:

- **Donors' Financing Commitments**. IDA's estimated costs from debt cancellation would be equivalent to about USD 37 billion. There is broad agreement that IDA's costs should be fully compensated by additional donor resources. It is proposed that compensation from donors be added to IDA's resources following regular procedures for IDA replenishments. Each donor will be asked to deposit one Instrument of Commitment (IoC) for the full cost of debt relief. The IoC will cover 3 time periods, requiring:

  (a) an unqualified commitment covering costs during the remaining IDA14 period (FY07 and FY08);

  (b) an unqualified commitment covering costs during the remainder of the first decade (FY09-FY16); and

  (c) an unqualified commitment, if possible, or a qualified commitment subject to necessary appropriation legislation, covering costs during the subsequent 3 decades (FY17-44).

  Donor countries are currently considering a range of commitments, including authorization for the full 40-year period, as in the case of the United States and Italy. These need to be firmed up on a consistent basis, especially focusing on unqualified commitments for the first 10 years. The United Kingdom and France have already indicated that they will provide unqualified commitments during the first decade. A rolling, unqualified 10-year financing commitment by the donors will leave IDA's Advance Commitment Scheme intact, thereby avoiding a negative impact on the available volume of IDA's assistance commitments during future replenishments.

  Commitments under the MDRI will be additional to the contribution baseline to be used to measure additionality of donor financing in future IDA replenishments.

- **Financing Gap**. The G8 countries have committed to dollar-for-dollar financing of IDA's costs under the MDRI, using IDA13 burden shares. However, these shares add up to 90.61 percent, leaving a structural financing gap of 9.39 percent. The financing gap could widen if not all IDA donors participate in the compensatory financing arrangements for the MDRI. To address this issue, it is proposed that the IDA13 burden shares of participating donors be scaled up proportionally so that collectively they reach 100 percent.

The following timeline is envisaged to start implementation of the MDRI on July 1, 2006:

- **End-November 2005 –** Meeting of Executive Directors to discuss this implementation paper.

- **Early December 2005 –** Meeting of IDA Deputies to discuss the cost base and make pledges of contributions to cover IDA's costs under the MDRI. The Compensation Arrangements section of this paper will constitute the draft report of the IDA Deputies for transmittal to the Board of Governors.

- **End-December 2005** – IDA donors will be asked to firm up pledges during this period, following the IDA Deputies meeting.

- **Early January 2006** – Meeting of the Executive Directors to: (i) interpret IDA's Articles of Agreement to allow total debt forgiveness; and (ii) approve the IDA Deputies Report and transmit the Resolution authorizing an increase in IDA's resources to the IDA Board of Governors.

- **End-February 2006 –** Deadline for adoption of the Resolution by the IDA Board of Governors authorizing an increase in IDA's resources.

- **End-March 2006 –** Approval by the Executive Directors of the first group of post-completion point HIPCs to benefit from the MDRI. A paper will be submitted to the Executive Directors, which will contain eligibility assessments as well as IDA debt relief delivery schedules.

- **March to May 2006 –** Acceptance/delivery of Instruments of Commitment (IoC) by members. May 31, 2006 is the target date for effectiveness.

- **End-May 2006 –** Finalization of revised country allocations of IDA resources for FY07, provided that the MDRI is effective.

The Multilateral Debt Relief Initiative: Implementation Modalities for IDA

I. INTRODUCTION

1. **The G8 countries have proposed to augment debt relief to completion point HIPCs, leading to 100 percent cancellation of debt owed by them to IDA, the IMF, and the African Development Fund (AfDF)**. This proposal was initially agreed upon by the G8 Finance Ministers at their meeting in London on June 10-11, 2005, and reaffirmed by G8 Heads of State at the Gleneagles Summit on July 8, 2005.[1] A technical note was subsequently prepared by G8 debt experts.[2] G8 Finance Ministers provided further details of their specific commitments under this proposal in their letter dated September 23, 2005.[3] On September 25, 2005, the Development Committee welcomed the Multilateral Debt Relief Initiative (MDRI) and asked the Bank "to prepare a compensation schedule and monitoring system of all donor contributions", and "to proceed with the steps to ensure all necessary arrangements for implementation".[4]

2. Informal meetings of the IDA Executive Directors on the MDRI were held on July 5, 2005, August 4, 2005, September 8, 2005, and September 20, 2005. The IDA Deputies discussed the Initiative in a meeting on September 11, 2005.[5] This paper builds on these discussions and incorporates the guidance from the Development Committee.

3. **The objective of the Initiative is to provide additional support to HIPCs to reach the MDGs while ensuring that the financing capacity of the IFIs is preserved**. Debt relief to be provided under the MDRI will be in addition to existing debt relief commitments by IDA and other creditors under the Enhanced HIPC Debt Initiative. The MDRI provides a framework that commits to achieve two objectives: deepening debt relief to HIPCs while safeguarding the long-term financial capacity of IDA and the AfDF; and encouraging the best use of additional donor resources for development by allocating them to low income countries on the basis of policy performance.

4. **This paper outlines the proposed implementation modalities for IDA and highlights the key financial and operational decisions to be taken**. The paper is structured as follows. Section II summarizes the key features of the MDRI. Section III provides details on the proposed implementation modalities for debt cancellation by IDA. Section IV describes the arrangements envisaged for financial compensation by the IDA donors. Section V lays out the expected timeline for adopting the MDRI for IDA.

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1 The proposal is set out in the G8 Finance Ministers' Communiqué entitled "Conclusions on Development", issued on June 11, 2005.

2 "Technical Note: G8 Proposal for HIPC Debt Cancellation", Washington DC, July 14, 2005.

3 "Letter to the President of the World Bank from the G8 Finance Ministers on the G8 Debt Proposal", Washington, DC, September 23, 2005 (see Annex 1.1).

4 Development Committee Communiqué, para. 5, issued on September 25, 2005 (see Annex 1.2).

5 The following papers were prepared by staff for these discussions: *The G8 Debt Relief Proposal: Preliminary Costs and Issues*, IDA/SecM2005-0414, July 28, 2005; and *The G8 Debt Relief Proposal: Assessment of Costs, Implementation Issues, and Financing Options*, IDA/SecM2005-0466, September 6, 2005.

II. KEY FEATURES OF THE MULTILATERAL DEBT RELIEF INITIATIVE

5. **The MDRI calls for 100 percent cancellation of IDA, AfDF and IMF debt for countries that reach the HIPC completion point**.[6] Eighteen completion point HIPCs would benefit from debt relief upon confirmation of eligibility; the remaining 10 interim and 10 pre-decision point HIPCs would become eligible once they reach completion point. Additional countries may qualify for the HIPC Initiative under the sunset clause extension, and could eventually become eligible under the MDRI once they reach their completion points.

6. **The MDRI also commits to providing additional resources, to ensure that the financing capacity of the IFIs is preserved**. The Development Committee stressed the need for "an interdependent package consisting especially of dollar for dollar compensation for IDA that is truly additional to existing commitments and that maintains the financial integrity and capacity of IDA to assist poor countries in the future". It called for donor "burden sharing on a voluntary basis" to provide these benefits. In their letter dated September 23, 2005, G8 governments reaffirmed "their commitment to the long-term role of IDA in the international development architecture and in financing development", and noted that "in doing so we recognise that IDA will utilise a contribution baseline of the real value of donor contributions under IDA14 as a means of assessing additionality."[7]

7. **The MDRI will affect IDA and AfDF "gross assistance flows" through a two-step process**. First, for IDA and AfDF, 100 percent stock cancellation will be delivered by relieving eligible countries of repayment obligations and, as noted in the G8 Finance Ministers' Communiqué, by "adjusting their gross assistance flows by the amount forgiven". This feature helps allay moral hazard and equity concerns associated with debt cancellation. Second, additional resources provided to IDA and AfDF by the donors (to compensate for the forgone debt service from the country) will be re-allocated to IDA and AfDF countries through IDA's existing performance-based allocation system. This feature helps strengthen the link between resource transfers and country performance levels.

8. **The MDRI will give beneficiary countries an opportunity to reduce debt payments very substantially and, through continuing or enhanced performance, secure additional resource flows to help countries attain their MDG objectives**. For these benefits to be realized, the economic space opened up by debt cancellation will need to be carefully and responsibly managed, especially with respect to the future accumulation of debt. If post-relief borrowing took place from non-concessional sources, debt levels could soon again become unsustainable. Considerable work has already been done, at the request of IDA Deputies, and a related paper focusing on free-riding behavior in the context of IDA14 grants will be presented to the Executive Directors shortly. The MDRI would amplify these free-riding issues further and more analytical work will need to be undertaken in this respect.

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[6] It does not cover debts owed to the IBRD, the African Development Bank, or other MDBs such as the Inter-American Development Bank. Differently from the HIPC Initiative, the MDRI does not include debt relief by any bilateral and commercial creditors.

[7] Section IV.G of this paper discusses in detail how the baseline to measure additionality of donor financing is determined.

III. IMPLEMENTATION MODALITIES OF THE DEBT CANCELLATION

9. **There are three major variables when determining the eligibility for debt relief under the MDRI**. These variables include the cut-off date of eligible debt stock, the credit coverage of the debt to be cancelled, and the group of countries to be covered under the MDRI. Each of these variables has been the subject of considerable debate among donors in terms of analytical coherence and technical considerations, and also with respect to underlying costs. The proposal which follows attempts to strike a reasonable balance between providing the largest possible benefits from debt cancellation while containing donor costs within manageable bounds. It is recognized that there have been differing views among IDA donors and shareholders, and what is proposed may represent an acceptable compromise in this context.

A. Key Dates of Debt Relief

10. **It is proposed to use a cutoff date of end-2003 for debt cancellation**. Therefore, debt stocks as of December 31, 2003 will be eligible for cancellation by IDA under the MDRI.[8]

11. **There is consensus among donors for an implementation start date for IDA of July 1, 2006**. Implementation of the MDRI will be less disruptive to on-going country operations if it starts at the beginning of FY07.[9] The actual implementation start date will depend on the effectiveness of the increase in IDA's resources for debt relief costs, as described in Section IV.C of this paper.

12. **For the group of completion point (CP) HIPCs, delivery of debt relief under the MDRI is expected to start on July 1, 2006**. For the purposes of the cost estimates presented in this paper, it is assumed that all 18 CP HIPCs would have been confirmed by the Executive Directors to be eligible for debt cancellation prior to the start of FY07 (see Section III.C for details).

13. **For HIPCs yet to reach the completion point, delivery of debt relief will start at the beginning of the fiscal year immediately following confirmation of a country's eligibility by the Executive Directors**. To minimize disruptions to country operations, future CP HIPCs will receive MDRI debt relief as of July 1 of a given year provided that they become eligible at least 3 months prior to the start of a new fiscal year, hence no later than by March 31 in a calendar year. This would provide a minimum lead time for finalization of the revised IDA country allocations for the following fiscal year.

14. **Debt relief under the MDRI will cover all remaining debt service obligations on eligible IDA credits, through the end of their maturity**. Following practice under the HIPC Initiative, IDA would provide debt forgiveness under MDRI by irrevocably canceling the borrower's payment obligations under the covered credits, without affecting the other provisions of the credit agreements concerned. Debt relief will be provided for all principal repayments and

[8] Undisbursed credit balances as of the cutoff date would not be eligible for cancellation. Furthermore, new IDA credits approved after the cutoff date would not qualify either for cancellation under the MDRI.

[9] In any event, the Country Assistance Strategies of all recipient countries would need to be reassessed in light of the reduction in IDA's new commitments – and thus in the level of new IDA operations – for countries benefiting from debt relief.

credit charges[10] payable to IDA, after any debt service relief available under the Enhanced HIPC Initiative. As set out above, debt relief will start at the beginning of the fiscal year following confirmation of country eligibility by the Executive Directors. Debt service payments made by a HIPC country between the cutoff date of December 31, 2003 and the country's debt cancellation start date will not be covered under the MDRI.

B. Credit and Country Coverage

15. **Credit coverage under the MDRI will be defined as the stock of eligible debt based on debt outstanding and disbursed (DOD) as of the cutoff date**.[11] Countries expected to become eligible under the MDRI include the 38 HIPC countries once they reach their HIPC completion points.

16. **In addition, there are 4 further potentially eligible IDA countries that may qualify as HIPCs by end-2006 under the HIPC 'sunset clause', and which could subsequently also qualify for debt cancellation under the MDRI if and when they reach their HIPC completion points in the future**. The IMF and IDA Boards extended the sunset clause of the HIPC Initiative to end-2006. Staffs of the Fund and the Bank have started assessing information on countries that may become potentially eligible for assistance under the HIPC Initiative. New potentially eligible countries are likely to include Eritrea, Haiti, the Kyrgyz Republic and Nepal.

17. **For other countries, limited data availability introduces further uncertainty as to whether they would fulfill the HIPC Initiative's indebtedness criteria**. The countries that were not previously listed among pre-decision point HIPCs are Bangladesh, Bhutan, Sri Lanka and Tonga. For this latter group of countries, assessment of their situation will take time and involves difficult data and technical issues. It is also not yet clear as to whether all the countries concerned will wish, if eligible, to participate in the HIPC Initiative. Therefore, their eligibility for future debt relief should be considered at a later stage.

18. **The estimated costs of IDA from debt cancellation, based on debt outstanding and disbursed as of December 31, 2003 for the 38 HIPCs plus the 4 'sunset clause' countries would be equivalent to about USD 37 billion (SDR 24.8 billion)**.[12] Annex 2.1 provides more detailed cost estimates for IDA in SDR terms, by group of HIPC countries and by fiscal year. Annex 2.2 shows the expected volume of debt relief by IDA country.

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[10] Charges account for about 9 percent of total estimated debt relief costs. Forgone credit charges of IDA would only comprise service charge payments (0.75 percent per year on the disbursed and outstanding credit balance). IDA commitment charges (which vary between 0 and 0.50 percent per year) would not be forgone since commitment charges are payable on the undisbursed credit balances.

[11] This is the approach adopted for the HIPC Initiative, where debt relief is calculated using disbursed and outstanding balances as of a specific cutoff date.

[12] The applicable foreign exchange rate is USD/SDR 1.47738, the daily average exchange rate over the period April 1 to September 30, 2005, as further explained in Section IV of this paper. The cost estimates for IDA do not include amounts overdue from pre-decision point HIPCs since any arrears would have been cleared by the time these countries reach their HIPC completion point and become eligible for MDRI debt relief.

