



Proposal for a Pilot IDA Crisis Response Window

International Development Association
IDA Resource Mobilization Department (CFPIR)

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Selected Abbreviations and Acronyms

ACP	African, Caribbean, and Pacific
CPIA	Country Policy and Institutional Assessment
CRW	Crisis Response Window
EU	European Union
FTF	IDA Financial Crisis Fast-Track Facility
GDP	Gross Domestic Product
GFRP	Global Food Crisis Response Program
GNI	Gross National Income
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFC	International Finance Corporation
IMF	International Monetary Fund
INFRA	Infrastructure Recovery and Assets
IoC	Instrument of Commitment
ITC	International Trade Center
LICs	Low-Income Countries
MDBs	Multilateral Development Banks
MDGs	Millennium Development Goals
MICs	Middle-Income Countries
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
PBA	Performance-Based Allocation
RDBs	Regional Development Banks
RSR	Rapid Social Response
SMEs	Small-And Medium-Scale Enterprises
TA	Technical Assistance
VFF	Vulnerability Financing Facility

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Executive Summary

- i. **The global financial crisis has impacted IDA-eligible countries across the world and has prompted a strong response from the international community.** The crisis commenced in industrialized countries and spread to IDA-eligible countries which were already coping with the impact of food and oil price increases. While the crisis reached these countries with some delay, it has caused significant income and job losses through declining external trade, remittances, and foreign direct investment flows.
- ii. **The slow-down in economic activity has reduced fiscal revenues in many countries putting core spending at risk.** In IDA-only countries annual core spending needs at risk are estimated to amount to about US\$11.6 billion in 2009. This amount includes funding requirements for the expansion or improvement of social safety nets and protecting pre-existing levels of spending on health, education, and operation and maintenance of existing infrastructure, which typically tend to be the first to suffer when the fiscal situation is tight.
- iii. **While there are signs of a recovery in developed countries, the risk of deepening poverty in IDA countries remains real.** The shape of a global recovery remains uncertain, but a quick and full return to pre-crisis trend output seems unlikely. The continuing rise in unemployment in many developed countries will continue to depress tourism, remittances, and exports of IDA countries. Many IDA countries have protected core spending in areas such as social protection, education, and health by running higher fiscal deficits, frequently financed from unsustainable sources such as domestic borrowing from the banking sector or the draw-down of savings. As these financing sources are not sustainable in most cases, concessional external financing becomes even more critical if core spending is to be protected without risking macroeconomic disequilibria. It is also important to note that in an increasingly integrated world, the strength of the recovery in developing countries also has important repercussions on the strength of the global recovery.
- iv. **The World Bank Group and other donors have made an unprecedented effort to support middle and low income countries.** The International Bank for Reconstruction and Development (IBRD) has been able to considerably ramp up its support with the expectation that it would lend up to US\$100 billion to middle-income countries (MICs) over three years. While the International Development Association (IDA) operates within a fixed envelope for the three year replenishment period, it has also leaned forward by providing front-loaded and fast tracked assistance to low-income countries (LICs). In addition, the World Bank Group created new facilities to help address the impact of the global crisis.
- v. **The succession of a series of global crises and natural disasters has led to an increasing recognition that there is a gap in the international aid architecture to systematically assist LICs in dealing with the impact of large shocks on government core spending and on the poor and vulnerable.** In line with this view, the communiqué of the recent G-20 meeting asks the World Bank to “explore the benefits of a new crisis response facility in IDA to protect LICs from future crises”. Similarly, the October 5, 2009 Development Committee communiqué indicates concern that “Core spending on health, education, social safety nets, infrastructure, and agriculture in LICs needs to be protected, while maintaining debt sustainability.” and notes that “We committed to explore the benefits of a new crisis response

mechanism in IDA to protect LICs from crises, to be considered as part of the IDA15 Mid-term Review.”

vi. **In response to these requests—and based on feedback from donors and clients, including discussions at the IDA15 Mid-Term Review—Management proposes a two-phased approach for the establishment of a crisis response window within the IDA financial architecture.** In the first phase, the immediate establishment of a pilot Crisis Response Window (CRW) in IDA15 to assist IDA countries in mitigating the impact of the current global crisis is proposed. In the second phase, a proposal for a more general crisis response window will be presented in the course of the IDA16 replenishment process.

vii. **This paper presents a proposal for the immediate establishment of a CRW in IDA15 to assist IDA countries in dealing with the current global crisis.** Accordingly, the proposed CRW would cover the second half of IDA15 (i.e., January 2010-June 2011). Eligibility of resources from the window would be limited to non-oil exporting IDA-only countries.

viii. **The allocation of resources will follow a two-step process so as to ensure a high degree of transparency and country specificity.** In the first stage, a rules-based approach would be followed to allocate 85 percent of resources. Amounts allocated to eligible countries would be differentiated based on the growth impact of the crisis and per-capita income levels. Consideration was given to complementing the growth indicator with a fiscal indicator, but consistent fiscal projections for the entire set of IDA countries are not publicly available and could not be used. In the second stage, 15 percent of resources would be provided to the Regions in order to address country specific needs that are not adequately reflected in the rules-based allocations.

ix. **It is expected that funds will be used to protect core spending including on health, education, safety nets, infrastructure, and agriculture.** Implementation should be fast and make a difference on the ground. Consequently, the bulk of CRW resources are expected to be used for scaling up ongoing activities through Additional Financing for investment projects or Supplemental Development Policy Operations that directly address the country level impact of the crisis. Allocated funds that have not been committed within six months of their allocation will revert to the Region for reallocation to countries that have demonstrable crisis related needs and the capacity to use additional funds for this purpose effectively.

x. **The proposed IDA15 CRW would be funded through a redeployment of internal IDA resources and new voluntary donor contributions.** Funding from internal IDA resources could amount to about US\$1.3 billion. It is important to note that while most of the funding for the CRW comes from the re-allocation of IDA resources, such funds will be additional for the IDA-only countries which are eligible to benefit from the CRW.

xi. Management is asking for Board approval of the establishment of a pilot crisis response window for the remainder of the IDA15 period with the eligibility criteria and allocation processes discussed in this document. Approval for the redeployment of the set-aside of resources in IDA15 for arrears clearance and re-engagement will be sought in the context of the IDA16 replenishment. As an interim measure, Management is asking for Board approval of the

use of US\$370 million from internal resources to bridge this immediate financing need. In addition, Management also requests the use of an additional amount of US\$130 million from internal resources for the window. Finally, Management requests that operations financed from the crisis response window follow the same approval procedures as those in use for the IDA Fast Track Facility.

Proposal for a Pilot IDA Crisis Response Window

I. Introduction

1. **The global financial crisis has impacted developing countries across the world and has prompted a strong response from the international community.** The crisis commenced in industrialized countries and spread to developing countries which were already coping with the impact of food and oil price rises. While the crisis reached low income countries with some delay, its impact has been far reaching.¹ Despite significant fiscal constraints in many donor countries, the international community made significant efforts – through both bilateral and multilateral assistance, particularly the IMF and the World Bank Group – to support developing countries in addressing the economic, fiscal and social impact of the crisis.

2. **The World Bank Group has made an unprecedented effort to support its clients in middle and low income countries.** The IBRD has been able to considerably ramp up its support with the expectation that during the course of the crisis, it would lend up to US\$100 billion to middle-income countries (MICs). While IDA operates within a fixed envelope for the three year replenishment period, it has also leaned forward by providing front-loaded and fast tracked assistance to low income countries. In addition, the World Bank Group created new facilities to help address the impact of the crisis.

3. **The succession of a series of global crises and natural disasters has led to an increasing recognition that there is a gap in the international aid architecture to systematically assist poor countries in dealing with the impact of large external shocks on government core spending and on the poor and vulnerable.** While *ad hoc* responses can provide support, there are concerns about the time taken to coordinate international efforts around each individual crisis. It is also difficult to ensure additionality over and above ongoing support. Finally, *ad hoc* responses further fragment the already complex international aid architecture. Consequently, there have been calls from various fora for the crisis response to be mainstreamed within IDA – an institution with a well established country-driven assistance framework serving low-income countries for almost five decades.