C. Confirming Country Eligibility

19. **The MDRI can be interpreted as an extension as well as a deepening of the HIPC Debt Relief Initiative**. Consistently with this view, Executive Directors and IDA Deputies generally agreed that the process of reaching HIPC completion point provided adequate conditionality, including on governance, accountability and transparency. They stressed, however, that it would be appropriate to ensure that the 18 post-completion point countries, which will be immediately eligible for debt relief under the MDRI, continue to maintain reasonable governance standards. Since the Initiative provides full upfront debt stock cancellation, only a one-time assessment is required.[13]

20. **For IDA, AfDF and the IMF, the criteria used to confirm eligibility for debt relief under the MDRI would therefore reflect HIPC completion point criteria**. These include: (i) satisfactory macro-economic performance under an IMF poverty reduction and growth facility (PRGF) program or equivalent; (ii) satisfactory progress in implementing a poverty reduction strategy (PRS); and (iii) the existence of a public expenditure management (PEM) system that meets minimum standards for governance and transparency in the use of public resources. Countries will need to meet all three criteria in order to be eligible for debt relief.

21. **The Fund assesses satisfactory progress under the PRGF**. If an eligible country does not have an ongoing PRGF, staff will need to assess whether macroeconomic policies are compatible with the maintenance of low inflation and fiscal sustainability. The Bank will use the Fund's assessment as an input into its own assessment.

22. **The second criterion (satisfactory implementation of the PRS) will be assessed jointly by Bank and Fund staff**. Various inputs could be used, including the most recent progress report on the PRSP and the Joint Staff Advisory Note (JSAN).

23. **Regarding the third criterion, an assessment will be made by Bank staff focusing on the adequacy of public expenditure management systems**. Assessments would rely on recent HIPC expenditure tracking documents, where available, and additional information if the HIPC assessment is not current. Information gathered in the context of the ongoing 2005 CPIA exercise would help validate these assessments. The Fund would use the Bank's assessment as input into its own judgment of eligibility related to this criterion.

24. **These assessments will be prepared in time to provide input into Bank and Fund Board papers that request authorization to provide debt cancellation**. Despite uncertainty related to the timing of approvals and implementation for the MDRI in the Bank, the IMF and the African Development Fund,[14] staff will make every effort to prepare assessments on a timeline suitable for all institutions but no later than March 31, 2006. Bank and Fund staff would also resolve any differences in judgments regarding country eligibility to ensure a common list of countries considered eligible for debt relief. For countries that do not qualify for debt relief on the basis of these assessments, a set of remedial actions would be identified. When

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[13] In the event that a country is not considered eligible, a re-assessment may be needed in the future to confirm eligibility.

[14] The IMF and the African Development Fund are expected to begin delivering debt relief on January 1, 2006, whereas IDA is expected to provide debt relief as of July 1, 2006.

these actions are implemented, all three criteria would need to be re-assessed to determine eligibility for debt relief.

25. **Furthermore, for debt relief to be provided by IDA, HIPCs will need to be in compliance with existing reporting requirements on external borrowing under OP14.10**.[15] Consistent with IDA's existing policies in making any financial assistance available to recipients, eligible countries will have to be up to date in their reporting obligations to IDA on external indebtedness. Adherence to OP14.10 has been mixed, and improvements in adherence will be an important ingredient for the success of the proposed IDA response to free riding.

D. Expected Time Profile and Currency of Denomination

26. **Cost estimates for IDA depend on the expected time profile when HIPCs would reach their completion points and become eligible for debt cancellation under the MDRI**. During the remainder of the IDA14 period (FY07-FY08), it is estimated that 26 countries will benefit from debt cancellation under the Initiative. This includes all the 18 completion point HIPCs (which are assumed to benefit from debt relief as of July 1, 2006) plus 8 of the 10 decision point countries (which are projected to benefit from debt relief during the third year of the IDA14 period).[16] Cost estimates also assume that during the IDA15 period (FY09-FY11), 36 of the current HIPCs plus Eritrea, Haiti, the Kyrgyz Republic and Nepal would benefit from MDRI debt relief.[17] By IDA16, all HIPCs are assumed to receive debt relief under the Initiative. The chart in Annex 2.3 illustrates these timing assumptions.

27. **Forgone credit reflows of IDA due to debt cancellation under the MDRI are denominated in SDRs**. However, current debt relief under the Enhanced HIPC Initiative is fixed in USD terms and, therefore, the volume of remaining debt relief to be provided under the MDRI will fluctuate in SDR terms, until HIPC debt relief expires over about 20 years from the country's decision point. In addition, until 1980, IDA credits were denominated in USD; as a result, nearly 10 percent of forgone credit reflows due to the Initiative will be denominated in USD, rather than SDRs. Management intends to address these two foreign exchange rate issues in the following manner:

(a) **SDR-denominated IDA credits**. Debt relief under the MDRI is estimated as 100 percent of SDR-based debt service minus USD-based debt relief under the Enhanced HIPC Initiative. HIPC debt relief is converted into SDR equivalent amounts as follows:

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[15] OP14.10 sets out that, "as a condition for Board presentation of loans and credits, each borrowing or guaranteeing country must submit a complete report (or an acceptable plan of action for such reporting) on its foreign debt."

[16] These 8 decision point HIPCs include: Burundi, Cameroon, Chad, Democratic Republic of Congo, Guinea, Malawi, Sierra Leone, and Sao Tome & Principe.

[17] Only two pre-decision point HIPCs are currently estimated to become eligible for MDRI debt relief by FY12, at the beginning of the IDA16 period: Myanmar and Togo.

(i) *for costs during FY07 and FY08*, by applying the foreign exchange rates resulting from the hedging of donor contributions to cover HIPC costs during IDA14;[18] and

(ii) *for costs from FY09 onwards*, by applying the foreign exchange reference rates agreed by donors under the latest regular IDA replenishment. At present, the foreign exchange reference rates (from April 1 through September 30, 2005, see Section IV - D) for MDRI compensation are being used.

(b) **USD-denominated IDA credits**. Debt relief under the MDRI is estimated as 100 percent of USD-based debt service minus USD-based debt relief under the Enhanced HIPC Initiative. The resulting MDRI debt relief amounts are converted into SDR equivalent amounts by applying the foreign exchange reference rates agreed by donors under the latest regular IDA replenishment. At present, the foreign exchange reference rates (from April 1 through September 30, 2005) for MDRI compensation are being used.

28. **Following the procedures currently used under the Enhanced HIPC Initiative, IDA's costs under the MDRI will be updated periodically**. Cost updates will factor in new available information on the number and timing of HIPC countries becoming eligible for debt cancellation. Updates will also take account of revised volumes of debt relief to be provided under the Enhanced HIPC Initiative. Furthermore, the valuation of USD-based HIPC debt relief and of reflows on USD-based credits of IDA will change over time, depending on the foreign exchange reference rates to be agreed by donors every 3 years to coincide with future IDA replenishments.

E. Accounting Treatment in IDA

29. **Debt relief under the MDRI will have an important impact on IDA's financial statements and its reported total assets**. The balance sheet impact resulting from the granting of debt relief is analyzed in Annex 2.4, followed by a description of the treatment of compensatory donor financing for IDA's debt relief costs. The accounting treatment described in the annex would apply after the MDRI has been approved by IDA's Executive Directors and Board of Governors, as applicable.

F. Country Allocations, Post Debt Relief Borrowing, and "Free Rider Issues"

30. **MDRI debt relief will affect IDA's assistance flows through a two-step process**. First, annual IDA allocations to countries receiving MDRI debt relief will be reduced by the amount of relief to be provided in that year. Second, additional resources provided to IDA by the donors (to compensate for the forgone debt service from the country) would be re-allocated to a larger subset of IDA's recipients than that contemplated for debt relief, based on the existing performance-based allocation mechanism. Such re-allocation will take place only upon

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[18] IDA Management hedged the foreign exposure resulting from IDA14 donor contributions in early May 2005, following adoption of the IDA14 Resolution by IDA's Board of Governors, at an exchange rate of USD/SDR 1.5104.

effectiveness of the increase in resources to cover the costs under the MDRI, which is described in Section IV.C of this paper.

31. **Additionality will allow IDA to increase *total* assistance flows – including new IDA commitments and forgone reflows – over the IDA14 period, including to most of the HIPCs eligible for MDRI debt relief**. However, even with full additionality, *new IDA commitments* to most eligible HIPC countries would decrease over the IDA14 period, since debt service forgiven is netted out of new commitments. Beyond IDA14, when forgone credit reflows increase considerably, new IDA assistance commitments may become negligible in a number of countries with high debt service to IDA.

32. **A consensus has emerged among IDA's Executive Directors and IDA Deputies that the donor replacement resources would be reallocated to all IDA-only countries, excluding 'gap' countries**.[19] Executive Directors and IDA Deputies favored reallocating replacement resources to IDA-only countries (excluding 'gap' countries) since those countries have lower incomes as well as more limited access to international financial markets, and thus a greater need for additional concessional resources.

33. **The amount and terms of post-relief borrowing by the recipient countries are also critical to ensure that the benefits of debt relief materialize**. To the extent that debt reduction would significantly lower debt ratios of eligible countries after implementation of debt cancellation, the joint Bank-Fund debt sustainability framework (DSF) would likely signal a very low risk of debt distress. Executive Directors and IDA Deputies have expressed concern that this should not lead beneficiary countries to immediately begin re-accumulating debt levels that could become unsustainable. They were especially concerned about the "free rider" problem, namely the risk that fiscal and borrowing space created in recipient countries would facilitate external or domestic non-concessional borrowing.

34. **Executive Directors and IDA Deputies underlined that measures should be taken to prevent the re-accumulation of unsustainable debt, particularly from non-concessional sources**. The DSF does address concerns about unsustainable post-relief borrowing. However, the DSF treatment is likely to require strengthening policies aimed at curbing free riding behavior. As mentioned earlier, a paper on free-riding risks in the context of IDA14 grants will be presented to the Executive Directors shortly, and more analytical work will be conducted on MDRI-related free-riding issues. With respect to the grant allocation system itself, Executive Directors and IDA Deputies saw the IDA14 Mid-Term Review as a good opportunity to review this system in the light of the full debt cancellation to be provided to eligible HIPCs.

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[19] In this context, gap countries are IDA-eligible countries whose per capita incomes are above IDA's operational cutoff for more than two consecutive years. The USD 20 per capita per annum allocation ceiling under IDA's PBA system would also apply to amounts allocated from the envelope of donor replacement resources.

IV. COMPENSATION ARRANGEMENTS

A. Description of the Contribution Process

35. **Compensation from donors for IDA's cost of debt relief under the MDRI will be added to IDA's resources following the regular, established procedures for IDA replenishments**. Donors will be asked to contribute to a separate increase in resources for compensation of debt relief costs. For transparency, the contributions will be recorded separately from regular IDA replenishment contributions, as additional to donors' regular financial support to IDA.

36. **In line with the procedures followed in IDA replenishments, donors will be asked to pay their subscriptions and contributions through the deposit of Instruments of Commitment (IoCs)**. An IoC constitutes a legally binding obligation on the part of a donor to pay the amounts specified in the IoC, subject to the overall effectiveness of the Governors' resolution. As in past replenishments, donors with annual appropriation procedures will be able to provide for a portion of their subscriptions and contributions under a "Qualified Instrument of Commitment," that is subject to adoption of the necessary appropriation legislation. For such Qualified IoCs, donors undertake to exercise their best efforts to obtain legislative approval for the full amount of the subscription and contribution.

37. **Building on the example from some countries, in particular the United States and Italy, that legislative processes are underway to authorize the full amount of contributions for the MDRI, donors will be asked to deposit one IoC for the full amount of the cost of debt relief**. The IoC will cover 3 time periods:

(a) **Remaining IDA14 period (FY07-08)**. Donors will be asked to make an unqualified commitment for their subscriptions and contributions in FY07 and FY08.[20] *If such commitments are not made, the total volume of IDA14 commitment authority approved by the Executive Directors in June 2005*[21] *– i.e., the resources allocated to IDA countries over FY07 and FY08 – would have to be reduced by the amount of any compensation shortfall.*

(b) **Remainder of the first decade (FY09-FY16)**. Donors will also be asked to provide firm unqualified commitments over this period, where permitted under their own internal procedures. Among the G8 countries, the United Kingdom and France have already indicated that they will provide unqualified commitments covering costs during the first decade. Since, under the Advance Commitment Scheme, IDA is committing credit reflows in advance of receipt, the availability of firm financing commitments until FY16 will provide assurance that resources would be available as envisaged for IDA's disbursements through 2015, the target year for reaching the Millennium Development Goals.

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[20] It might be possible for some donors to apply resources made available through acceleration of encashment of their regular contributions under the IDA13 and IDA14 replenishments, in order to fulfill their obligations under this first phase of the IoC.

[21] *IDA14 Commitment Authority Framework (FY06-FY08)*, IDA/R2005-0133, June 8, 2005.

(c) **Subsequent 3 decades (FY17- FY44)**. For the outer decades covered by the Initiative, donors will be asked to make either an unqualified commitment, if possible, or a qualified commitment, conditional upon obtaining the necessary appropriation legislation.

38. **The strength of the commitments made over the entire period of 40 years – in relation to the estimated total costs to IDA – will be a factor to be considered by the Executive Directors in assessing the extent of the impact of the debt cancellation on IDA's finances**. Due to the long-term nature of the commitments undertaken by IDA donors, each member's IoC will provide confirmation that all necessary approvals have been obtained and that the IoC constitutes a binding obligation of the member country.

39. **Table A illustrates the estimated compensation schedule for IDA's donors, broken down into the three time periods**. IDA's forgone reflows are denominated in SDRs. Contributions for each individual donor in national currency will depend on agreed burden shares and on agreed foreign exchange reference rates, as explained in the following sub-sections.

40. **As the cost of IDA's debt relief provided under the MDRI will fluctuate over the 40 year period, the compensation arrangements will include a mechanism to adjust the amounts payable, over time**. The final amount of IDA's costs, and thus the final amount of debt relief contributions, will depend on the timing of countries reaching their completion points, the foreign exchange reference rates to be agreed under future IDA replenishments to determine donor contributions in national currencies, and the USD volume – as well as the SDR valuation – of future debt relief to be provided under the Enhanced HIPC Initiative. Initially, donors will be asked to deposit one IoC in an amount determined based on currently available cost estimates. Every 3 years, normally in conjunction with regular IDA replenishments, modifications to payment schedules under the IoC would be made to reflect updated cost estimates. The resolution for the increase in resources for debt relief costs will specify that members' commitments would be subject to adjustment, and if necessary, would increase to provide the agreed principle of dollar-for-dollar compensation of IDA's costs.