4. **The communiqués of both the recent G-20 and Development Committee meetings ask the World Bank to present proposals for a crisis response within IDA.** The G-20 Leader's Statement² acknowledged “. . .the need for accelerated and additional concessional financial support to Low-Income Countries (LICs) to cushion the impact of the crisis on the poorest. . .” and “. . .ask our relevant ministers to explore the benefits of a new crisis support facility in IDA to protect LICs from future crises. . .” Similarly, the October 5, 2009 Development Committee communiqué indicates concern that “Core spending on health, education, social safety nets, infrastructure, and agriculture in LICs needs to be protected, while

¹ The World Bank. 2009. *Protecting Progress: The Challenge Facing Low-Income Countries in the Global Recession*. Background paper prepared by World Bank Group staff for the G-20 Leaders' Meeting, Pittsburgh, USA, September 24-25, 2009.

² *Leaders' Statement: The Pittsburgh Summit*. September 24-25, 2009.

maintaining debt sustainability.” and notes that “We committed to explore the benefits of a new crisis response mechanism in IDA to protect LICs from crises, to be considered as part of the IDA15 Mid-term Review.”³

5. **In response to these requests – and based on initial feedback obtained from donor and client consultations, including at the Annual Meetings and the IDA15 Mid-Term Review – the Bank has further analyzed the impact of the crisis on IDA countries⁴ and the resulting financing needs and through this paper recommends a phased approach to establishing a CRW within the IDA financial architecture.** The crisis is ongoing and there is a need for immediate additional support to IDA countries. At the same time, appropriately designing a window which goes beyond addressing the current crisis will require more time. Consequently, a two-phased approach is proposed. In the first phase, the immediate establishment of an IDA15 CRW is proposed – financed from internal resources and voluntary donor contributions – to assist IDA countries in dealing with the current crisis. In the second phase, after completing the work needed for the design of a general crisis response window (including defining triggers, financing and burden sharing), a second proposal would be presented in the course of the IDA16 replenishment process in 2010.

6. **The paper unfolds as follows.** The second section summarizes the impact of the global economic crisis on low income countries and present estimates of external resource requirements that would enable IDA countries to mitigate the impact of the crisis. This is followed by a discussion of current efforts to facilitate an effective crisis response by IDA countries. Section four describes the design of the CRW, including its objectives, country eligibility, and details on the resource allocation process and use of CRW resources, as well as implementation arrangements. Section five discusses the proposed amount of the CRW and financing sources. The paper concludes with a set of recommendations.

II. Impact of the Global Economic Crisis on Growth, Poverty, and Resource Needs

7. **While the crisis has impacted all 79 IDA countries, the impact has been heterogeneous as it has been experienced through several channels.** The capacity of countries to cope with the crisis has been equally varied. Prior to the onset of the downturn many IDA countries had strengthened their macroeconomic frameworks,⁵ which was, in part, reflected in enhanced growth performance. They also had achieved significant improvements in governance and institutional capacity, which allowed many of them to make more effective use of donor resources. Unlike IBRD countries for whom, in many cases, the crisis was transmitted through the financial sector, IDA countries have experienced the crisis as originating in the real sector with knock-on effects on the financial sector. Hence, both the sectoral composition of the economy and the level of integration with the global economy have been important determinants

³ Development Committee Communique. 2009 Annual Meetings. October 5, 2009.

⁴ This paper uses the term “IDA countries” for all countries eligible for IDA assistance.

⁵ Between 2000 and 2008, 30 IDA countries saw an improvement in their CPIA rating of macroeconomic management by at least 0.5 points (on a scale from 1 to 6).

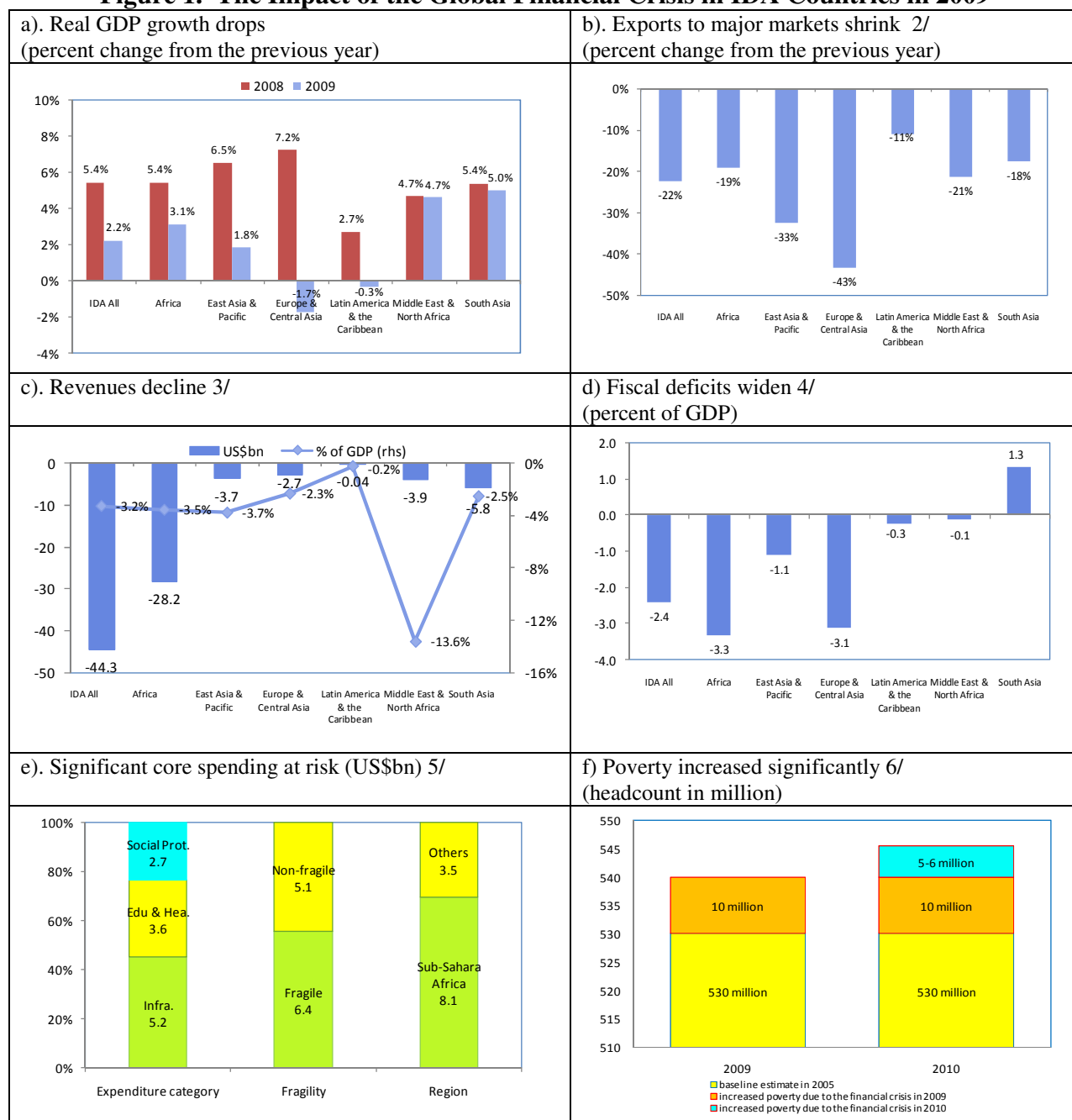
of the channels through which IDA countries have been affected. The key transmission channels are the following:

- *Trade.* Falling global demand has resulted in a decline in merchandise exports of IDA countries to major markets in the EU, Japan, and the US by an average of 22 percent of the value of exports (Figure 1-b).⁶ In some IDA countries where exports constitute a significant share of GDP (especially in natural resource and commodity exporting countries), the impact has been particularly severe. The oil exporting IDA countries which had seen significant increases in 2008 as the price of oil hit historically high levels, suffered equally large declines in 2009.⁷
- *Remittances.* Aggregate workers' remittances have been falling in 2009 and it is anticipated that these may decline by as much as seven percent relative to 2008.
- *Tourism.* Tourism in many IDA countries has been impacted. For example, tourist arrivals are projected to decline by more than 20 percent in The Gambia and by more than 10 percent in the Maldives in 2009.
- *Private capital flows and Foreign Direct Investment.* Private capital flows fell significantly in 2008 to US\$21 billion from US\$30 billion in 2007. These flows are projected to drop further to US\$13 billion in 2009. In particular, gross FDI flows to IDA countries are expected to fall by 25 percent in 2009.