Table A: Compensation Schedule for IDA Donors
(SDR million)

Period/ Fiscal Year	Estimated Costs
(a) Remaining IDA14 Period	
FY07	235
FY08	311
Sub-total	**546**
(b) Remainder of First Decade	
FY09	351
FY10	412
FY11	507
FY12	600
FY13	659
FY14	696
FY15	729
FY16	767
Sub-total	**4,721**
(c) Subsequent 3 Decades	
FY17-44	**19,529**
Total Costs, FY07-44	**24,796**

Source: IDA staff estimates.

B. Use of IDA13 Burden Shares and Financing Gap

41. **The G8 countries have proposed that the IDA13 burden-sharing framework will be followed for this debt relief initiative**. In their letter of September 23, 2005, the G8 countries committed, as a whole, to the contribution they made collectively under IDA13 (70.19 percent).

42. **Taking account also of the shares of other donor countries, under IDA13 total donor shares add up to 90.61 percent, leaving an unfunded structural financing gap of 9.39 percent**. If this gap were to remain unfinanced, donor financing would not compensate IDA "dollar for dollar" for the full cost of the debt relief provided. To address this issue, it is proposed that the IDA13 burden shares of participating donors be scaled up proportionally until they collectively reach 100 percent. This would put IDA on the same basis as donors' stated intention to normalize their AfDF-10 burden shares when financing debt cancellations of the African Development Fund.[22]

[22] The G8 Finance Ministers' Communiqué of June 11, 2005 states the following: "Additional donor contributions would be provided on the basis of IDA-13 and *normalised* AfDF-10 burden shares."

43. Annex 2.5 shows expected donor contributions, in SDR equivalents, using IDA13 burden shares. Annex 2.6 shows expected donor contributions when using scaled-up IDA13 burden shares, hence closing the structural financing gap.

C. Effectiveness of the Increase in Resources for Debt Relief Costs

44. **Debt cancellation will be made subject to effectiveness of the new increase in resources for debt relief costs**. The purpose of such a condition would be to provide assurance that most donor financing, especially financing by major donors such as the G8 countries, is in place to finance IDA's share of the debt cancellation. This would enable the Executive Directors to make a determination as to the certainty of the financing package before proceeding with the debt cancellation.

45. **Under IDA13 and IDA14, the effectiveness threshold has been set at 60 percent of total donor contributions, and it is proposed to use the same threshold for the increase in resources for debt relief costs**. In addition, to allow for predictability in operational planning during the remainder of the IDA14 period, it is proposed that at least 75 percent of donor contributions received for costs in FY07 and FY08 constitute unqualified commitments before declaring the new increase in resources effective. In the event that the effectiveness of the increase in resources for debt relief costs takes place after May 31, 2006, the implementation start date for the MDRI will shift to the beginning of the following fiscal year, i.e. July 1, 2007. This would help avoid disruptions to country allocations and operational planning during FY07.

D. Payment, Encashment and Applicable Foreign Exchange Rates

46. **The contribution and payment arrangements for donors and non-donors will be similar to those in regular IDA replenishments**. *Donors* will provide their contributions in the form of cash or promissory notes, in accordance with a payment schedule to be attached to the IoC. In general, payments will be due on January 15 of each year. Adjustments in the amounts due on each payment date will be made, normally at the time of a regular IDA replenishment, to reflect updated cost estimates. Subscription and payment arrangements for *non-donors* will allow for payment in three installments over a 40-year period. Adjustments will also be made to the amounts of these subscriptions.

47. **The payment schedule attached to the IoC corresponds to an encashment schedule reflecting the timing of IDA's forgone credit reflows**. The timing of encashments affects IDA's resource base. Donors may, with the agreement of Management, adjust their payment schedule to reflect their legal and budgetary requirements and can indicate any special preferences in this regard to Management when depositing their IoC. In exceptional cases, should unavoidable delays occur, the amount due from the affected donor would be adjusted to take into account any past payment delays by that donor and any related lost income to IDA. As in the case with regular donor contributions to IDA replenishments, IDA may also agree with any member on a revised payment schedule that yields at least an equivalent value to IDA.

48. **Contributions will be denominated in national currencies, in SDRs, or, with the approval of IDA, in any convertible currency of another member country**. For unqualified commitments, the specific currency of payment for each donor contribution will be determined as of the date of conclusion of the discussions for MDRI compensation. This is necessary for

IDA to be able to minimize its foreign exchange exposure by hedging donor contributions as soon as the increase in IDA's resources under the MDRI becomes effective. To help maintain the value of contributions from donors with high inflation rates, contributions from donors with a domestic annual inflation of 10 percent or higher in 2002-2004 will be denominated in SDRs; this would be reassessed every 3 years, normally at the time of a regular IDA replenishment.

49. **For the purpose of establishing the equivalence of value among different currencies and the SDR, the average daily exchange rate for the period April 1, 2005, through September 30, 2005 will apply for contributions to compensate IDA for debt relief costs during the IDA14 period**. Regarding the cost of debt relief arising during the IDA15 period and future replenishments periods, the foreign exchange reference rates to be agreed for these regular replenishments would normally apply.[23] For donors providing an unqualified IoC to cover debt relief costs beyond the IDA14 period, the changing foreign exchange reference rates – combined with changes in the underlying SDR cost estimates – would lead to a modification to the national currency contributions for debt relief costs in the outer years.

50. Table 2a in Annex 3 illustrates the expected contributions from each donor in national currency when using IDA13 burden shares. Table 2b in Annex 3 shows expected donor contributions in national currency when applying scaled-up IDA13 burden shares, hence closing the structural financing gap.

E. Voting Rights

51. **Donors will receive voting rights for their contributions to this increase in resources for debt relief costs**. Such voting rights will be recorded from time to time, normally at the time of the general adjustment of votes in the next regular replenishment cycle. In light of the relatively small adjustment necessary for the IDA14 period, voting rights for contributions during the IDA14 period will be recorded at the time of the IDA15 replenishment.

F. Commitment Authority

52. **The IDA14 commitment authority framework will be amended to reflect the reduced volume of credit reflows available, and the amount of incremental, firm contributions for compensation of debt relief cost from the donors**. To establish the volume of IDA credit reflows available to support commitment authority in future replenishments of IDA, forgone reflows due to the MDRI will no longer be factored in. Instead, firm financing commitments from donors to replace forgone credit reflows will be included in the commitment authority framework of future replenishments. These procedures mirror those under the Enhanced HIPC Initiative.

53. **The reliance on firm donor contributions, rather than contractual but forgone credit reflows from HIPCs, may lower the amount of reflows available for commitment under the Advance Commitment Scheme of IDA**. Instead of committing future reflows over the average 10-year disbursement period of an IDA credit, IDA will be confined to committing the volume of firm, compensatory donor financing becoming available. For example, if donors

[23] In the event of a delay of a regular replenishment of IDA, donors could establish a separate set of foreign exchange reference rates, every 3 years, which would apply for compensation of the cost of debt relief.

limited their firm financing of MDRI costs to a 3-year replenishment period, rather than a 10-year period, total IDA15 commitments would be reduced by an estimated USD 4 billion. This negative impact on the volume of commitment authority can be prevented by providing unqualified IoCs for debt relief compensation *over a rolling 10-year period*.

54. As unqualified IoCs are received by IDA, they will provide commitment authority under the current replenishment. Qualified IoC will not provide commitment authority. Commitment authority would normally be made available in equal tranches over the replenishment period in which the IoC is received.

G. Baseline to Measure Additionality of Donor Financing

55. **Actual additionality of donor financing is required to ensure that IDA countries will benefit from the MDRI**. There will be no additionality if donors' replacement resources to cover IDA's forgone reflows were merely deducted from regular financial support of donors to IDA. In their letter of September 23, 2005, G8 governments propose that donor compensation for debt relief be additional to a contribution baseline for future IDA replenishments, set at the level of IDA14 contributions in real terms.

56. **In IDA14, regular donor contributions amount to SDR 10,193 million**.[24] In addition, donors have committed to meet the ongoing costs to IDA over time from grants and from the Enhanced HIPC Initiative. Implementing this commitment for the period covered by IDA14, donors agreed to provide SDR 1,160 million for HIPC compensation during IDA14 and SDR 470 million to cover forgone charges due to IDA13 grants.[25]

57. **With the contribution baseline set with reference to IDA14 regular contributions and assuming an inflation rate of 2.0 percent per annum for the SDR basket of currencies, regular contributions in IDA15 would increase by 6.12 percent over each donor's regular contribution to IDA14 in SDR terms**. This would lead to an aggregate contribution baseline for regular contributions of SDR 10,817 million in IDA15. That amount would continue to increase by the SDR inflation rate for subsequent replenishments. The actual SDR inflation rate over the preceding 3 years would be used to determine the baseline volume of regular contributions in each future replenishment.

58. **Compensatory financing of IDA's forgone credit reflows due to the MDRI will be additional to this contribution baseline**. In addition, the financing framework of future replenishments will also include the special financing items referred to above, viz., compensation for IDA's HIPC-related costs and financing of forgone principal reflows due to IDA grants.

59. **The agreed contribution baseline would be indicative in nature and intended to demonstrate transparently the additionality of debt relief financing**. The level of contributions, and therefore the size of successive IDA replenishments, will, as now, remain the

[24] Donors also provided SDR 495 million of supplemental, incentive, and accelerated contributions in IDA14.

[25] Financing of forgone *charges* on IDA13 grants was a one-off cost item for donors. Starting in IDA14, donors agreed that IDA recover forgone charges due to IDA grants through a volume discount on grants. Donors also committed to compensate IDA for forgone *principal* reflows due to the making of grants in IDA13 and IDA14. In view of the 10-year grace periods on IDA credits, forgone principal reflows due to grants made in the IDA13 period (FY03-05) would start by FY13, which falls into the IDA16 period (FY12-14).

sovereign decision of each government in the IDA donor community.[26] The agreed baseline for additionality will provide a basis for mutual accountability among donors, and an important public signal of the commitment to avoid substitution between regular donor contributions and debt relief compensation.

60. **The following key issues emerge from this Section**:

- the scope of firm, unqualified financing commitments that each IDA donor will be prepared to provide in its IoC; and
- how IDA13 burden shares should be scaled up proportionally to cover the structural financing gap of 9.39 percent.

V. DECISION-MAKING PROCESS IN IDA FOR IMPLEMENTING THE MULTILATERAL DEBT RELIEF INITIATIVE

61. **Implementation of the MDRI will require IDA to provide 100 percent debt relief for eligible countries**. IDA's Articles of Agreement authorize IDA to agree to a relaxation or other modification of financing terms. In 2000, in the context of the Enhanced HIPC Initiative, IDA's Executive Directors decided that an interpretation of the Articles was required to permit IDA to provide partial debt forgiveness. Total debt forgiveness will require a further interpretation of the relevant provisions of the Articles. Interpretation by the Executive Directors will rest on a determination by the Executive Directors that fundamental changes to IDA are not likely.

62. **In coming to that determination, IDA's Executive Directors will take into account such factors as the impact on IDA's financial position relative to its current position, on the rights of IDA members and on IDA's institutional framework**. Specifically, the Executive Directors' decision would be informed by the scope of donors' financing commitments (as discussed in Section IV).

63. **In practical terms, IDA's participation in the MDRI will be presented for formal approval in two interdependent components that would proceed in parallel**.

(a) IDA's Executive Directors will be asked to approve: (i) the necessary interpretation of Article V, Section 3, on the basis of an accompanying opinion of the General Counsel; and (ii) the proposed debt cancellation and the detailed implementation modalities (including debt stock calculation, process for confirming country eligibility, and timing of cancellation, as set out in Section III of this paper).

(b) Under IDA's Articles, any increase in IDA subscriptions requires approval by the Board of Governors. IDA's Executive Directors will also be asked to approve an increase in IDA's resources to compensate IDA for debt forgiveness provided under the MDRI. As in regular IDA replenishments, the following steps will be required:

[26] In the same vein, in their letter of September 23, 2005, G8 governments state "that funding for IDA will continue to depend on donors' conviction of IDA's effectiveness in delivering development assistance; IDA reflows; and the performance, financing needs and absorptive capacity of poor countries".

(i) discussion and finalization of a Report of the IDA Deputies on the proposed increase in resources (along the lines of Section IV of this paper) and accompanying Board of Governors' resolution (based on the draft Resolution attached at Annex 3); (ii) approval by IDA's Executive Directors of the Report and recommendation that the Board of Governors approve the Resolution; and (iii) approval of the Report and Resolution by IDA Governors (by 2/3 majority vote) by a mail vote.

64. **In light of the interdependence of these two components, IDA's Executive Directors will be asked to consider and approve steps (a) and (b) (ii) above at the same time**. The proposed debt cancellation for the first eligible countries would take place on or after July 1, 2006, once the increase in IDA resources has been approved by the Board of Governors and has become effective.

65. **The proposed timeline to start implementation of the MDRI on July 1, 2006 is as follows**:

- **End-November 2005 –** Meeting of Executive Directors to discuss this implementation paper.

- **Early December 2005 –** Meeting of IDA Deputies to discuss the cost base and make pledges of contributions to cover IDA's costs under the MDRI. The Compensation Arrangements section of this paper will constitute the draft report of the IDA Deputies for transmittal to the Board of Governors.

- **End-December 2005 –** IDA donors will be asked to firm up pledges during this period, following the IDA Deputies meeting.

- **Early January 2006 –** Meeting of the Executive Directors to: (i) interpret IDA's Articles of Agreement to allow total debt forgiveness; and (ii) approve the IDA Deputies Report and transmit the Resolution authorizing an increase in IDA's resources to the IDA Board of Governors.

- **End-February 2006 –** Deadline for adoption of the Resolution by the IDA Board of Governors authorizing an increase in IDA's resources.

- **End-March 2006 –** Approval by the Executive Directors of the first group of post-completion point HIPCs to benefit from the MDRI. A paper will be submitted to the Executive Directors, which will contain eligibility assessments as well as IDA debt relief delivery schedules.

- **March to May 2006 –** Acceptance/delivery of Instruments of Commitment (IoC) by members. May 31, 2006 is the target date for effectiveness.

- **End-May 2006 –** Finalization of revised country allocations of IDA resources for FY07, provided that the MDRI is effective.

66. **Clearly the MDRI will demand significant staff time and resources in terms of changes to information and payment systems necessary for tracking donor contributions as well as changes to credit agreements and accounting systems**. Final estimates of administrative costs in terms of staff resources and system requirements associated with implementing the MDRI have yet to be determined and will depend on the decisions taken by IDA Deputies. These costs include one-time expenses for preparation and implementation of the MDRI, as well as recurrent costs primarily related to donor compensation arrangements. Management intends to utilize and integrate to the extent possible current processes under the HIPC Initiative to determine country eligibility, and to monitor resources freed up by debt relief under the MDRI. Additional costs would be incurred in connection with financial operations and accounting activities that are necessary for accurate and transparent reporting of debt relief delivered, and donor resources received, under the MDRI. Final estimates of administrative costs will be presented to the Executive Directors in connection with their review of the implementation modalities currently envisaged for January 2006.

Annex 1 – Background Documents

Annex 1.1	Letter to the President of the World Bank from the G8 Finance Ministers on the G8 Debt Proposal, Washington, DC, September 23, 2005
Annex 1.2	Excerpts from Development Committee Communiqué, Washington, DC, September 25, 2005

ANNEX 1.1

Letter to the President of the World Bank from the G8 Finance Ministers On the G8 Debt Proposal, Washington, 23 September 2005

Dear President Wolfowitz

G8 Finance Ministers have agreed a proposal to complete the process of debt relief for Heavily Indebted Poor Countries by providing additional development resources which will provide significant support for countries' efforts to reach the goals of the Millennium Declaration (MDGs). This proposal was reaffirmed by G8 Heads of State and Government at Gleneagles.

We believe that this proposal will bring major benefits to IDA's membership; that it will preserve and enhance the Bank's key role in supporting low-income countries; and that it will ensure that substantial additional resources are allocated on the basis of need, governance and the ability to use them effectively for poverty reduction and growth.

The key element of the proposal is that debt relief will be fully financed to ensure that the financing capacity of International Financial Institutions is not reduced. For this reason, in IDA and the AfDF, the G8 has committed, based on agreed burden shares, to cover the full cost to offset dollar for dollar the forgone principal and interest repayments of the debt cancelled for the duration of the cancelled loans. This letter reaffirms and sets out the detail of our commitment.

We will make available immediately additional funds to cover the full cost during the IDA 14 period and these funds will be fully additional to the resources already agreed during the IDA 14 replenishment. For the period after IDA 14**,** we are committed to cover the full costs for the duration of the cancelled loans and we will make contributions additional to regular replenishments of IDA. The G8 has committed, as a whole, to the contribution it made under IDA 13 (70.19%).

In order to create transparency and accountability, we ask that in future replenishment rounds that the costs of the debt relief initiative and the associated donor contributions be reported separately.

We will each implement these commitments expeditiously in line with our individual budgetary and Parliamentary procedures. Indeed, since our meeting in June, and the meeting of G8 Heads of State and Government at Gleneagles, a number of us have been able to make progress:

- The US Administration has provided clear support for a Congressional Bill that would approve the debt relief initiative and to authorise "such sums as may be necessary for payment" for the full duration of the cancelled loans.

- Japan reaffirmed its commitment to cover its share of the costs of the proposal and to exercise its best efforts to obtain necessary Diet approvals on the occasion of the regular replenishments to fulfill its commitment.

- Canada has already made an allocation to cover its share of total costs over the next five years and is currently seeking Parliamentary approval to disburse these funds. The Canadian Government will seek Parliamentary approval to disburse funds over the life of the agreement following its normal budgetary conventions.

- Germany confirms its commitments undertaken at Gleneagles. In particular, Germany remains committed to offset dollar for dollar, based on agreed burden shares, the foregone principal and interest payments of the IDA debt cancelled, subject to decisions to be taken by the new German Government and Parliament.

- The UK is committed to cover its share of the costs for the full duration of the cancelled loans. It had already budgeted to pay its share of the debt service costs of these countries until 2015, and it will make a firm financial commitment to the cover its share of the full cost to IDA for the next ten years through a formal Parliamentary process.

- France is committed to cover its share of the costs for the full duration of the cancelled loans. It will seek in 2005 Parliamentary appropriations for commitment for the financial compensation of the lost reflows covering the period to 2015.

- Italy is committed to bring forward legislation that will authorize payments of its share of the cost for the full duration of the cancelled loans.

- The Russian Federation confirms its commitment to cover its share of the cost for the full duration of the cancelled loans. Necessary steps will be taken by the Government to ensure the budget appropriations will be made in a timely manner.

In addition, we reaffirm our commitment to the long-term role of IDA in the international development architecture and in financing development. In doing so we recognise that IDA will utilise a contribution baseline of the real value of donor contributions under IDA 14 as a means of assessing additionality. We also note that funding for IDA will continue to depend on donors' conviction of

IDA's effectiveness in delivering development assistance; IDA reflows; and the performance, financing needs, and absorptive capacity of poor countries.

On the basis of our commitments, and the actions we have taken and will take, we firmly believe that this initiative will strengthen the financial capacity of IDA. We strongly believe that this initiative represents a historic opportunity and we hope it will be seized by the whole membership at the Annual Meetings.

[Signed by:]

Gordon Brown, Chancellor of the Exchequer, United Kingdom

John Snow, Secretary to the Treasury, United States of America

Ralph Goodale, Minister of Finance, Canada

Thierry Breton, Minister for the Economy, Finance and Industry, France

Caio Koch-Weser, State Secretary, Ministry of Finance, Germany

Giulio Tremonti, Minister of Economy and Finance, Italy

Sadakasu Tanigaki, Minister of Finance, Japan

Alexei Kudrin, Finance Minister, Russia

ANNEX 1.2

EXCERPTS FROM DEVELOPMENT COMMITTEE COMMUNIQUÉ
Relating to G8 Proposal for 100 percent Debt Cancellation
Washington, D.C., September 25, 2005

1. "We met against the background of a series of major meetings in this "Year of Development," in particular the United Nations 2005 World Summit held in New York on September 14-16. These meetings, including the G8 Summit held in Gleneagles in July, have resulted in significant progress in building and deepening consensus on key elements of the development agenda. In our discussions we focused on implementation and priorities for action."

5. "We welcomed the G8 proposal for 100 percent cancellation of debt owed by eligible heavily indebted poor countries (HIPCs) to the International Development Association (IDA), the African Development Fund (AfDF), and the International Monetary Fund, as providing a valuable opportunity to reduce debt and increase resources for achieving the MDGs. In order to expedite the implementation of the proposal, we agreed on the need for an interdependent package consisting especially of dollar for dollar compensation for IDA that is truly additional to existing commitments and that maintains the financial integrity and capacity of IDA to assist poor countries in the future. We are agreed on the need for additionality of donor resources for debt relief to provide tangible benefits to HIPCs. We are confident that the package, including financing, the main technical features of the proposal and burden sharing on a voluntary basis will provide these benefits. We emphasized the importance of maintaining sound economic performance and good governance by eligible countries. We urged donor countries to ensure financing to fully compensate IDA for forgone reflows resulting from debt relief in order to reach a final agreement on the proposal. We welcomed the delivery commitments by the G8 in their letter to the World Bank President. We asked the Bank to prepare a compensation schedule and monitoring system of all donor contributions urgently. On this basis we expressed our support for the aforementioned package and urged the Bank to proceed with the steps to ensure all necessary arrangements for implementation."

6. "We also reviewed the implementation of the HIPC Initiative, welcomed continued progress in providing debt relief to HIPCs, noted the need to fill the current funding gap, and urged full creditor participation. We continue to underline the importance of the existing agreement that contributions under the HIPC Initiative be additional to other contributions to IDA. Eighteen countries have reached the completion point and another ten are between decision and completion points. We look forward to a final list of eligible countries in early 2006."

Annex 2 – Data Tables

ANNEX 2.1

Estimated Cost to IDA under the Multilateral Debt Relief Initiative
(SDR million)

	18 CP HIPCs	10 DP HIPCs	10 pre-DP HIPCs	Sub-total 38 HIPCs	4 Ring-fenced Sunset Clause Countries	**Total 42 Countries**	*Memo: 4 Other Sunset Countries*	*Memo: Total 46 Countries*
FY07	235	-	-	235	-	**235**	-	*235*
FY08	255	57	-	311	-	**311**	-	*311*
FY09	279	66	2	347	4	**351**	*136*	*487*
FY10	319	71	2	392	21	**412**	*243*	*655*
FY11	372	76	29	477	30	**507**	*253*	*760*
FY12	424	84	60	569	31	**600**	*263*	*863*
FY13	460	103	63	626	32	**659**	*272*	*931*
FY14	480	118	64	662	34	**696**	*280*	*977*
FY15	507	123	65	695	35	**729**	*284*	*1,013*
FY16	527	134	67	728	39	**767**	*285*	*1,052*
Subtotal, to FY16	**3,857**	**832**	**354**	**5,043**	**225**	**5,268**	***2,016***	***7,283***
FY17	532	143	74	749	54	**802**	*288*	*1,090*
FY18	540	145	80	765	65	**830**	*293*	*1,123*
FY19	586	148	81	814	71	**885**	*301*	*1,187*
FY20	681	149	86	916	77	**993**	*306*	*1,299*
FY21	790	161	90	1,042	78	**1,120**	*305*	*1,425*
FY22	864	179	91	1,134	78	**1,212**	*302*	*1,515*
FY23	885	183	91	1,159	78	**1,237**	*296*	*1,534*
FY24	881	180	89	1,151	77	**1,228**	*290*	*1,518*
FY25	867	177	88	1,132	75	**1,207**	*282*	*1,490*
FY26	844	191	100	1,135	70	**1,206**	*273*	*1,479*
FY27	831	205	105	1,141	66	**1,207**	*268*	*1,475*
FY28	813	199	95	1,107	67	**1,174**	*254*	*1,428*
FY29	768	185	88	1,041	64	**1,105**	*232*	*1,336*
FY30	705	168	81	953	56	**1,009**	*209*	*1,218*
FY31	624	152	71	846	49	**895**	*181*	*1,076*
FY32	531	136	59	727	42	**768**	*153*	*921*
FY33	443	120	51	614	35	**649**	*132*	*781*
FY34	362	103	42	507	28	**535**	*110*	*645*
FY35	284	86	34	404	20	**425**	*85*	*510*
FY36	213	65	22	300	15	**315**	*58*	*373*
FY37	155	46	11	212	11	**222**	*33*	*255*
FY38	114	36	5	155	7	**162**	*21*	*183*
FY39	82	29	2	113	5	**118**	*16*	*134*
FY40	60	25	2	87	5	**92**	*13*	*104*
FY41	44	23	1	68	3	**71**	*13*	*84*
FY42	24	16	0	40	2	**42**	*12*	*55*
FY43	9	5	-	14	2	**16**	*9*	*25*
FY44	1	0	-	2	1	**3**	*3*	*6*
Total, FY07-44	**17,390**	**4,087**	**1,892**	**23,369**	**1,428**	**24,796**	***6,754***	***31,551***

Notes:

(1) HIPC country assumptions

MDRI debt relief for all of the 18 completion point HIPCs is assumed to become effective as of July 1, 2006. In addition, 8 of the 10 decision point countries are projected to benefit from MDRI debt relief during the third year of the IDA14 period, in FY08. These 8 decision point HIPCs include: Burundi, Cameroon, Chad, Democratic Republic of Congo, Guinea, Malawi, Sierra Leone, and Sao Tome & Principe. During the IDA15 period (FY09-FY11), 36 of the current HIPCs plus all of the 4 possible future HIPCs under the sunset clause are currently projected to benefit from MDRI debt relief. Only two pre-decision point HIPCs are currently estimated to become eligible for MDRI debt relief by FY12, at the beginning of the IDA16 period: Myanmar and Togo. By IDA16, all HIPCs are assumed to receive debt relief under the MDRI. The chart in Annex 2.3 illustrates these timing assumptions.

(2) Foreign exchange rate assumptions

HIPC relief is denominated in USD terms. It is being converted into SDR equivalent amounts in order to determine the volume of MDRI debt relief in SDR terms (= 100% of debt service to IDA minus HIPC debt relief).

(a) SDR-denominated credits: MDRI relief is calculated as 100% of SDR-based debt service minus USD-based HIPC relief converted into SDR equivalents using the IDA14 hedged FX rate for HIPC costs up to FY08 and the MDRI FX reference rates for HIPC relief thereafter.

(b) USD-denominated credits: MDRI relief is calculated as 100% of USD-based debt service minus USD-based HIPC relief. The resulting net remaining USD debt service is converted into SDR equivalents using the MDRI FX reference rates.

ANNEX 2.2

Estimated MDRI Debt Relief by IDA Country
(SDR million)

Recipient of MDRI Debt Relief	IDA14 FY07-08	IDA15 FY09-11	IDA16 FY12-14	First Decade FY07-16	**Total Relief FY07-44**
Completion Point HIPCs (18)					
Benin	18	31	38	126	**467**
Bolivia	30	62	85	271	**1,027**
Burkina Faso	16	27	42	117	**497**
Ethiopia	18	39	57	151	**1,582**
Ghana	67	119	151	446	**2,019**
Guyana	4	8	10	29	**128**
Honduras	20	38	77	195	**802**
Madagascar	42	81	103	296	**1,197**
Mali	30	53	69	221	**854**
Mauritania	11	22	31	86	**371**
Mozambique	22	66	97	257	**884**
Nicaragua	8	19	32	82	**518**
Niger	11	19	26	74	**506**
Rwanda	4	7	13	33	**235**
Senegal	41	102	152	397	**1,255**
Tanzania	60	111	151	431	**1,898**
Uganda	62	116	160	451	**1,882**
Zambia	25	51	69	195	**1,269**
Sub-total	**489**	**970**	**1,364**	**3,857**	**17,390**
Decision Point HIPCs (10)					
Burundi	1	3	3	7	**13**
Cameroon	4	14	42	109	**587**
Chad	8	29	40	114	**506**
Dem Republic of Congo	7	19	38	88	**660**
Gambia	0	10	16	39	**139**
Guinea	14	50	61	179	**744**
Guinea-Bissau	0	5	7	17	**85**
Malawi	21	73	86	242	**1,067**
Sierra Leone	3	8	12	33	**262**
Sao Tome and Principe 1/	0	1	2	4	**25**
Sub-total	**57**	**212**	**306**	**832**	**4,087**
Pre-decision Point HIPCs (10)					
Central African Republic	0	1	3	5	**35**
Comoros	0	0	1	1	**17**
Congo, Republic of	0	6	8	21	**83**
Cote d'Ivoire	0	17	65	131	**744**
Lao, People's dem republic	0	6	20	40	**307**
Liberia	0	0	1	1	**3**
Myanmar	0	0	58	96	**356**
Somalia	0	1	2	4	**13**
Sudan	0	2	7	13	**42**
Togo	0	0	25	42	**294**
Sub-total	**0**	**33**	**188**	**354**	**1,892**
TOTAL, 38 HIPCS	**546**	**1,216**	**1,858**	**5,043**	**23,369**
Sunset clause: ring-fenced (4)					
Eritrea	0	1	8	15	**111**
Haiti	0	6	19	42	**268**
Kyrgyz Republic	0	15	19	48	**299**
Nepal	0	32	52	119	**749**
Sub-total	**0**	**55**	**97**	**225**	**1,428**
GRAND TOTAL, 42 COUNTRIES	**546**	**1,270**	**1,955**	**5,268**	**24,796**

1/ Debt relief to Sao Tome and Principe is less than SDR 1 million over the IDA14 period.