⁶ The corresponding figure for IDA-only countries is 21 percent.

⁷ A recent ITC study shows that between June 2008 and 2009, exports of least developed countries (including oil-exporting countries) declined by 43.8 percent and by 13.5 percent when oil exporters are excluded. (International Trade Center. 2009. *ITC TradeMap Factsheet: Developing Country Exports Decline in 2009.*)

Figure 1. The Impact of the Global Financial Crisis in IDA Countries in 2009 ^{1/}



Sources: IMF World Economic Outlook database, World Bank DEC databases, and staff estimates.

- 1/ Data cover 74 IDA countries, and exclude inactive IDA countries and Kosovo, for which data are not available; and data refer to un-weighted averages, unless noted otherwise.
- 2/ Total merchandise export from IDA countries to the EU, Japan, and the US; 2009 figures are annualized based on data for January to June 2009 and the assumption that the share of the first half year remains the same in 2009 as in 2008.
- 3/ Data refer to changes in total revenue from the 2008 baseline in IDA countries.
- 4/ Data refer to changes from the 2008 baseline in IDA countries.
- 5/ Data refer to changes of the estimated core spending at risk in IDA-only countries from the 2008 baseline, and figures in US dollars are group aggregates. Core spending includes expenditures on education and health spending, infrastructure maintenance, and social safety nets and has been estimated based on expected revenue decline and increased poverty headcount.
- 6/ Data refer to aggregate increase in poverty headcount due to the financial crisis and are based on US\$1.25 PPP per capita per day in IDA-only countries to illustrate the likely magnitude of increased poverty with no policy response.

8. The cumulative impact from the various channels has resulted in lower growth rates and reduced employment which in turn has led to higher poverty.

- *Growth.* The growth rate of IDA countries is expected to drop from 5.4 percent in 2008 to 2.2 percent in 2009,⁸ as shown in Figure 1-a. Considering population growth in IDA countries, these numbers imply that many countries face the prospect of stagnant or even declining per capita incomes. Most recent projections⁹ indicate that slow or negative growth conditions will persist well into 2011 for these economies. This has brought the sustained high growth that many IDA countries were able to generate during this decade to a grinding halt.
- *Employment.* Slow growth and declining exports have resulted in significant job losses; preliminary indications are that employment conditions in 2009 will be even more difficult. In some IDA countries with large export oriented sectors, work hour reductions have been as high as 70 percent of regular hours for those still employed.
- *Poverty.* A large share of the population in most IDA countries has incomes only marginally above the poverty line. This implies that small declines in GDP growth and rising food and energy prices can push large segments of society quickly into extreme poverty. Bank estimates¹⁰ suggest that in 2009 lower economic growth rates will trap 46 million more people on less than US\$1.25 a day in developing countries than was expected prior to the crisis. An extra 53 million will stay trapped on less than US\$2 a day. This is on top of the 130-155 million people pushed into poverty in 2008 because of soaring food and fuel prices. In IDA-only countries, the same projections suggest that the global financial crisis will push 10 million more people into poverty in 2009, and 5 to 6 million more in 2010.¹¹
- *Women.* Women are often the first to suffer during an economic crisis. This is particularly true in the current crisis given that female employment in export-oriented industries has soared over recent decades and export sector layoffs in the current crisis are significant, including for high-value agricultural exports from many African countries. In Uganda, for example, the cut-flower industry employs a workforce that is 85 percent female. In Kenya, where cut flowers are the second largest agricultural export, generating more than US\$200 million in foreign exchange, women comprise 70 percent of workers. In African countries with export-oriented textile factories, such as Kenya and Lesotho, more than three quarters of employees are women. Meanwhile, in Cambodia, where nearly 90 percent of garment industry workers are women, garment exports dropped 30 percent in January 2009 (year-on-year) and layoffs have increased. Women are also particularly vulnerable to any credit crunch in the microfinance sector where they comprise 85 percent of the poorest 93 million microfinance borrowers across the globe. And women are less likely to have

⁸ Growth in IDA-only countries is projected to decline from 5.5 to 2.7 percent.

⁹ E.g., IMF. 2009. *World Economic Outlook: Sustaining the Recovery*. October 2009.

¹⁰ Ravallion, Martin. 2009. *The Expected Impact of the Global Financial Crisis on the World's Poorest*. Mimeo. March 2009.

¹¹ Estimates for all IDA countries indicate that the global economic crisis will push an additional 38 million people in 2009 and 22 million people in 2010 below the poverty line of US\$1.25.

collateral and therefore more likely to be impacted as commercial banks tighten lending requirements for SMEs.

9. Declining fiscal revenues, resulting from the slow-down in economic activity and losses of revenue from trade taxes, have limited Government's ability to finance stimulus packages and protect core spending.

- *Declining revenues.* Slowdown of growth and declining trade put fiscal resources of IDA countries under serious pressure. On average IDA countries are expected to face a decline of revenue of about 3 percentage points of their respective GDPs,¹² with 64 percent (or US\$28 billion) of the decline occurring in Sub-Saharan Africa (Figure 1-c). It should be noted that for oil exporting countries, the fiscal deterioration reflects a change from previous fiscal surpluses accumulated at the time of historically higher oil prices. This group of countries has thus had the opportunity to build up financial assets to support smoothed spending over time and may also, as the recovery of the world economy gets underway, benefit once again from increasing oil prices.
- *Core spending at risk.* The Bank estimates that financing shortfalls to cover core spending requirements could add up to US\$11.6 billion for IDA-only countries in 2009 alone. This amount is only what is needed *to stay in the same place* i.e. to maintain pre-existing level of spending on education, health, cover the operations and maintenance of existing infrastructure, and prevent an increase in the poverty head count. Hence, this amount is *incremental* to those previously estimated as needed in order to meet the MDG targets.

10. Risk of another lost decade for development. While there are signs that the global economy is recovering, there is significant uncertainty over the pace and strength of such recovery and concern that it may take much longer for IDA countries to return to pre-crisis growth paths (Box 1). Not only are IDA countries unable to put in place fiscal stimulus packages that would allow a turn-around similar to that experienced by developed countries, but as long as unemployment in many developed and middle income countries is still rising or stagnant at high levels, demand for exports, remittances, and tourism revenues in IDA countries will likely remain below their pre-crisis levels with commensurate impacts on household incomes and tax revenues.

11. For countries that manage to use fiscal policies to counter the adverse effects of the crisis, the risks to debt sustainability are rising. Many IDA countries had to rely primarily on additional domestic financing to compensate for falling revenue and address some of the most pressing, crisis related spending requirements.¹³ As a consequence, this poses challenges to macroeconomic policy and public debt management. Increased domestic financing may also have crowding-out effects on the private sector and thus hamper the economic recovery. These developments point to heightened macroeconomic risks that would warrant additional

¹² The projected revenue decline in IDA-only countries is projected to be even more pronounced, at 3.6 percent of GDP.

¹³ IMF. 2009. *The Implications of the Global Financial Crisis for Low-Income Countries—An Update*. September 28.

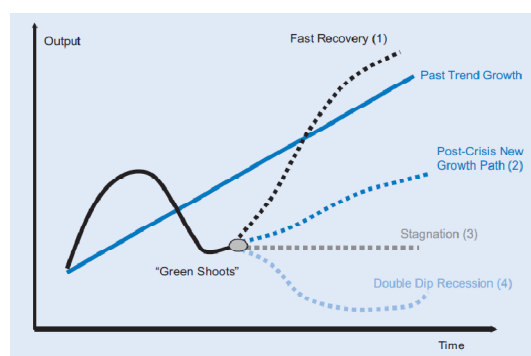
concessional financing to ensure that the hard-won macroeconomic stability in most IDA countries is not lost, and a smooth return to a sustainable growth and debt path can be facilitated.