ANNEX 2.3

Estimated Timing of HIPC Countries Reaching Their Completion Points

Countries prior to Completion Point		Completion Point (preliminary estimate)	FY06	FY07	FY08	FY09	FY10	FY11	FY12
Decision Point Countries (10)									
1	Burundi	Dec. 2006		CP - Dec 06					
2	Cameroon	Apr. 2006	CP - Apr 06						
3	Chad	Jun. 2006	CP - Jun 06						
4	Congo, Dem. Rep. of	Jan. 2007		CP - Jan 07					
5	Gambia, The	May. 2007		CP - May 07					
6	Guinea	Dec. 2006		CP - Dec 06					
7	Guinea-Bissau	Dec. 2007			CP - Dec 07				
8	Malawi	Jun. 2006	CP - Jun 06						
9	Sierra Leone	Jul. 2006		CP - Jul 06					
10	Sao Tome & Principe	May. 2006	CP - May 06						
Pre-Decision Point Countries (10)									
1	Central African Republic	Jun. 2009				CP - Jun 09			
2	Comoros	Sep. 2009					CP - Sep 09		
3	Republic of Congo	Dec. 2007			CP - Dec 07				
4	Cote d'Ivoire	Dec. 2009					CP - Dec 09		
5	Lao	Mar. 2010					CP - Mar 10		
6	Liberia	Mar. 2010					CP - Mar 10		
7	Myanmar	Dec. 2010						CP - Dec 10	
8	Somalia	Mar. 2010					CP - Mar 10		
9	Sudan	Mar. 2010					CP - Mar 10		
10	Togo	Oct. 2010						CP - Oct 10	
Possible HIPCs - Sunset Clause (4)									
1	Eritrea	Dec. 2009					CP - Dec 09		
2	Haiti	Dec. 2009					CP - Dec 09		
3	Kyrgyz Republic	Dec. 2007			CP - Dec 07				
4	Nepal	Dec. 2008				CP - Dec 08			

= denotes period after reaching CP, before a country will benefit from debt cancellation

= denotes period during which debt cancellation will be effective

Note: Future CP HIPCs would benefit from debt cancellation under th MDRI as of July 1st of a given year, provided that they become eligible at least three months prior to the start of a new fiscal year, hence no later than by March 31 of that year. This would provide sufficient lead time for finalization of the revised IDA country allocations for the following fiscal year.

ANNEX 2.4

Illustrative Accounting Treatment of the Multilateral Debt Relief Initiative in IDA

Upon approval of the debt cancellation framework under the MDRI, IDA would provide in full for the expected losses of credit reflows. Loan loss provisions would cover the estimated forgone principal reflows for the 38 HIPCs; loss provisions for the 4 sunset clause countries would be added once reliable cost estimates become available. As and when individual HIPCs are confirmed by the Executive Directors as being eligible for MDRI relief, the associated IDA credits would be written off, removing them permanently from IDA's balance sheet and reversing the loan loss provision.

The following paragraphs offer further details for each group of HIPC countries and an illustration of the accounting treatment of debt cancellation in IDA's balance sheet. This is also illustrated in the attached chart.

- **Debt cancellation for the group of 18 completion point (CP) HIPCs**. Following approval of the MDRI, which is expected prior to the end of FY06, IDA would record a loan loss provision ("Allowance for MDRI") for the amount of credit principal to be cancelled for the 18 CP countries. This loss provision would lower the amount of reported assets ("Application of Development Resources") in IDA's financial statements accordingly. IDA's income statement for the month-end of approval of the MDRI would record an expense equal to the loan loss provision. This expense would increase the accumulated deficit on IDA's financial statements, lowering the net amount of reported equity ("Sources of Development Resources") in IDA's financial statements.

  Upon implementation of the MDRI (currently expected for July 1, 2006), and following confirmation of eligibility for the 18 CP countries by the Executive Directors, the principal amount of credits cancelled for these countries would be deducted from the value of credits outstanding and disbursed in IDA's financial statements. At that time, the loan loss provision would be reversed (reduced) accordingly. There would be no additional impact on the income statement or accumulated deficit since this was already recognized in the month when the MDRI was approved.

- **Debt cancellation for the group of 10 decision point and 10 pre-decision point HIPCs**. Upon approval of the MDRI, IDA would also record an interim loan loss provision for these 20 countries, provided that reliable estimates of their expected debt relief are available. This is the approach adopted for the Enhanced HIPC Framework for those countries that are yet to reach their decision points. The interim loan loss provision would lower the amount of IDA's reported assets and equity in the same way as for the group of CP HIPCs. Subsequently, when the debt cancellation to a country would become irrevocable at HIPC completion point, the principal amount would be taken off the value of credits outstanding, and the loan loss provision would be reversed accordingly.

- **Potential debt cancellation for the group of 4 sunset clause countries**. The accounting treatment for sunset clause countries would follow that described for decision point and pre-decision point HIPCs. However, for some countries, reliable estimates of their expected MDRI (and HIPC) debt relief may only become available after several years. Once estimates are available, loan provisions would be added both under the MDRI and under the Enhanced HIPC Initiative.

IDA's financial statements would provide detailed information on forgone credit reflows as a result of the MDRI. To ensure ongoing monitoring of costs, the notes to IDA's financial statements ("Summary Statement of Development Credits") would continue to show the volume of development credits outstanding before cancellation of the principal component, along with the cancelled portion, by IDA country. Management would also track forgone principal and charge repayments due to the MDRI through the Bank's loan accounting system.

Accounting treatment for donors' compensatory contributions. Firm financing commitments from donors in the form promissory notes or cash would be recorded as assets and equity ("Member Subscriptions and Contributions Paid In") in IDA's financial statements.[27] Over time, as firm compensatory financing is received, the reduction of IDA's assets and equity resulting from debt relief would therefore be gradually reversed.

[27] Instruments of Commitment (IoCs) provided by the donors, even if unqualified in nature, would not be recorded as assets in IDA's financial statements. They would be recorded as a receivable item of IDA, to be deducted from "Member Subscriptions and Contributions Committed" to arrive at "Member Subscriptions and Contributions Paid In" (= equity of IDA). Upon substitution by either promissory notes or cash, IoCs would be reclassified as assets. However, if IoCs provided by donors were to carry a defined encashment schedule, those payments which are due within the next 12 months of the reporting balance sheet date could be classified as assets of IDA.

Illustrative Accounting Treatment of Debt Cancellation under the Multilateral Debt Relief Initiative

(data are for illustrative purposes only)

(A) Prior to the MDRI

ASSETS	$ million	**EQUITY & LIABILITIES**	$ million
Liquidity and Investments	15,000	Member Resources (subscriptions & contributions)	123,000
Net Receivables (from donors, IBRD, HIPC Trust Fund)	6,000		
		Transfers (from IBRD, Trust Funds)	8,000
Credits			
Total development credits	143,000	Accumulated income	8,000
less: Undisbursed balance	-22,000	less: Accumulated deficit	-8,700
Development credits outstanding	121,000	Net income/ deficit	-700
less: Allowance for HIPC Debt Initiative	-11,700		
Net Credits Outstanding	109,300		
Total Assets	**130,300**	**Total Equity & Liabilities**	**130,300**

(B) Upon Approval of the MDRI (expected during FY06)

ASSETS	$ million	**EQUITY & LIABILITIES**	$ million
Liquidity and Investments	15,000	Member Resources (subscriptions & contributions)	123,000
Net Receivables (from donors, IBRD, HIPC Trust Fund)	6,000		
		Transfers (from IBRD, Trust Funds)	8,000
Credits			
Total development credits	143,000	Accumulated income	8,000
less: Undisbursed balance	-22,000	***less: Accumulated deficit***	***-38,700***
Development credits outstanding	121,000	Net income/ deficit	-30,700
less: Allowance for HIPC Debt Initiative	-11,700		
less: Allowance for MDRI (18 CPs)	***-23,000***		
less: Allowance for MDRI (10 DPs & 10 pre-DPs)	***-7,000***		
Net Credits Outstanding	79,300		
Total Assets	**100,300**	**Total Equity & Liabilities**	**100,300**

(C) Upon Effectiveness of the MDRI (expected July 1st, 2006)

ASSETS	$ million	**EQUITY & LIABILITIES**	$ million
Liquidity and Investments	15,000	Member Resources (subscriptions & contributions)	123,000
Net Receivables (from donors, IBRD, HIPC Trust Fund)	6,000		
		Transfers (from IBRD, Trust Funds)	8,000
Credits			
Total development credits (principal for 18 CPs written off)	***120,000***	Accumulated income	8,000
less: Undisbursed balance	-22,000	**less: Accumulated deficit**	**-38,700**
Development credits outstanding	98,000	Net income/ deficit	-30,700
less: Allowance for HIPC Debt Initiative	-11,700		
less: Allowance for the MDRI (10 DPs & 10 pre-DPs)	**-7,000**		
Net Credits Outstanding	79,300		
Total Assets	**100,300**	**Total Equity & Liabilities**	**100,300**

(D) Once Reliable Cost Estimates are Available for 4 Potential HIPCs (Sunset Clause Countries)

ASSETS	$ million	**EQUITY & LIABILITIES**	$ million
Liquidity and Investments	15,000	Member Resources (subscriptions & contributions)	123,000
Net Receivables (from donors, IBRD, HIPC Trust Fund)	6,000		
		Transfers (from IBRD, Trust Funds)	8,000
Credits			
Total development credits (principal for 18 CPs written off)	**120,000**	Accumulated income	8,000
less: Undisbursed balance	-22,000	***less: Accumulated deficit***	***-41,200***
Development credits outstanding	98,000	Net income/ deficit	-33,200
less: HIPC Allowance (increased for 4 potential HIPCs)	***-12,200***		
less: Allowance for MDRI (10 DPs & 10 pre-DPs)	**-7,000**		
less: Allowance for MDRI (4 potential HIPCs)	***-2,000***		
Net Credits Outstanding	76,800		
Total Assets	**97,800**	**Total Equity & Liabilities**	**97,800**

ANNEX 2.5

Estimated Donor Contributions for Multilateral Debt Relief Initiative - Regular IDA13 Burden Shares

(in SDR million)

Donors	Basic Shares IDA13	FY07	FY08	**Sub-total, Remaining IDA14 Period FY07-08**	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	**Sub-total, Remainder of First Decade FY09-16**	Subsequent 3 Decades FY17-44	**Total Cost FY07-44**
Australia	1.46%	3	5	**8**	5	6	7	9	10	10	11	11	**69**	285	**361**
Austria	0.78%	2	2	**4**	3	3	4	5	5	5	6	6	**37**	152	**193**
Belgium	1.55%	4	5	**8**	5	6	8	9	10	11	11	12	**73**	303	**384**
Brazil	0.61%	1	2	**3**	2	3	3	4	4	4	4	5	**29**	119	**151**
Canada	3.75%	9	12	**20**	13	15	19	23	25	26	27	29	**177**	732	**930**
Czech Republic	0.05%	0	0	**0**	0	0	0	0	0	0	0	0	**2**	10	**12**
Denmark	1.58%	4	5	**9**	6	7	8	9	10	11	12	12	**75**	309	**392**
Finland	0.60%	1	2	**3**	2	2	3	4	4	4	4	5	**28**	117	**149**
France	6.00%	14	19	**33**	21	25	30	36	40	42	44	46	**283**	1,172	**1,488**
Germany	10.30%	24	32	**56**	36	42	52	62	68	72	75	79	**486**	2,012	**2,554**
Greece	0.12%	0	0	**1**	0	0	1	1	1	1	1	1	**5**	23	**29**
Hungary	0.06%	0	0	**0**	0	0	0	0	0	0	0	0	**3**	12	**15**
Iceland	0.04%	0	0	**0**	0	0	0	0	0	0	0	0	**2**	8	**10**
Ireland	0.18%	0	1	**1**	1	1	1	1	1	1	1	1	**8**	35	**45**
Israel	0.10%	0	0	**1**	0	0	1	1	1	1	1	1	**5**	20	**25**
Italy	3.80%	9	12	**21**	13	16	19	23	25	26	28	29	**179**	742	**942**
Japan	16.00%	38	50	**87**	56	66	81	96	105	111	117	123	**755**	3,125	**3,968**
Korea, Republic of	0.91%	2	3	**5**	3	4	5	5	6	6	7	7	**43**	178	**226**
Kuwait	0.14%	0	0	**1**	0	1	1	1	1	1	1	1	**7**	27	**35**
Luxembourg	0.10%	0	0	**1**	0	0	1	1	1	1	1	1	**5**	20	**25**
Mexico	0.05%	0	0	**0**	0	0	0	0	0	0	0	0	**2**	10	**12**
Netherlands	2.60%	6	8	**14**	9	11	13	16	17	18	19	20	**123**	508	**645**
New Zealand	0.12%	0	0	**1**	0	0	1	1	1	1	1	1	**6**	23	**30**
Norway	1.52%	4	5	**8**	5	6	8	9	10	11	11	12	**72**	297	**377**
Poland	0.03%	0	0	**0**	0	0	0	0	0	0	0	0	**1**	6	**7**
Portugal	0.20%	0	1	**1**	1	1	1	1	1	1	1	2	**9**	39	**50**
Russian Federation 2/	0.08%	0	0	**0**	0	0	0	0	1	1	1	1	**4**	16	**20**
Saudi Arabia	0.39%	1	1	**2**	1	2	2	2	3	3	3	3	**19**	77	**98**
Singapore	0.14%	0	0	**1**	0	1	1	1	1	1	1	1	**7**	28	**35**
Slovak Republic	0.01%	0	0	**0**	0	0	0	0	0	0	0	0	**1**	3	**3**
Slovenia 1/	0.03%	0	0	**0**	0	0	0	0	0	0	0	0	**1**	6	**7**
South Africa	0.08%	0	0	**0**	0	0	0	0	1	1	1	1	**4**	16	**20**
Spain	1.80%	4	6	**10**	6	7	9	11	12	13	13	14	**85**	352	**446**
Sweden	2.62%	6	8	**14**	9	11	13	16	17	18	19	20	**124**	512	**650**
Switzerland	2.43%	6	8	**13**	9	10	12	15	16	17	18	19	**115**	475	**603**
Turkey 2/	0.09%	0	0	**0**	0	0	0	1	1	1	1	1	**4**	18	**22**
United Kingdom	10.14%	24	32	**55**	36	42	51	61	67	71	74	78	**479**	1,981	**2,515**
United States	20.12%	47	63	**110**	71	83	102	121	133	140	147	154	**950**	3,929	**4,988**
Venezuela 2/	0.03%	0	0	**0**	0	0	0	0	0	0	0	0	**1**	6	**7**
Sub-total	90.61%	213	282	**495**	318	373	459	544	597	631	661	695	**4,278**	17,696	**22,469**
Structural gap	9.39%	22	29	**51**	33	39	48	56	62	65	68	72	**443**	1,833	**2,327**
Total	100.00%	235	311	**546**	351	412	507	600	659	696	729	767	**4,721**	19,529	**24,796**

1/ Slovenia is included at its IDA14 share. The country was not a donor in IDA13.

2/ Contributions of countries with an average inflation rate exceeding 10% over the 2002-2004 period would be denominated in SDRs.

ANNEX 2.6

Estimated Donor Contributions for Multilateral Debt Relief Initiative - Scaled-up IDA13 Burden Shares

(in SDR million)

Donors	Scaled-up Shares IDA13	FY07	FY08	**Sub-total, Remaining IDA14 Period FY07-08**	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	**Sub-total, Remainder of First Decade FY09-16**	Subsequent 3 Decades FY17-44	**Total Cost FY07-44**
Australia	1.61%	4	5	**9**	6	7	8	10	11	11	12	12	**76**	314	**399**
Austria	0.86%	2	3	**5**	3	4	4	5	6	6	6	7	**41**	168	**213**
Belgium	1.71%	4	5	**9**	6	7	9	10	11	12	12	13	**81**	334	**424**
Brazil	0.67%	2	2	**4**	2	3	3	4	4	5	5	5	**32**	131	**167**
Canada	4.14%	10	13	**23**	15	17	21	25	27	29	30	32	**195**	808	**1,026**
Czech Republic	0.06%	0	0	**0**	0	0	0	0	0	0	0	0	**3**	11	**14**
Denmark	1.74%	4	5	**10**	6	7	9	10	11	12	13	13	**82**	341	**432**
Finland	0.66%	2	2	**4**	2	3	3	4	4	5	5	5	**31**	129	**164**
France	6.62%	16	21	**36**	23	27	34	40	44	46	48	51	**313**	1,293	**1,642**
Germany	11.37%	27	35	**62**	40	47	58	68	75	79	83	87	**537**	2,220	**2,819**
Greece	0.13%	0	0	**1**	0	1	1	1	1	1	1	1	**6**	25	**32**
Hungary	0.07%	0	0	**0**	0	0	0	0	0	0	0	1	**3**	13	**16**
Iceland	0.04%	0	0	**0**	0	0	0	0	0	0	0	0	**2**	9	**11**
Ireland	0.20%	0	1	**1**	1	1	1	1	1	1	1	2	**9**	39	**49**
Israel	0.11%	0	0	**1**	0	0	1	1	1	1	1	1	**5**	22	**27**
Italy	4.19%	10	13	**23**	15	17	21	25	28	29	31	32	**198**	819	**1,040**
Japan	17.66%	41	55	**96**	62	73	89	106	116	123	129	135	**834**	3,448	**4,379**
Korea, Republic of	1.00%	2	3	**5**	4	4	5	6	7	7	7	8	**47**	196	**249**
Kuwait	0.15%	0	0	**1**	1	1	1	1	1	1	1	1	**7**	30	**38**
Luxembourg	0.11%	0	0	**1**	0	0	1	1	1	1	1	1	**5**	22	**27**
Mexico	0.06%	0	0	**0**	0	0	0	0	0	0	0	0	**3**	11	**14**
Netherlands	2.87%	7	9	**16**	10	12	15	17	19	20	21	22	**135**	560	**711**
New Zealand	0.13%	0	0	**1**	0	1	1	1	1	1	1	1	**6**	26	**33**
Norway	1.68%	4	5	**9**	6	7	8	10	11	12	12	13	**79**	328	**416**
Poland	0.03%	0	0	**0**	0	0	0	0	0	0	0	0	**2**	6	**8**
Portugal	0.22%	1	1	**1**	1	1	1	1	1	2	2	2	**10**	43	**55**
Russian Federation 2/	0.09%	0	0	**0**	0	0	0	1	1	1	1	1	**4**	17	**22**
Saudi Arabia	0.44%	1	1	**2**	2	2	2	3	3	3	3	3	**21**	85	**108**
Singapore	0.16%	0	0	**1**	1	1	1	1	1	1	1	1	**7**	31	**39**
Slovak Republic	0.01%	0	0	**0**	0	0	0	0	0	0	0	0	**1**	3	**4**
Slovenia 1/	0.03%	0	0	**0**	0	0	0	0	0	0	0	0	**2**	6	**8**
South Africa	0.09%	0	0	**0**	0	0	0	1	1	1	1	1	**4**	17	**22**
Spain	1.99%	5	6	**11**	7	8	10	12	13	14	14	15	**94**	388	**493**
Sweden	2.89%	7	9	**16**	10	12	15	17	19	20	21	22	**137**	565	**717**
Switzerland	2.68%	6	8	**15**	9	11	14	16	18	19	20	21	**127**	524	**665**
Turkey 2/	0.10%	0	0	**1**	0	0	1	1	1	1	1	1	**5**	19	**25**
United Kingdom	11.19%	26	35	**61**	39	46	57	67	74	78	82	86	**528**	2,186	**2,775**
United States	22.20%	52	69	**121**	78	92	112	133	146	155	162	170	**1,048**	4,336	**5,505**
Venezuela 2/	0.03%	0	0	**0**	0	0	0	0	0	0	0	0	**2**	6	**8**
Sub-total	100.00%	235	311	**546**	351	412	507	600	659	696	729	767	**4,721**	19,529	**24,796**
Structural gap	0.00%	0	0	**0**	0	0	0	0	0	0	0	0	**0**	0	**0**
Total	100.00%	235	311	**546**	351	412	507	600	659	696	729	767	**4,721**	19,529	**24,796**

1/ Slovenia is included at its IDA14 share. The country was not a donor in IDA13.
2/ Contributions of countries with an average inflation rate exceeding 10% over the 2002-2004 period would be denominated in SDRs.

Annex 3 – IDA Board of Governors' Draft Resolution

Attachment I	Instrument of Commitment – Contributing Members
Attachment II	Instrument of Commitment – Subscribing Members
Table 1	Compensation Schedule
Table 2a	Contributions to the Multilateral Debt Relief Initiative – Regular IDA13 Burden Shares
Table 2b	Contributions to the Multilateral Debt Relief Initiative – Scaled-up IDA13 Burden Shares
[Table 3	Subscriptions, Contributions and Votes]

ANNEX 3

INTERNATIONAL DEVELOPMENT ASSOCIATION
BOARD OF GOVERNORS

(Draft)

Resolution No. ______

Additions to Resources: Multilateral Debt Relief Initiative

WHEREAS:

(A) The Executive Directors of the International Development Association (the "Association") have concluded that it is desirable for the Association to participate in the Multilateral Debt Relief Initiative for eligible Heavily Indebted Poor Countries, (the "Multilateral Debt Relief Initiative" or "MDRI"), and to that end, to authorize an increase in the resources of the Association to provide full and timely compensation to the Association for debt cancellation under the MDRI in the amounts and on the basis set out in the report of the IDA Deputies, "Additions to Resources: Multilateral Debt Relief Initiative" (the "Report"), approved by the Executive Directors on ------, 2005, and submitted to the Board of Governors;

(B) The members of the Association consider that an increase in the resources of the Association is required and intend to take all necessary governmental and legislative action to authorize and approve the allocation of additional resources to the Association in the amounts and on the conditions set out in this Resolution;

(C) Members of the Association that contribute resources to the Association in addition to their subscriptions as part of the Multilateral Debt Relief Initiative ("Contributing Members") are to make available their contributions pursuant to the Articles of Agreement of the Association (the "Articles") partly in the form of subscriptions carrying voting rights and partly as supplementary resources in the form of contributions not carrying voting rights;

(D) Additional subscriptions are to be authorized for Contributing Members in this Resolution on the basis of their agreement with respect to their preemptive rights under Article III, Section 1(c) of the Articles, and provision is made for the other members of the Association ("Subscribing Members") intending to exercise their rights pursuant to that provision to do so;

(E) To enable the Association's participation in the Multilateral Debt Relief Initiative, the Executive Directors have taken a decision under Article (X) of the Articles that forgiveness by the Association of repayment of all principal and other charges on financing extended to specific eligible countries would be consistent with Article V, Section 3 of the Articles, and

NOW THEREFORE THE BOARD OF GOVERNORS HEREBY ACCEPTS the Report as approved by the Executive Directors, **ADOPTS** its conclusions and recommendations **AND RESOLVES THAT** a general increase in subscriptions of the Association is authorized on the following terms and conditions:

1. **Authorization of Subscriptions and Contributions.**

(a) The Association is authorized to accept additional resources to provide full and timely compensation for the amount of the Association's debt forgiveness under the Multilateral Debt Relief Initiative. The amounts and timing of such compensation are set out in the Compensation Schedule attached to this Resolution at Table 1 (the "Compensation Schedule") as adjusted from time to time pursuant to paragraph 1(f) below.

(b) The Association is authorized to accept the additional resources described in paragraph (a) above from each Contributing Member in the amounts and as specified for each such member in Table 2 attached to this Resolution, as adjusted from time to time to reflect changes in the Compensation Schedule pursuant to paragraph (a) above. Each such amount will be divided into a subscription carrying voting rights and a contribution not carrying voting rights as specified in Table 3 attached to this Resolution, as adjusted from time to time pursuant to paragraph 1(f) below.

(c) The Association is authorized to accept the additional subscriptions from each Subscribing Member in the amount specified for each such member in Table 3 attached to this Resolution, as adjusted from time to time pursuant to paragraph 1(f) below.

(d) The Association is authorized to accept additional resources from any member for which no contribution is specified in Table 2 attached to this Resolution and additional resources from Contributing Members incremental to the amounts specified for each such member in Table 2 attached to this Resolution.

(e) The rights and obligations of the Association and the Contributing Members in respect of the authorized subscriptions and contributions in paragraphs (b) and (d) above will be the same (except as otherwise provided in this Resolution) as those applicable to the ninety per cent portion of the initial subscriptions of original members payable under Article II, Section 2(d) of the Articles by members listed in Part I of Schedule A of the Articles.

(f) In order to reflect the increases and decreases in actual and estimated costs of the Association's MDRI debt forgiveness, the Association will:

(i) make adjustments in the Compensation Schedule by July 31 in each year;

(ii) make adjustments in Tables 2 and 3 attached to this Resolution by July 31 in at least every third year, commencing in 2008; and

(iii) notify each Contributing Member and each Subscribing Member: (A) of such adjustments to the Compensation Schedule, Table 2 and Table 3; and (B) of the corresponding adjustments required in the member's payment schedule attached to its Instrument of Commitment.

2. **Agreement to Pay**

(a) When a Contributing Member agrees to pay its subscription and contribution, or a Subscribing Member agrees to pay its subscription, it will deposit with the Association an instrument of commitment substantially in the form set out in Attachment I to this Resolution for Contributing Members, and in Attachment II for Subscribing Members (each an "Instrument of Commitment") whereby a Contributing Member obligates itself to make a subscription and contribution or a Subscribing Member obligates itself to make a subscription, as the case may be, on the terms and conditions set forth in this Resolution.

(b) When a Contributing Member agrees to pay a part of its subscription and contribution without qualification (an "Unqualified Commitment") and the remainder is subject to enactment by its legislature of the necessary appropriation legislation (a "Qualified Commitment"), it will so provide in its Instrument of Commitment and such member:

(i) undertakes to exercise its best efforts to obtain legislative approval for the full amount of its Qualified Commitment by the payment dates set out in the Payment Schedule attached to its Instrument of Commitment (as defined in paragraph (c) below; and

(ii) agrees that, upon enactment of appropriation legislation, it will notify the Association that any installments of its Qualified Commitment, or parts thereof, have become unqualified.

(c) Each Instrument of Commitment from a Contributing Member will contain a payment schedule specifying the amount of its agreed share of each amount due on each payment date in the Compensation Schedule. Each Contributing Member agrees that, if a corresponding adjustment pursuant to paragraph 1(f) of this Resolution is necessary in the total amount of Unqualified Commitments and Qualified Commitments provided in its Instrument of Commitment, the Contributing Member will amend its Instrument of Commitment to reflect such adjustments.

(d) Each Instrument of Commitment from a Subscribing Member will contain a payment schedule specifying the amount of its agreed subscription. Each Subscribing Member agrees that, if an adjustment pursuant to paragraph 1(f) of this Resolution is necessary in the total amount of the subscription provided in its Instrument of Commitment, the Subscribing Member will amend its Instrument of Commitment to reflect such adjustments.

3. **Payment.**

(a) Each Subscribing Member will pay to the Association the amount of its subscription in three installments as follows: (i) the first installment will be payable 31 days after the Effective Date; (ii) the second installment will be payable by January 15, 2016; and (iii) the third installment will be payable by January 15, 2026.

(b) Each Contributing Member will pay to the Association the amount of its subscription and contribution in accordance with its payment schedule, as such amounts may be adjusted from time to time in accordance with paragraph 2 (c) of this Resolution; provided that:

(i) the first installment under its payment schedule will be payable no later than January 15, 2007;

(ii) the second installment under its payment schedule will be payable no later than January 15, 2008;

(iii) the Association and each Contributing Member may agree to earlier payment of any installment;

(iv) if the Multilateral Debt Relief Initiative shall not have become effective by [May 31, 2006], payment of the first such installment may be postponed by the member for not more than 31 days after the date on which this increase in resources becomes effective;

(v) the Association may agree to the postponement of any installment, or part thereof, if the amount paid, together with any unused balance of previous payments by the Contributing Member concerned, is at least equal to the amount estimated by the Association to be required from that member up to the due date of the next installment for purposes of compensation for debt forgiveness by the Association under the Multilateral Debt Relief Initiative; and

(vi) if any Contributing Member deposits an Instrument of Commitment with the Association after the date when the first installment of the subscription and contribution is due, payment of any installment, or part thereof, will be made to the Association within 31 days after the date of such deposit.