Box 1. Scenarios for Recovery from the Global Financial Crisis

Fast or “V-shaped” recovery. The driving force behind such a scenario would need to be a much faster than expected healing of the financial sector and its capacity to resume lending at more normal levels and conditions (for example through a much more radical restructuring and recapitalization of insolvent institutions using public funds than appears to have been politically feasible in many cases). Consumers and investors would also likely need to have “very short memories,” taking a much more confident view of the future than would appear warranted by the dramatic events of 2008, continued uncertainties, and their own depleted net worth positions. There could be specific countries that follow this recovery pattern, but, given what is observed in private consumption, investment, and credit markets, coupled with a proposed tightening of prudential and regulatory standards, it seems that this type of a recovery is less likely.

Stagnation scenario. The driving force behind this scenario would be that deleveraging in the financial sector continues, credit markets remain stalled, and economic activity cannot resume at previous levels, given low confidence among consumers and investors, despite recent policy stimulus efforts. Significant fiscal stimulus efforts tend to be ineffective because of offsetting behavior by consumers and firms. As in Japan in the 1990s, debt repayments put a downward pressure on economic activity (irrespective of low borrowing costs) and encourage higher private savings and a lower appetite for new investment.

“Double dip” recession scenario. In addition to the forces operating in the “stagnation” scenario, the driving forces behind this possible replica of the Great Depression could be the combination of a new wave of financial trouble, perhaps in the euro area following banking and currency crises in Eastern Europe, or as a result of a large and disorderly U.S. dollar devaluation. For example, there could be renewed risk aversion and a jarring end of the recent rally in the global equity and debt markets; an inability to implement sufficiently strong fiscal stimulus programs, perhaps due to domestic political constraints and deadlock in some countries; and a strong revival of protectionism.



New post-crisis moderate growth scenario. With all due caveats, a new post-crisis moderate growth scenario is perhaps the most likely, with a recovery beginning in the latter part of 2009 but growth during the recovery failing to reach previous recovery trends. It is also the scenario underlying most mainstream projections, such as those of the IMF, World Bank, and OECD. The main driving forces behind this scenario include a substantial rise in the propensity for private savings as households attempt to pay off debt and build up their net worth, and, concomitantly, a need to rebalance growth in the global economy and reduce excessive current account imbalances.

Experience from the 1980s and 1990s - the "lost decades" for development, as median per capita income growth in developing countries during the period 1980-98 was stagnant, compared to 2.5 percent per capita income growth in the preceding two decades – suggests that a scenario with slowed down growth in developed countries could imply a prolonged loss of growth momentum in IDA countries. The stagnation in per capita incomes during the 1980s and 1990s happened despite improvements in policies like financial depth and real overvaluation, and initial conditions like health, education, fertility, and infrastructure from 1960-79 to 1980-98. This disappointing result of a growth decline while domestic conditions had improved may have been due to worldwide factors like the increase in world interest rates, the increased debt burden of developing countries, the growth slow-down in the industrial world, and skill based technical change. The research shows that industrial country slowdown precedes the developing country slow down. Regression results suggest that the effect of OECD trading partner growth on LDC's home country growth is significantly high. One less percentage point of OECD trading partner growth is associated with 2.1 less percentage points of home country growth.

Sources: The World Bank. 2009. *The Global Financial Crisis: Comparison with the Great Depression and Scenarios for Recovery*. PREM notes No. 141. August 2009 and William Easterly. 2001. *The Lost Decades: Developing Countries' Stagnation in Spite of Policy Reform 1980-1998*. Journal of Economic Growth. v6, n2: 135-157.

12. **Finally, in addition to its immediate impact, the crisis will also have a cumulative impact on long-term growth and poverty reduction prospects.** The analysis of 88 banking crises over the past 40 years shows that, on average, seven years after an initial collapse, an economy's output level still remains about 10 percent below its pre-crisis trend line.¹⁴ This could suggest protracted low growth in high income countries whose financial sectors suffered most from the financial crisis. This would in turn translate into a significantly reduced medium to long term growth outlook for IDA countries. Looked at from a household perspective, the long-term human development impact of the crisis will be large as parents pull children out of schools, as reduced usage of health services leaves permanent negative health effects, and as nutritional deprivation increases the stunting and wasting of children.

13. **IDA countries thus face the triple challenge of mitigating the continuing impact of the global crisis, returning to their pre-crisis development trajectory, and regaining ground that was lost during the crisis.** This comes on top of the continuing formidable challenge to accelerate progress towards the MDGs in the context of ODA levels that remain significantly below the Gleneagles commitments. However, the benefits of assisting IDA countries in addressing these challenges extend far beyond helping these countries and their vulnerable populations. In an increasingly integrated world the strength of the recovery in developing countries also has important repercussions on the strength of the global recovery.

III. Crisis Response: Support from Donors To-Date

14. **IDA countries have generally reacted to the shrinking of fiscal resources through increased fiscal deficits.** Commodity exporters have more scope to expand deficits than other countries, since many accumulated surpluses during the period of high commodity prices. As a result, they were able to temporarily expand their deficits significantly, by an average of over 8 percent of GDP between 2007 and 2009. Other LICs have also been able to allow fiscal deficits to expand, albeit by smaller amounts – about 2 percent of GDP on average during 2007-09. But within this group there are a number of countries (including those in South Asia and many fragile states) with little fiscal space given high debt-to-GDP ratios. Further, thin domestic credit markets in many IDA countries raise concerns about government borrowing crowding out the private sector, especially when domestic banks prefer less risky assets, presenting a policy challenge going forward.

15. **Incremental spending accounts for relatively little of the deficit increase in LICs.** Bangladesh, Nigeria and Vietnam are among the few IDA countries that have announced stimulus packages. Bangladesh has a package equivalent to 1.6 percent of GDP. Nigeria's stimulus measures amount to about 0.3 percent of GDP, while Vietnam is undertaking a fiscal stimulus of about 12 percent of GDP including bringing forward already-planned expenditures, with almost half allocated to infrastructure and development projects and the remainder distributed among tax breaks and incentives, loan subsidies, and social welfare needs.

¹⁴ IMF. 2009. *World Economic Outlook: Sustaining the Recovery*. October 2009.

16. **There is a wide range of social protection responses**, ranging from countries that were struggling to meet existing social protection commitments (such as Kenya and Uganda); to those that were attempting to extend coverage significantly in response to the crisis (Bangladesh and Ghana), even at the cost of a widening fiscal deficit (Cambodia); to those for which the priority policy response was attempting to reduce social sector expenditure in order to promote macroeconomic sustainability in the context of a widening deficit rather than focusing on the extension of social protection provision (Nigeria).¹⁵

17. **Dealing with the impact of the crisis represents a formidable challenge for IDA countries.** The estimated increased financing needs of about US\$11.6 billion to protect core spending in IDA-only countries represent about 1.2 percent of their GDP. Emerging evidence suggests that some IDA countries have primarily relied on additional domestic financing to compensate for falling revenue and countercyclical expenditure programs.¹⁶ Much of this financing is indeed non-concessional and unsustainable (e.g., drawing down government deposits, borrowing from domestic banks, etc.). This implies that the scope for continued crisis response from these sources of financing is very limited and that additional concessional external finance has a critical role to play in helping countries protect core spending requirements without adverse macro-economic effects.

18. **Against a backdrop of fiscal constraints, donor countries have had difficulty with providing large amounts of incremental bilateral ODA.** Facing rising deficits and debt levels as a consequence of the domestic impact of the crisis and crisis response, donors had limited flexibility in providing additional funding from their bilateral aid budgets. Country programmable aid to IDA-only countries was about US\$35.8 billion in 2008 and covering these core spending requirements from additional aid would require an increase in aid by about 33 percent in 2009. Against this increased need, however, an OECD survey of donor forward spending plans¹⁷ indicates a decline in country programmable aid to IDA only countries to about US\$33.8 billion in 2009.

19. **The focus has been on using multilateral institutions as counter-cyclical lenders.** With strong support from their shareholders, multilaterals have stretched their existing financial capacity to allow them to leverage significant levels of additional financing for developing countries. This has worked well with the non-concessional facilities of multilateral development banks all achieving record years. As Table 1 shows, IBRD lending reached a record US\$43.8 billion during FY09 and the first quarter of FY10, compared to IDA lending of US\$16.2 billion during the same period. However, when measured as a percentage of GDP, IDA support to IDA only countries amounted to 1.1 percent of GDP, IDA and IBRD lending to blend countries came to 0.5 percent of GDP, and IBRD lending to IBRD countries was 0.2 percent of GDP.

¹⁵ ODI. 2009. *The global financial crisis and developing countries: Synthesis of the findings of 10 country case studies*. Working Paper 306. June 2009.

¹⁶ IMF. 2009. *The Implications of the Global Financial Crisis for Low-Income Countries – An Update*. September 28.

¹⁷ OECD. 2009. *2009 DAC Report on Aid Predictability – Survey on Donor’s Forward Spending Plans 2009 - 2011*.

Table 1. IDA Countries: Some Key Facts^{1/}

Countries	No. of countries	2008 GDP		Popu.		IDA commitments FY09 & FY10Q1		IBRD commitments FY09 & FY10Q1	
		(US\$bn)	(bn)	(US\$bn)	(% of GDP) /2	(US\$bn)	(% of GDP) /2		
IDA Total	75	2,485	2.5	16.2	0.5%	6.3	0.2%		
IDA-only	61	951	1.1	12.6	1.1%	-	-		
Fragile states	20	217	0.2	1.7	0.6%	-	-		
Others	41	734	0.9	10.9	1.2%	-	-		
Blend	14	1,534	1.4	3.6	0.2%	6.3	0.3%		
Memo Item:									
IBRD countries	63	15,785	3.0	-	-	37.5	0.2%		

Sources: World Bank CFPIR and DEC databases.

1/ Data exclude four inactive countries

2/ GDP for 2008 extrapolated to 15 months

20. **The crisis occurred early in the replenishment cycles for IDA, the African Development Bank, and the Asian Development Bank when significant resources were still available.** Given that donors had provided significant resource increases compared to previous replenishment periods, the MDBs were able to scale up lending significantly including by front-loading (Table 2). The main drawback of the resource use for crisis mitigation is that the original purpose of the large increases in replenishments was to allow countries to make a big push toward the achievement of the MDGs by 2015. The accelerated use of fixed envelopes implies limited resource availability in subsequent years. The IMF has increased access limits for all countries and has increased its lending volume.

Table 2. Concessional Financing Commitments to IDA Countries from Key Multilateral Financial Institutions (US\$ million)^{1/}

Region	IDA 2/			IMF 3/			AfDF 4/			AsDB 5/			IADB 6/		
	IDA14		2009 to date	2006-07		2009 to date	2006-07		2009 to date	2006-07		2009 to date	2006-07		2009 to date
	annual average	2008		annual average	2008		annual average	2008		annual average	2008		annual average	2008	
Africa 7/	5,673	5,556	6,876	221	1,285	1,948	2,254	2,565	2,108	-	-	-	-	-	-
Asia Pacific and Europe 8/	4,944	5,549	5,194	151	103	125	-	-	-	1,702	2,146	2,747	-	-	-
Latin America and the Caribbean	254	325	111	138	-	-	-	-	-	-	-	-	475	360	187
Annual total	10,872	11,430	12,181	511	1,388	2,073	2,254	2,565	2,108	1,702	2,146	2,747	475	360	187

Sources: World Bank CFPIR database and IMF Financial Activities 2008 and 2009.

1/ Data refer to approved commitments, unless noted otherwise.

2/ Data for 2008 and 2009 are for calendar year and 2009 data are as of September.

3/ Data refer to concessional lending to PRGF-eligible countries through PRGF and ESF and are aggregated using World Bank regional groups and by the calendar year of the effective dates of the arrangements; 2009 data are as of October 1, 2009. PRGF-eligible countries are the same as IDA-eligible countries except for Albania and Kosovo: the former has graduated from IDA while the latter is not yet PRGF-eligible.

4/ Data are for 2009 are as of the end of July 2009.

5/ Data refer to total approved grants and loans from the Asian Development Fund resources, and data for 2009 are as of June 2009.

6/ Includes information up to end of September 2009 on grants and loans (including ordinary capital blended FSO loans and only FSO loans, but excluding private sector loans) to IDA-eligible FSO countries.

7/ The sum for Africa and Middle East and North Africa.

8/ The sum for East Asia and Pacific, South Asia, and Europe and Central Asia.

Box 2. Multilateral Crisis Support to IDA Countries for Recent Crises

The IMF has provided support to help countries in dealing with the balance of payment impact of the crisis. The IMF has provided about US\$2 billion to LICs in the course of 2009 compared to US\$1.4 billion in 2008. It has also adopted a number of reforms to its concessional lending, including a temporary interest holiday until end-2011 on all outstanding concessional lending to Poverty Reduction and Growth Trust eligible countries. In light of higher- than-expected demand, it has also increased its projection for the volume of concessional lending over the next two years from US\$6 billion to US\$8 billion. The main purpose of IMF resources is to assist countries in dealing with balance of payments disequilibria. While this is critical for sustaining macro-economic stability, it does not automatically translate into increased resources for protecting core spending and addressing the poverty implications of the crisis. With a maximum maturity of 10 years, IMF loans are considerably less concessional than IDA resources.

The European Commission set up an "EU Vulnerability FLEX" instrument to assist ACP countries that are hit worst by the downturn in trade and falling revenues. This instrument is valued at Euro 500 million. It focuses on ensuring spending on social safety nets. It acts counter-cyclically, based on forecast of fiscal losses and other vulnerability criteria. In addition, the European Commission has reinforced and reshaped the EU-Africa Infrastructure Trust Fund, increasing the grant capital together with bilateral funds from EU Member States to a total of Euro 500 million by 2010. This will allow mobilizing additional Euro 2.5 billion in loans. Finally, a Euro 1 billion Food Facility is in place and operational to re-launch agricultural production in developing countries.

Regional Development Banks (RDBs) have also taken measures to provide crisis support. The Asian Development Fund (AsDF) injected an additional fund of US\$400 million to all AsDF-only countries, allocating these resources in accordance with its performance-based allocation formula. Similar to IDA, the AsDF and the African Development Fund relaxed their front-loading limits, which allowed them to respond to the crisis related increase in the demand for funds.

21. **The WBG's operational crisis response includes targeted initiatives to protect the most vulnerable from the fallout of the crisis.** Crisis response initiatives focus on three themes: (i) protecting the most vulnerable from the fallout of the crisis; (ii) maintaining long-term infrastructure investment programs; and (iii) sustaining the potential for private sector-led economic growth and employment creation, particularly through SMEs and microfinance. The themes are being addressed through three operational platforms—the *Vulnerability Financing Facility (VFF)*, the *Infrastructure Recovery and Assets (INFRA) platform*, and the *IFC-led private sector platform*, respectively. The VFF comprises the Global Food Crisis Response Program (GFRP) established in May 2008 and the Rapid Social Response (RSR) Program – both programs covering IBRD and IDA countries (Box 3).

22. **Within the World Bank, the IDA Financial Crisis Fast Track Facility (FTF) has been the main instrument to provide crisis response assistance to IDA countries.** In addition to significantly scaling up commitments, the Bank has streamlined procedures¹⁸ and facilitated project restructuring and disbursement through the FTF. The FTF can fast track up to US\$2 billion of financial assistance, with the potential to seek Board approval to increase the amount in the future if the current amount was fully utilized. By the end of October 2009, new IDA commitments under the FTF had reached about US\$1.5 billion for operations in 11 countries.

¹⁸ This includes shortened management review periods, use of crisis response mechanisms consistent with the Bank's existing operations policy provisions, and RVP approval of operations "in principle" with a 10 business-day Board review.