(c) If a Contributing Member has deposited an Instrument of Commitment specifying that part of its commitment is a Qualified Commitment, and, upon enactment of appropriation legislation, notifies the Association that any installments, or parts thereof, have become unqualified after the due date, then payment of such installments, or parts thereof, will be made within 31 days after the date of such notification.

4. **<u>Mode of Payment</u>.**

(a) Payments pursuant to this Resolution will be made, at the option of the member: (i) in cash, on terms agreed between the member and the Association; or (ii) by the deposit of notes or similar obligations issued by the government of the member or the depository designated by such member, which shall be non-negotiable, non-interest bearing and payable at their par value on demand to the account of the Association.

(b) The Association will encash notes or similar obligations of Contributing Members, on an approximately *pro rata* basis among donors, or as agreed between a Contributing Member and the Association in accordance with the Payment Schedule. With respect to a Contributing Member that is unable to comply with one or more encashment requests, the Association may agree with the member on a revised encashment schedule that yields at least an equivalent value to the Association.

(c) The provisions of Article IV, Section 1(a) of the Articles will apply to the use of a Subscribing Member's currency paid to the Association pursuant to this Resolution.

5. **<u>Currency of Denomination and Payment</u>.**

(a) Members will denominate the resources to be made available pursuant to this Resolution in SDRs, the currency of the member, or, with the agreement of the Association, in a freely convertible currency of another member, except that if, on any payment date under the Payment Schedule, a Contributing Member's economy has experienced a rate of inflation above such level and for such period as determined by the Association in connection with the most recent regular replenishment of the Association’s resources, its subscription and contribution will be denominated in SDRs.

(b) Contributing Members will make payments pursuant to this Resolution in SDRs, a currency used for the valuation of the SDR, or, with the agreement of the Association, in another freely convertible currency, and the Association may freely exchange the amounts received as required for its operations. Subscribing Members will make payments in the currency of the member or in a freely convertible currency with the agreement of the Association.

(c) Each member will maintain, in respect of its currency paid by it under this Resolution, and the currency of such member derived therefrom as principal, interest or other charges, the same convertibility as existed on the effective date of this Resolution.

(d) The provisions of Article IV, Section 2 of the Articles with respect to maintenance of value will not be applicable.

6. **Effective Date.**

(a) The increase in resources authorized under this Resolution will become effective and the resources to be contributed pursuant to this Resolution will become payable to the Association on the date (the "Effective Date") when the Association shall have received Instruments of Commitment from Contributing Members containing, in the aggregate, not less than SDR [14,878] million *[amount representing 60% of total donor contributions]* of Unqualified Commitments and Qualified Commitments, of which not less than SDR [410] million *[amount representing 75% of total donor contributions]* shall be Unqualified Commitments for payments due in 2007 and 2008, provided that the Effective Date shall be not later than [May 31, 2006], or such later date as the Executive Directors of the Association may determine.

(b) If the Association determines that the availability of additional resources pursuant to this Resolution is likely to be unduly delayed, it shall convene promptly a meeting of the Contributing Members to review the situation and to consider the steps to be taken to prevent a suspension of financing to eligible recipients by the Association.

7. **Allocation of Voting Rights under Multilateral Debt Relief Initiative**.

Voting rights calculated on the basis of the current voting rights system will be allocated to members for subscriptions under the Multilateral Debt Relief Initiative as follows:

(a) Each Subscribing Member that has deposited with the Association an Instrument of Commitment will be allocated, on the payment dates specified in paragraph 3(a) of this Resolution, one third of the subscription votes specified for each such member in Table 3. Each Subscribing Member will be allocated the additional membership votes specified in Column c-3 of Table 3 on the date such member is allocated the first installment of its subscription votes.

(b) Each Contributing Member that has deposited with the Association an Instrument of Commitment will be allocated, on each payment date specified in its payment schedule, a pro rata portion of the subscription votes specified for each such member in Table 3. Each Contributing Member will be allocated the additional membership votes specified in Table 3 for its subscription on the date such member is allocated the first installment of its subscription votes.

(c) For the purposes of paragraphs (a) and (b) above, the Association will modify Table 3 in accordance with paragraph 1(f) of this Resolution.

(d) Each Contributing Member that has specified a Qualified Commitment in its Instrument of Commitment will be allocated subscription votes at the time and to the extent of payments made in respect of such portion of its subscription and contribution.

(e) Any member that deposits its Instrument of Commitment after the first payment date specified in its payment schedule, will be allocated, within 31 days of the date of such deposit, the subscription votes to which such member is entitled at that time on account of such deposit.

(f) If a member fails to pay any amount of its subscription or subscription and contribution when due, the number of subscription votes allocated from time to time to such member under this Resolution in respect of the Multilateral Debt Relief Initiative will be reduced in proportion to the shortfall in such payments, but any such votes will be reallocated when the shortfall in payments causing such adjustment is subsequently made up.

8. **Implementation of the Multilateral Debt Relief Initiative and Use of Funds**.

(a) The Board of Governors notes with approval the decision of the Executive Directors under Article X of the Articles referred to in Recital (E) above.

(b) The Board of Governors further notes that, for eligible HIPC members that receive debt relief under the Multilateral Debt Relief Initiative, the amount of the Association's resources allocated annually to such country will be reduced by the amount of debt relief provided under the Multilateral Debt Relief Initiative in that year.

(c) Pursuant to Article V, Section 2(a)(i) of the Articles, the Association is authorized to use the resources authorized under this Resolution, and funds derived therefrom as principal, interest or other charges, to provide, at any time, financing in the form of grants and guarantees, to the extent and on the terms and conditions applicable to the most recent regular replenishment of the Association's resources.

Attachment I
For Contributing Members

INTERNATIONAL DEVELOPMENT ASSOCIATION

ADDITIONS TO RESOURCES: MULTILATERAL DEBT RELIEF INITIATIVE

INSTRUMENT OF COMMITMENT

Reference is made to Resolution No.___ of the Board of Governors of the International Development Association entitled "Additions to Resources: Multilateral Debt Relief Initiative" which was adopted on ______________ (the "Resolution").

The Government of __________ hereby notifies the Association pursuant to paragraph 2 of the Resolution, that it will pay to the Association an amount of ____________,[28] in respect of compensation for the Multilateral Debt Relief Initiative in accordance with the terms of the Resolution and the attached payment schedule, as follows:

(i) an amount of [ ][29] will be paid on the payment dates in years 2007 and 2008 under an Unqualified Commitment;

(ii) an amount of [ ][30] will be paid on the payment dates in years 2009 through 2016 under an Unqualified Commitment; and

(iii) an amount of [ ][31] will be paid on the payment dates in years 2017 through 2044 under a Qualified Commitment upon enactment of appropriation.[32]

The Government of __________ also confirms that it will amend this Instrument of Commitment and the attached payment schedule to reflect any adjustments in accordance with paragraph 2(c) of the Resolution.

I hereby confirm, on behalf of the Government of [*member country*[33]] that all necessary action has been taken to authorize the commitments set out above and that these commitments constitute a binding obligation of [*member country*] in accordance with the terms of the Resolution.

______________________________[34]
(Signed by duly authorized signatory)

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[28] *This is the member's agreed portion of the total amount of compensation for debt relief to be provided in the Compensation Schedule under the Multilateral Debt Relief Initiative.*

[29] *An amount representing the member's contribution to cover the Association's costs for the remainder of the IDA14 period (FY07 and FY08).*

[30] *An amount representing the member's contribution to cover the Association's costs for the remainder of the first decade (FY09-FY16).*

[31] *An amount representing the member's contribution to cover the Association's costs for the subsequent three decades (FY17-FY44).*

[32] *A Qualified Commitment or, if possible, an unqualified commitment will cover the balance of the member's agreed portion of the total amount of compensation for debt relief contribution.*

[33] *Name of member.*

[34] *This instrument is to be signed on behalf of the member by a duly authorized representative.*

Payment Schedule

Payment Dates	Amounts Due
January 15, 2007	
January 15, 2008	
January 15, 2009	
January 15, 2010	
January 15, 2011	
January 15, 2012	
January 15, 2013	
January 15, 2014	
January 15, 2015	
January 15, 2016	
January 15, 2017	
January 15, 2018	
January 15, 2019	
January 15, 2020	
January 15, 2021	
January 15, 2022	
January 15, 2023	
January 15, 2024	
January 15, 2025	
January 15, 2026	
January 15, 2027	
January 15, 2028	
January 15, 2029	
January 15, 2030	
January 15, 2031	
January 15, 2032	
January 15, 2033	
January 15, 2034	
January 15, 2035	
January 15, 2036	
January 15, 2037	
January 15, 2038	
January 15, 2039	
January 15, 2040	
January 15, 2041	
January 15, 2042	
January 15, 2043	
January 15, 2044	

Attachment II
For Subscribing Members

INTERNATIONAL DEVELOPMENT ASSOCIATION

ADDITIONS TO RESOURCES: MULTILATERAL DEBT RELIEF INITIATIVE

INSTRUMENT OF COMMITMENT

Reference is made to Resolution No.___ of the Board of Governors of the International Development Association entitled "Additions to Resources: Multilateral Debt Relief Initiative" which was adopted on _______________ (the "Resolution").

The Government of ___________ hereby notifies the Association pursuant to paragraph 2 of the Resolution that it will pay to the Association an amount of _____________[35] in accordance with the terms of the Resolution and the attached payment schedule.

The Government of ___________ also confirms that it will amend this Instrument of Commitment and the attached payment schedule to reflect any adjustments made pursuant to paragraph 2(d) of the Resolution.

I hereby confirm, on behalf of the Government of [*member country*] that all necessary action has been taken to authorize the commitment set out above and that this commitment constitutes a binding obligation of [*member country*[36]] in accordance with the terms of the Resolution.

________________________________[37]
(*Signed by duly authorized signatory)*

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[35] *This is the member's agreed portion of the total amount of compensation for debt relief to be provided in the Compensation Schedule under the Multilateral Debt Relief Initiative.*

[36] *Name of member.*

[37] *This instrument is to be signed on behalf of the member by a duly authorized representative.*

Payment Schedule

Payment Dates	Amounts Due
31 days after Effective Date	
January 15, 2016	
January 15, 2026	

Table 1: Compensation Schedule for IDA Donors
(in SDR million)

Period/Fiscal Year	Annual Cost
(a) Remaining IDA14 Period	
Jan 15, 2007	235
Jan 15, 2008	311
Sub-total	**546**
(b) Remainder of First Decade	
Jan 15, 2009	351
Jan 15, 2010	412
Jan 15, 2011	507
Jan 15, 2012	600
Jan 15, 2013	659
Jan 15, 2014	696
Jan 15, 2015	729
Jan 15, 2016	767
Sub-total	**4,721**
(c) Subsequent 3 Decades	
Jan 15, 2017	802
Jan 15, 2018	830
Jan 15, 2019	885
Jan 15, 2020	993
Jan 15, 2021	1,120
Jan 15, 2022	1,212
Jan 15, 2023	1,237
Jan 15, 2024	1,228
Jan 15, 2025	1,207
Jan 15, 2026	1,206
Jan 15, 2027	1,207
Jan 15, 2028	1,174
Jan 15, 2029	1,105
Jan 15, 2030	1,009
Jan 15, 2031	895
Jan 15, 2032	768
Jan 15, 2033	649
Jan 15, 2034	535
Jan 15, 2035	425
Jan 15, 2036	315
Jan 15, 2037	222
Jan 15, 2038	162
Jan 15, 2039	118
Jan 15, 2040	92
Jan 15, 2041	71
Jan 15, 2042	42
Jan 15, 2043	16
Jan 15, 2044	3
Sub-total	**19,529**
Total Relief, FY07-44	**24,796**

Table 2a: Contributions to the Multilateral Debt Relief Initiative - Regular IDA13 Burden Shares

(in millions of national currency)