Box 3. Vulnerability Financing Facility (VFF)

The VFF is a dedicated facility to streamline crisis support to the poor and vulnerable under two main programs:

Global Food Crisis Response Program (GFRP): The GFRP encompassed the Food Price Crisis Response (FPCR) Trust Fund of US\$200 million from IBRD surplus for IDA-only countries, as well as US\$0.8 billion in IDA resources that were committed by September 2009 for IDA-only countries. In response to high demand, the Board raised the ceiling from US\$1.2 billion to US\$2 billion in April 2009. The GFRP is also supported by three externally-funded trust funds with resources from Australia (AUD 50 million), Russia (US\$15 million), and the EU (Euro 110.8 million).

Rapid Social Response (RSR): Within the current IDA resource envelope, IDA lending for social protection is projected to increase from US\$1.56 billion prior to the crisis (FY06-08) to US\$2.03 billion during FY09-11, with spending on social safety nets more than doubling over the same period from US\$0.62 billion to about US\$1.36 billion. RSR is designed to help countries build the institutional capacity necessary to address urgent social needs stemming from the crisis by establishing and scaling up targeted safety net programs, financing immediate interventions to stabilize demand for basic health and education services, and supporting active labor market policies and employment programs. To date, pledges by donors to RSR have totaled US\$53 million, and include a grant by Russia of US\$50 million that was signed at the Annual Meetings in Istanbul, as well as a capacity building grant of 2 million Pound Sterling by DfID.

23. **Despite these efforts, there remains a significant financing gap to protect core spending in IDA countries, with financing needs during the remaining 18 months of IDA15 likely to remain at levels similar to those estimated for 2009.** Countries are themselves making efforts to protect core spending through expenditure rationalization and reallocation and these efforts will remain central to mitigating the impact of the global economic crisis. The proposed CRW would provide important complementary support.

Challenges in Resource Allocation and Fund Raising

24. **While IDA's resource allocation system allows the frontloading of resources (within a fixed envelope), it is not designed to respond to short-term needs in times of crises.** IDA's core Performance-Based Allocation system was established to distribute resources based on current policy and institutional performance as these indicators provide good predictors of better long-term development outcomes. This core system remains a robust approach to rationing limited resources in order to maximize long-term development outcomes across countries, but it was neither designed nor intended to support client countries in responding to short-term divergences from long-term development trajectories. There are two major issues which arise in a crisis context:

- Within a fixed envelope, countries have to redeploy resources to protect development outcomes already achieved and defer efforts to achieve additional development outcomes. Roughly US\$2.3 billion of IDA15 resources were redeployed to crisis response measures, leaving a correspondingly lower amount for the envisaged support for medium to long term poverty reduction and MDG measures.¹⁹ In order to

¹⁹ This includes only IDA resources that were specifically channeled through one of the World Bank's crisis response mechanisms, namely the GFRP and the FTF. As of October 2009, US\$1.5 billion in IDA resources were delivered through the FTF and US\$800 million through the GFRP. The actual amount of IDA resources

allow countries to continue on the pre-crisis development trajectory (if this can be achieved at all given the challenges discussed in paras. 10-13), additional resources are necessary.

- The allocation of crisis response resources needs to be based on the immediate crisis impact and resulting needs and not on long-term development performance in order to avoid a situation of “double jeopardy”. For example, in the case of fragile states, which have the least flexibility to respond to a crisis from a policy and institutional perspective, small PBA allocations would be quickly exhausted in crisis response. The situation is similar for small states which have higher fixed costs of economic production and public administration and increased economic and natural vulnerabilities²⁰ and receive modest volumes of PBA allocations.

25. The design of the proposed IDA CRW discussed in the next section would seek to address these issues by complementing IDA’s PBA system with a new window that would allow the effective provision of financial support to those IDA countries with the greatest crisis related financing needs and the least capacity to raise sustainable financing from other sources.

IV. Design of the Pilot Crisis Response Window

26. This section presents a proposal for a pilot CRW within IDA to be **operational during the second half of the IDA15 period** (i.e., from January 2010 to June 2011). The window is designed specifically to help IDA-only countries deal with the global economic and financial crisis.

Objectives

27. **The goal of the pilot CRW would be to assist countries in dealing with the impact of the current global economic crisis, including through:**

- Developing, implementing and monitoring programs to manage the poverty, social, and economic impact of the crisis;
- Providing financial assistance to protect core spending on health, education, social safety nets, infrastructure, and agriculture in eligible countries; and
- Offering IDA’s catalytic platform services²¹ to facilitate the effective use of all domestic and external resources applied to fight the impact of the global economic crisis.

used by countries to implement crisis mitigation measures is likely to be significantly larger, since the design of virtually all new IDA supported programs and projects seeks to reflect and address the impact of the global economic crisis.

²⁰ See Section IV of IDA. 2007. *IDA’s Performance-Based Allocation System: Simplification of the Formula and Other Outstanding Issues*, September 2007, for further details on the challenges of allocating resources to small states.

²¹ Platform services include analytic and advisory activities, support for the development of programs and projects that are the basis for co-financing and coordinated multi-donor support, convening and coordination services and support for country system and public sector management reforms as discussed in IDA. 2007. *The Role of IDA: Supporting the Country-Based Development Model*. June 2007.

Eligibility, Duration, Resource Allocation and Use under the Pilot CRW

28. **Eligibility.** Access to CRW funds will be available to 56 non-oil exporting IDA-only countries out of 79 IDA countries using the following eligibility criteria:

- Fifteen IDA blend countries would be excluded.²² Most of the blend countries have a GNI per capita above the operational IDA cut-off point and have some access to IBRD and market based finance. In FY09 and the first quarter of FY10, blend countries received US\$3.6 billion in IDA resources and US\$6.3 billion from IBRD. In addition, these countries can also access scaled up resources from IMF, as well as private capital markets to varying degrees.
- Four countries which are net oil exporters (namely, Angola, Chad, Republic of Congo, and Nigeria) would be excluded. While such countries have been impacted by the crisis as a result of significant decline in oil prices, they also accumulated significant wind-fall gains from rapidly increasing oil prices in the early stages and are likely to benefit as oil prices are expected to remain above the pre-crisis level in the medium term.
- Four countries with IDA and IBRD loans and credits in protracted arrears would be excluded.²³

29. **Duration.** The CRW would initially be established to cover the second half of the IDA15 period (January 2010 – June 2011).

30. **Size.** An amount of about US\$1.3 billion from internal resources plus any voluntary donor contributions is being considered based on estimates of potentially available financing (see paragraph 52). Of the US\$11.6 billion in core spending needs discussed in paragraph 17, 90 percent are for the 56 IDA-only countries eligible for the CRW. Thus, the proposed window would aim to initially provide additional financing of about US\$1.3 billion, or about 13 percent of the estimated financing needs to protect core spending in non-oil exporting IDA-only countries. This would represent a sizeable increase of about 18 percent of the FY09 IDA allocations made to the 56 eligible countries.

31. **Allocation Process.** Resources would be allocated through a two-stage process. In Stage 1, indicative allocations will be determined based on indicators of crisis impact and needs. Stage 2 will provide some scope for adjustments to allocations in light of additional country specific information related to crisis impact, resource requirements, and capacity to mobilize an effective response through the use of additional resources. Stage 1 of the allocation process would allocate 85 percent of CRW and Stage 2 will allocate the remaining 15 percent. The total

²² Currently, there are 14 blend countries, but for purpose of the CRW allocation, Vietnam is treated as a blend country given it is expected move to blend status before the start of the CRW with the presentation of the Country Partnership Strategy Progress Report and the first IBRD loan scheduled for Board presentation on December 15, 2009.

²³ This includes Myanmar, Somalia, Sudan, and Zimbabwe. IDA's regular policies on suspension and withholding of disbursements would be applied to the CRW.

resources of the window would be allocated to eligible countries by January 1, 2010 for commitment to specific operations within the following six months.

32. Stage 1: Rules based allocation to establish indicative level of financial assistance. In the first stage, the level of financial assistance would be determined by **classifying countries into four quadrants** based on impact of crisis and pre-existing needs. Specifically,

- (a) **Countries with more severe impact of the crisis are expected to require higher levels of support.** The severity of the impact of the crisis is measured as the projected change in the GDP growth rate, comparing average growth rates before the crisis (2006-2008) and during the crisis (2009-2010), using data and projections from the IMF World Economic Outlook database.²⁴ The decline in the growth rate represents the broadest measure of the crisis impact as discussed in section 2. For non-oil exporting IDA-only countries, the change in economic growth during these two periods ranged from +4.2 percentage points of GDP for Afghanistan to -10.7 percentage points for the Maldives. The median change in the GDP growth rate between the two periods is projected to be -1.8 percent for all countries eligible for CRW support.²⁵

Consideration was also given to complementing the growth indicator with a fiscal indicator that would directly capture the impact of the crisis on a country's capacity to implement poverty reducing expenditures. While in many cases movements in fiscal indicators would be closely related to changes in GDP growth, there are nonetheless important differences across countries with respect to their fiscal vulnerability to the various transmission channels of the crisis. Unfortunately, consistent fiscal projections for the entire set of IDA countries are not publicly available and could thus not be reflected in the country classification.²⁶ Direct measures of the poverty impact of the crisis²⁷ were also considered. However, available estimates are only reliable at the aggregate level and not at the country level and could thus not be used. Finally, balance of payments indicators were also considered but were not used for several reasons. Given that trade is a central transmission channel of the crisis from developed and middle income countries to IDA countries, changes in IDA countries' exports would be an important complement to the growth indicator. Unfortunately, consistent export data and projections are not available for the entire set of IDA countries. While data and projections of current account deficits are publically available for most IDA countries, they do not provide a clear measure of the impact of the crisis. This is due to the fact that in many countries, crisis related declines in exports are offset by

²⁴ The paper uses WEO data from the October 2009 update.

²⁵ Several countries with crisis impact below the median actually show a (marginal) improvement in their growth rates during this period. This includes Afghanistan (+4.2%), Tonga (+2.7%), Timor Leste and Yemen (+2.4%), Côte d'Ivoire (+2.3%), Comoros (+0.4%), Nepal (+0.2%), and Togo, Haiti, and Eritrea (+0.1%). Many of these countries are in crisis or emerging from crisis with very low growth rates to begin with.

²⁶ World Bank and IMF projections suggest a decline in government revenue by US\$5 billion and an increase in fiscal deficits by US\$7.1 billion in 2009 compared to 2008 for non oil exporting IDA-only countries.

²⁷ E.g., Shaohua Chen and Martin Ravallion. 2009. The impact of the global financial crisis on the world's poorest. Mimeo. April 30, 2009.

declines in imports reflecting the slow-down in economic activity as well as the decline in oil prices between 2008 and 2009.

- (b) **Countries with higher pre-existing levels of needs are expected to require higher levels of support.** The extent to which the crisis translates into increased poverty at the country level depends to a significant extent on pre-existing levels of resource scarcity, both at the household and at the national level. Poorer households tend to have lower savings and other resources that would allow them to smooth out the impact of external shocks. Similarly, at the national level, the scope for implementing crisis mitigating measures tends to be much more constrained in countries with very low levels of per capita income compared to countries with higher levels of per capita income. GNI per capita has consequently been used as an indicator of pre-existing needs.²⁸ GNI per capita in 2008 ranged between US\$140 for Burundi and US\$3,630 for the Maldives, with a median of US\$720.²⁹

Consideration was given to using other measures. Head-count measures of poverty at the household level would provide a good complement to capture a country's vulnerability to significant increases in poverty due to the crisis. Unfortunately, poverty head-count measures are only available for a subset of countries.

33. Table 3 shows the preliminary classification of countries based on crisis impact and needs and Table 4 presents a summary of the preliminary classification of countries and reveals several important features of the classification exercise.

- First, the classification provides a clear separation between countries. For the two groups with above median impact of the crisis, the average growth decline is 4 and 6 percentage points of GDP, while for countries with below median growth decline the average is zero percent.
- Similarly, countries in the groups with needs above the median have average per capita incomes of US\$329 and US\$485, while countries in the groups with needs below the median have average incomes of US\$948 and US\$1,467.
- There are also interesting differences between these groups when the results are considered in relation to the CPIA. Countries in the group with higher impact of the crisis have also a higher average CPIA compared to countries which were less affected by the crisis. This is likely to be due to the fact that strong CPIA performers typically have reached a higher degree of integration with the global economy, which makes them also more vulnerable to volatility in flows of goods, services, labor, and capital.

²⁸ GNI per capita is used as a proxy for poverty and the associated vulnerability to crisis impact given the absence of more timely, accurate and consistent cross-country measures.

²⁹ Countries below the median include most low income countries, a group which currently includes countries up to a GNI per capita of US\$975.

Table 3. Preliminary Country Classification by Crisis Impact and Needs³⁰

		Crisis Impact (decline in GDP growth)	
		Higher (decline in GDP growth above median)	Lower (decline in GDP growth below median)
Needs (per capita GNI)	Higher (per capita GNI below median)	Congo, DR, Cambodia, Ethiopia, Gambia, Liberia, Madagascar, Malawi, Mozambique, Niger, Rwanda, Tajikistan, Tanzania, Uganda	Afghanistan, Bangladesh, Benin, Burkina Faso, Burundi, Central African Republic, Eritrea, Ghana, Guinea, Guinea-Bissau, Haiti, Mali, Nepal, Sierra Leone, Togo
	Lower (per capita GNI above median)	Bhutan, Honduras, Kyrgyz Republic, Lao People's Democratic Republic, Lesotho, Maldives, Moldova, Mongolia, Nicaragua, Samoa, São Tomé and Príncipe, Solomon Islands, Sri Lanka, Timor-Leste, Vanuatu	Cameroon, Comoros, Côte d'Ivoire, Djibouti, Guyana, Kenya, Kiribati, Mauritania, Senegal, Tonga, Yemen, Zambia

Table 4. Summary Indicators of CRW Country Classification

Country classification	Countries	Population	GNI per capita	CPIA 2008	Crisis Impact % growth decline
	#	million	US\$		
Higher impact and needs	13	324	329	3.4	-4%
Higher impact and lower needs	14	55	1467	3.3	-6%
Lower impact and higher needs	15	326	485	3.1	0%
Lower impact and needs	13	133	948	3.2	0%

Note: This does not include Kosovo for which insufficient data for the classification was available.

34. Each country will be allocated a fixed amount of SDR 0.5 million³¹ plus an amount that reflects a country's population size and its classification according to the above criteria:

- (a) countries with lower crisis impact and needs would receive a per-capita allocation of US\$0.8.
- (b) countries with lower crisis impact and higher needs would receive a one third higher per-capita allocation compared to the baseline, i.e., about US\$1.1.

³⁰ IDA's regular policies would be applied to the CRW.

³¹ This amount is 33.3 percent of the base annual allocation of SDR1.5 million under the PBA.

- (c) countries with higher crisis impact and lower needs would receive a two thirds higher per-capita allocation compared to the baseline, i.e., about US\$1.4.
- (d) Countries with higher crisis impact and needs would receive double the baseline per-capita allocation, i.e., about US\$1.6.

35. The fixed component is intended to ensure that small states that are typically more vulnerable to external shocks receive meaningful amounts of IDA support, similar to the base allocation under the PBA system. Finally, allocations for any one country will be capped at five percent of total CRW resources.

36. Stage 2: Adjustments to formula based allocations to reflect detailed country knowledge. 85 percent of CRW resources would be allocated to countries during stage 1. Thereafter, recognizing that country specific circumstances would necessitate adjustment based on available information on crisis impact, needs, and countries' capacity to use resources for an effective crisis response, 15 percent of CRW resources would be provided to the Regions in proportion to the regional distribution of country allocations during stage 1 to allow for additional country specific adjustments.

- Initial country classifications from the first stage would be reviewed based on supplementary and/or more current country level information and to ensure that potential threshold effects do not unnecessarily penalize countries that are close to the median with respect to crisis impact or needs.
- A country's actual per capita allocation could be adjusted by up to 33 percent. This ceiling on adjustments would provide sufficient flexibility for the Regions to adjust the allocation for a country to the next-higher group, if country specific information suggests that the initial classification was not appropriate. If the adjustment needed is greater than that, it would be centrally reviewed and approved.