Donors	Basic Shares IDA13	FY07	FY08	**Sub-total, Remaining IDA14 Period FY07-08**	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	**Sub-total, Remainder of First Decade FY09-16**	Subsequent 3 Decades FY17-44	**Total Cost FY07-44**	**FX Reference Rates** 4/1/05-9/30/05 Nat.Curr./SDR	**Currency**
Australia	1.46%	6.61	8.77	**15.39**	9.89	11.61	14.27	16.90	18.56	19.61	20.55	21.60	**133.00**	550.11	**698.49**	1.93307	AUD
Austria	0.78%	2.18	2.89	**5.07**	3.26	3.83	4.70	5.57	6.12	6.47	6.77	7.12	**43.84**	181.35	**230.26**	1.19052	EUR
Belgium	1.55%	4.33	5.75	**10.08**	6.48	7.61	9.35	11.07	12.16	12.85	13.46	14.15	**87.12**	360.37	**457.57**	1.19052	EUR
Brazil	0.61%	5.13	6.80	**11.93**	7.67	9.00	11.07	13.11	14.39	15.21	15.93	16.75	**103.14**	426.60	**541.67**	3.58111	BRL
Canada	3.75%	15.92	21.13	**37.05**	23.83	27.96	34.37	40.70	44.69	47.22	49.47	52.01	**320.25**	1,324.62	**1,681.92**	1.80878	CAD
Czech Republic	0.05%	4.18	5.55	**9.73**	6.26	7.34	9.03	10.69	11.74	12.40	12.99	13.66	**84.10**	347.86	**441.69**	35.62526	CZK
Denmark	1.58%	32.90	43.66	**76.57**	49.24	57.78	71.03	84.12	92.36	97.60	102.24	107.49	**661.86**	2,737.58	**3,476.00**	8.87225	DKK
Finland	0.60%	1.68	2.23	**3.90**	2.51	2.94	3.62	4.29	4.71	4.97	5.21	5.48	**33.73**	139.50	**177.12**	1.19052	EUR
France	6.00%	16.77	22.25	**39.02**	25.09	29.44	36.19	42.86	47.07	49.73	52.10	54.77	**337.26**	1,394.96	**1,771.24**	1.19052	EUR
Germany	10.30%	28.79	38.20	**66.99**	43.08	50.55	62.14	73.60	80.81	85.39	89.45	94.04	**579.05**	2,395.08	**3,041.13**	1.19052	EUR
Greece	0.12%	0.32	0.43	**0.75**	0.48	0.57	0.70	0.83	0.91	0.96	1.00	1.06	**6.50**	26.90	**34.16**	1.19052	EUR
Hungary	0.06%	41.10	54.55	**95.65**	61.52	72.18	88.73	105.09	115.39	121.92	127.73	134.29	**826.85**	3,420.01	**4,342.51**	294.82601	HUF
Iceland	0.04%	8.86	11.75	**20.61**	13.26	15.55	19.12	22.65	24.86	26.27	27.52	28.94	**178.17**	736.96	**935.75**	94.34319	ISK
Ireland	0.18%	0.50	0.67	**1.17**	0.75	0.88	1.09	1.29	1.41	1.49	1.56	1.64	**10.12**	41.85	**53.14**	1.19052	EUR
Israel	0.10%	1.55	2.06	**3.61**	2.32	2.72	3.34	3.96	4.35	4.60	4.81	5.06	**31.16**	128.90	**163.66**	6.60032	ILS
Italy	3.80%	10.62	14.09	**24.71**	15.89	18.65	22.92	27.15	29.81	31.50	33.00	34.69	**213.60**	883.48	**1,121.78**	1.19052	EUR
Japan	16.00%	6,062.10	8,045.18	**14,107.28**	9,072.48	10,645.50	13,086.39	15,499.01	17,018.00	17,981.74	18,837.78	19,805.10	**121,946.01**	504,392.63	**640,445.92**	161.41732	JPY
Korea, Republic of	0.91%	3,213.46	4,264.67	**7,478.12**	4,809.23	5,643.07	6,936.97	8,215.87	9,021.07	9,531.94	9,985.72	10,498.49	**64,642.35**	267,373.43	**339,493.91**	1,504.53288	KRW
Kuwait	0.14%	0.14	0.19	**0.33**	0.21	0.25	0.31	0.36	0.40	0.42	0.44	0.46	**2.85**	11.80	**14.98**	0.43145	KWD
Luxembourg	0.10%	0.28	0.37	**0.65**	0.42	0.49	0.60	0.71	0.78	0.83	0.87	0.91	**5.62**	23.25	**29.52**	1.19052	EUR
Mexico	0.05%	1.88	2.50	**4.38**	2.82	3.30	4.06	4.81	5.28	5.58	5.85	6.15	**37.86**	156.58	**198.82**	16.03595	MXN
Netherlands	2.60%	7.27	9.64	**16.91**	10.87	12.76	15.68	18.57	20.40	21.55	22.58	23.74	**146.15**	604.48	**767.54**	1.19052	EUR
New Zealand	0.12%	0.59	0.78	**1.38**	0.88	1.04	1.28	1.51	1.66	1.75	1.84	1.93	**11.89**	49.19	**62.46**	2.09900	NZD
Norway	1.52%	33.85	44.92	**78.77**	50.66	59.44	73.07	86.55	95.03	100.41	105.19	110.59	**680.94**	2,816.50	**3,576.22**	9.48837	NOK
Poland	0.03%	0.34	0.45	**0.80**	0.51	0.60	0.74	0.87	0.96	1.01	1.06	1.12	**6.88**	28.45	**36.13**	4.85693	PLN
Portugal	0.20%	0.56	0.74	**1.30**	0.84	0.98	1.21	1.43	1.57	1.66	1.74	1.83	**11.24**	46.50	**59.04**	1.19052	EUR
Russian Federation 2/	0.08%	0.19	0.25	**0.44**	0.28	0.33	0.40	0.48	0.53	0.56	0.58	0.61	**3.77**	15.59	**19.80**	1.00000	SDR
Saudi Arabia	0.39%	5.13	6.81	**11.94**	7.68	9.01	11.07	13.12	14.40	15.22	15.94	16.76	**103.19**	426.81	**541.94**	5.54062	SAR
Singapore	0.14%	0.82	1.09	**1.91**	1.23	1.44	1.77	2.10	2.30	2.43	2.55	2.68	**16.50**	68.27	**86.68**	2.46146	SGD
Slovak Republic	0.01%	1.43	1.90	**3.33**	2.14	2.51	3.09	3.66	4.02	4.24	4.45	4.67	**28.78**	119.03	**151.14**	46.17641	SKK
Slovenia 1/	0.03%	20.08	26.64	**46.72**	30.05	35.26	43.34	51.33	56.36	59.55	62.39	65.59	**403.87**	1,670.49	**2,121.09**	285.13354	SIT
South Africa	0.08%	1.79	2.38	**4.17**	2.68	3.15	3.87	4.58	5.03	5.32	5.57	5.86	**36.06**	149.14	**189.36**	9.54593	ZAR
Spain	1.80%	5.03	6.68	**11.70**	7.53	8.83	10.86	12.86	14.12	14.92	15.63	16.43	**101.18**	418.49	**531.37**	1.19052	EUR
Sweden	2.62%	67.95	90.18	**158.14**	101.70	119.33	146.69	173.74	190.77	201.57	211.17	222.01	**1,366.98**	5,654.10	**7,179.22**	11.05063	SEK
Switzerland	2.43%	10.51	13.95	**24.47**	15.73	18.46	22.70	26.88	29.51	31.19	32.67	34.35	**211.49**	874.76	**1,110.71**	1.84334	CHF
Turkey 2/	0.09%	0.21	0.28	**0.49**	0.32	0.37	0.46	0.54	0.59	0.63	0.66	0.69	**4.25**	17.58	**22.32**	1.00000	SDR
United Kingdom	10.14%	19.30	25.62	**44.92**	28.89	33.89	41.67	49.35	54.18	57.25	59.98	63.06	**388.27**	1,605.95	**2,039.14**	0.81085	GBP
United States	20.12%	69.76	92.58	**162.34**	104.40	122.50	150.59	178.35	195.83	206.92	216.77	227.90	**1,403.27**	5,804.20	**7,369.81**	1.47738	USD
Venezuela 2/	0.03%	0.07	0.09	**0.16**	0.11	0.12	0.15	0.18	0.20	0.21	0.22	0.23	**1.42**	5.86	**7.44**	1.00000	SDR
Structural gap (SDR)	9.39%	22.03	29.24	**51.27**	32.97	38.69	47.56	56.32	61.84	65.35	68.46	71.97	**443.16**	1,833.01	**2,327.44**		

1/ Slovenia is included at its IDA14 share. The country was not a donor in IDA13.
2/ Contributions of countries with an average inflation rate exceeding 10% over the 2002-2004 period would be denominated in SDRs.

Table 2b: Contributions to the Multilateral Debt Relief Initiative - Scaled-up IDA13 Burden Shares

(in millions of national currency)

Donors	Scaled-up Shares IDA13	FY07	FY08	**Sub-total, Remaining IDA14 Period FY07-08**	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	**Sub-total, Remainder of First Decade FY09-16**	Subsequent 3 Decades FY17-44	**Total Cost FY07-44**	**FX Reference Rates** 4/1/05-9/30/05 Nat.Curr./SDR	**Currency**
Australia	1.61%	7.30	9.68	**16.98**	10.92	12.81	15.75	18.65	20.48	21.64	22.67	23.84	**146.78**	607.09	**770.85**	1.93307	AUD
Austria	0.86%	2.41	3.19	**5.60**	3.60	4.22	5.19	6.15	6.75	7.13	7.47	7.86	**48.39**	200.13	**254.11**	1.19052	EUR
Belgium	1.71%	4.78	6.34	**11.12**	7.15	8.39	10.32	12.22	13.42	14.18	14.85	15.62	**96.15**	397.69	**504.97**	1.19052	EUR
Brazil	0.67%	5.66	7.51	**13.17**	8.47	9.94	12.21	14.47	15.88	16.78	17.58	18.49	**113.82**	470.79	**597.78**	3.58111	BRL
Canada	4.14%	17.57	23.32	**40.89**	26.29	30.85	37.93	44.92	49.32	52.11	54.60	57.40	**353.42**	1,461.83	**1,856.14**	1.80878	CAD
Czech Republic	0.06%	4.61	6.12	**10.74**	6.91	8.10	9.96	11.80	12.95	13.69	14.34	15.07	**92.81**	383.89	**487.44**	35.62526	CZK
Denmark	1.74%	36.31	48.19	**84.50**	54.34	63.76	78.38	92.83	101.93	107.70	112.83	118.63	**730.42**	3,021.15	**3,836.06**	8.87225	DKK
Finland	0.66%	1.85	2.46	**4.31**	2.77	3.25	3.99	4.73	5.19	5.49	5.75	6.04	**37.22**	153.95	**195.47**	1.19052	EUR
France	6.62%	18.50	24.55	**43.06**	27.69	32.49	39.94	47.30	51.94	54.88	57.49	60.45	**372.19**	1,539.46	**1,954.71**	1.19052	EUR
Germany	11.37%	31.77	42.16	**73.93**	47.54	55.79	68.58	81.22	89.18	94.23	98.72	103.79	**639.04**	2,643.18	**3,356.14**	1.19052	EUR
Greece	0.13%	0.36	0.47	**0.83**	0.53	0.63	0.77	0.91	1.00	1.06	1.11	1.17	**7.18**	29.69	**37.69**	1.19052	EUR
Hungary	0.07%	45.36	60.20	**105.56**	67.89	79.66	97.92	115.98	127.34	134.55	140.96	148.20	**912.50**	3,774.27	**4,792.33**	294.82601	HUF
Iceland	0.04%	9.77	12.97	**22.75**	14.63	17.17	21.10	24.99	27.44	28.99	30.37	31.93	**196.63**	813.30	**1,032.68**	94.34319	ISK
Ireland	0.20%	0.56	0.74	**1.29**	0.83	0.97	1.20	1.42	1.56	1.65	1.72	1.81	**11.17**	46.18	**58.64**	1.19052	EUR
Israel	0.11%	1.71	2.27	**3.98**	2.56	3.00	3.69	4.37	4.80	5.07	5.31	5.59	**34.39**	142.25	**180.62**	6.60032	ILS
Italy	4.19%	11.72	15.55	**27.27**	17.54	20.58	25.30	29.96	32.90	34.76	36.41	38.28	**235.72**	974.99	**1,237.98**	1.19052	EUR
Japan	17.66%	6,690.04	8,878.54	**15,568.57**	10,012.25	11,748.21	14,441.94	17,104.47	18,780.80	19,844.38	20,789.09	21,856.61	**134,577.74**	556,639.91	**706,786.22**	161.41732	JPY
Korea, Republic of	1.00%	3,546.32	4,706.42	**8,252.74**	5,307.39	6,227.61	7,655.53	9,066.91	9,955.51	10,519.30	11,020.09	11,585.97	**71,338.30**	295,069.19	**374,660.23**	1,504.53288	KRW
Kuwait	0.15%	0.16	0.21	**0.36**	0.23	0.27	0.34	0.40	0.44	0.46	0.49	0.51	**3.15**	13.02	**16.53**	0.43145	KWD
Luxembourg	0.11%	0.31	0.41	**0.72**	0.46	0.54	0.67	0.79	0.87	0.91	0.96	1.01	**6.20**	25.66	**32.58**	1.19052	EUR
Mexico	0.06%	2.08	2.76	**4.83**	3.11	3.65	4.48	5.31	5.83	6.16	6.45	6.79	**41.78**	172.80	**219.41**	16.03595	MXN
Netherlands	2.87%	8.02	10.64	**18.66**	12.00	14.08	17.31	20.50	22.51	23.78	24.91	26.19	**161.28**	667.10	**847.04**	1.19052	EUR
New Zealand	0.13%	0.65	0.87	**1.52**	0.98	1.15	1.41	1.67	1.83	1.94	2.03	2.13	**13.12**	54.28	**68.93**	2.09900	NZD
Norway	1.68%	37.36	49.58	**86.93**	55.91	65.60	80.64	95.51	104.87	110.81	116.09	122.05	**751.48**	3,108.25	**3,946.66**	9.48837	NOK
Poland	0.03%	0.38	0.50	**0.88**	0.56	0.66	0.81	0.96	1.06	1.12	1.17	1.23	**7.59**	31.40	**39.87**	4.85693	PLN
Portugal	0.22%	0.62	0.82	**1.44**	0.92	1.08	1.33	1.58	1.73	1.83	1.92	2.01	**12.41**	51.32	**65.16**	1.19052	EUR
Russian Federation 2/	0.09%	0.21	0.27	**0.48**	0.31	0.36	0.45	0.53	0.58	0.61	0.64	0.68	**4.16**	17.21	**21.85**	1.00000	SDR
Saudi Arabia	0.44%	5.66	7.51	**13.17**	8.47	9.94	12.22	14.47	15.89	16.79	17.59	18.49	**113.88**	471.03	**598.08**	5.54062	SAR
Singapore	0.16%	0.91	1.20	**2.11**	1.36	1.59	1.95	2.31	2.54	2.69	2.81	2.96	**18.21**	75.34	**95.66**	2.46146	SGD
Slovak Republic	0.01%	1.58	2.10	**3.67**	2.36	2.77	3.41	4.04	4.43	4.68	4.91	5.16	**31.76**	131.36	**166.80**	46.17641	SKK
Slovenia 1/	0.03%	22.16	29.40	**51.56**	33.16	38.91	47.83	56.65	62.20	65.72	68.85	72.39	**445.71**	1,843.53	**2,340.80**	285.13354	SIT
South Africa	0.09%	1.98	2.63	**4.60**	2.96	3.47	4.27	5.06	5.55	5.87	6.15	6.46	**39.79**	164.58	**208.98**	9.54593	ZAR
Spain	1.99%	5.55	7.37	**12.92**	8.31	9.75	11.98	14.19	15.58	16.46	17.25	18.13	**111.66**	461.84	**586.41**	1.19052	EUR
Sweden	2.89%	74.99	99.53	**174.52**	112.23	131.69	161.89	191.74	210.53	222.45	233.04	245.01	**1,508.58**	6,239.78	**7,922.88**	11.05063	SEK
Switzerland	2.68%	11.60	15.40	**27.00**	17.36	20.37	25.05	29.66	32.57	34.42	36.05	37.91	**233.39**	965.37	**1,225.76**	1.84334	CHF
Turkey 2/	0.10%	0.23	0.31	**0.54**	0.35	0.41	0.50	0.60	0.65	0.69	0.72	0.76	**4.69**	19.40	**24.63**	1.00000	SDR
United Kingdom	11.19%	21.30	28.27	**49.57**	31.88	37.41	45.98	54.46	59.80	63.18	66.19	69.59	**428.49**	1,772.31	**2,250.36**	0.81085	GBP
United States	22.20%	76.98	102.17	**179.15**	115.21	135.19	166.19	196.83	216.12	228.36	239.23	251.51	**1,548.63**	6,405.43	**8,133.21**	1.47738	USD
Venezuela 2/	0.03%	0.08	0.10	**0.18**	0.12	0.14	0.17	0.20	0.22	0.23	0.24	0.25	**1.56**	6.47	**8.21**	1.00000	SDR
Structural gap (SDR)	0.00%	0.00	0.00	**0.00**	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**0.00**	0.00	**0.00**		

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