37. To maintain transparency in the process, adjustments to stage 1 allocations would be approved based on a short proposal prepared by country teams which would present the following factors:

- **Country impact.** As stage 1 measures country impact only through the projected decline in economic growth, Regions can adjust stage 1 allocations by considering additional factors related to fiscal, social, poverty, and employment impact of the crisis.
- **Pre-existing needs.** Stage 1 measures pre-existing needs through per-capita income. Regions can adjust stage 1 allocations by considering additional factors related to poverty and fragility, as the negative impact of the crisis on the poor tends to be most severe in countries that have high levels of poverty and fragility. In countries with high levels of poverty, the population is most vulnerable to negative shocks with virtually no scope to offset the impact through savings or other means. Fragile states are particularly vulnerable as external shocks easily translate into economic, social, and political instability, with potentially high cost for the country affected as well as neighboring countries and the international community.

- **Resource needs and availability:** As mentioned above, a key objective of the CRW would be to provide resources for short term crisis mitigation in order to reduce the impact on countries' long term development activities. Countries differ significantly with respect to the availability of domestic and external resources, including regular IDA resources that can be marshaled to mitigate the crisis impact. Country specific information on the need for CRW resources is thus another factor that should inform stage 2 adjustments. With respect to available regular IDA resources, the analysis will need to discuss the amount of existing IDA allocations and the extent to which resources can be freed up from the existing IDA portfolio.
- **Ability to effectively utilize resources:** A country's capacity to design and implement effective pro-poor expenditure programs aimed at protecting core spending on health, education, social safety nets, infrastructure, and agriculture would be assessed.

38. CRW resources that have not been committed by the end of FY10 (i.e., June 30, 2010) would be available for reallocation. **Following the initial allocation of CRW resources to countries, these will need to demonstrate their crisis needs and their urgency at the time of committing allocated resources to specific projects and programs.** Resources that have not been committed six months after the initial allocation would revert to the pool for reallocation in line with the above criteria.³² Countries that have not fully used their initial allocations would not be eligible for these reallocations.

39. Indicative Allocation Outcomes. For illustrative purposes, Table 5 shows a scenario where a total CRW resource envelope of US\$1.3 billion was allocated based on the Stage 1 process.³³ Forty four percent of the resources would be provided to countries which had higher pre-existing levels of need and impact from the crisis. Another 41 percent of the resources would be provided to countries which had either higher needs and lower impact or lower needs and higher impact. Only 15 percent of the resources would be provided to supplement countries with lower pre-existing needs and crisis impact.

³² Countries' financing of crisis support from regular PBA based IDA resources within the IDA Fast Track Facility will be considered as effective demonstrated use of crisis resources in the amounts already committed.

³³ Annex 1 presents preliminary indicative country allocations resulting from the stage one allocation of 85 percent of the illustrative total CRW resource envelope scenario of US\$1.3 billion.

Table 5. Summary of Allocation Simulation

Country	Population	GNI per capita	Crisis Impact	FY09 Allocation (baseline)	CRW Allocation (US\$1.3 billion)		
	million	US\$	% growth decline	US\$ million	US\$ million	% of FY09 baseline	% of total CRW
All	840	564	-2.4%	7364	1317	18%	100%
o/w fragile/2	222	514	-0.5%	1261	368	29%	28%
o/w non-fragile	618	582	-3.7%	6104	949	16%	72%
o/w small/3	6	1765	-2.6%	53	19	36%	1%
o/w higher impact/higher needs	324	329	-3.7%	3175	576	18%	44%
o/w higher impact/lower needs	55	1467	-5.8%	483	146	30%	11%
o/w lower impact/higher needs	326	485	-0.3%	2740	395	14%	30%
o/w lower impact/lower needs	133	948	0.1%	967	200	21%	15%
o/w Africa	513	476	-1.7%	5010	879	18%	67%
o/w South Asia	237	595	-2.5%	1815	227	12%	17%
o/w LAC	23	1135	-2.6%	156	54	35%	4%
o/w EAP	26	888	-3.4%	136	74	54%	6%
o/w ECA	18	935	-8.5%	135	49	36%	4%
o/w MNA	24	956	1.2%	113	36	32%	3%

1/ Simulations are based on the allocation of US\$1.3 billion to 56 eligible IDA-only countries that are not fuel exporters. For purpose of the CRW allocation, Yemen is included given it is not a significant net fuel exporter, and Vietnam is treated as a blend country given its expected move to blend status before the start of the CRW with the presentation of the Country Partnership Strategy Progress Report and the first IBRD loan scheduled for Board presentation on December 15, 2009. The simulations will be updated upon approval of the CRW to reflect latest data and projections.

2/ Countries with CPIA of 3.2 or less in 2008.

3/ Countries with population of 1.5 million or less in 2008.

40. The preliminary results of using the proposed allocation scheme suggest that the “additionality” of the CRW would be about 18 percent when compared to the FY09 country allocations. The specific percentage increases over the FY09 allocations shown in Table 5 for individual groups and regions reflect not only crisis impact and needs, but also differences in the PBA based FY09 allocations. Further, given the use of base allocations in both the CRW and the PBA, the share of small states in a group also impacts the percentage increase shown for each group.

41. Fragile states would receive 28 percent of the CRW resources compared to 14 percent from PBA based resources. Put differently, in relation to their PBA based regular IDA allocation, the proportionate increase for fragile states would be significantly higher (29 percent) than the proportionate increase for non-fragile states (16 percent). The regional distribution of CRW resources shows that Africa with 67 percent and South Asia with 17 percent would be the major beneficiaries of the CRW.

Implementation and Accountability Mechanisms

42. **Use of resources:** Once resources are allocated, they are expected to be rapidly utilized using accelerated procedures. Specifically,

- All lending instruments are eligible for the delivery of CRW resources, and will be processed under the relevant OP/BP.

Table 6. Eligible Lending Instruments for Delivery of CRW Resources

Instrument/Type of Operation	New	Restructuring of existing operation	Additional/supplemental financing
Investment Lending	OP / BP 8.00 or OP / BP 10.00	OP / BP 8.00 or OP / BP 10.00 and OP / BP 13.05	OP / BP 8.00 or OP / BP 10.00 and OP / BP 13.20
Development Policy Lending	OP / BP 8.60	OP / BP 8.60	OP / BP 8.60

- Teams will be encouraged to utilize instruments which result in projects being rapidly implemented. Consequently, the bulk of the projects are expected to be financed through Additional Financing for investment credits or grants, supplemental Development Policy credits or grants and/or Emergency credits or grants. Given that the objective is to deal with the crisis, the window would restrict support to projects that are rapidly implementable.
- In line with existing IDA policies, there will be no sectoral or thematic earmarking under the CRW. However, countries would be encouraged to give priority to use the resources to protect core spending on health, education, social safety nets, infrastructure, and agriculture. This is expected to occur in part due to the availability of additional funds which would allow development activities funded from regular PBA allocations to continue without interruption thereby opening up the space for programs focusing on a social response.

43. **Processing and Approval.** CRW financed operations would be prepared using processing and Board approval procedures similar to those in use for the IDA FTF.³⁴ This includes shortened management review periods and use of crisis response provisions consistent with the Bank’s existing operational policies. As summarized in Table 6, OP 8.60, *Development Policy Lending*, would apply to DPOs in countries affected by the crisis. For investment operations, OP 8.00, *Rapid Response to Crises and Emergencies* or OP 10.0, *Investment Lending*, would apply, complemented by the relevant policies for restructuring and additional financing, as appropriate. Approval of CRW financed operations would be as follows, identical to the process already approved for the IDA FTF:

- RVP approval in principle for operations financed under the CRW.
- Approval becomes effective 10 business days after circulation of the documentation to the Board, unless a discussion is requested by at least one Executive Director.

³⁴ This would apply for operations and additional financing for which more than 50 percent of the total WB financing amount is provided through the CRW. Since CRW resources are expected to be used in many cases for the scaling up of projects and programs already under preparation, there may be cases where it is more expedient for task teams to use regular procedures rather than the IDA FTF procedures.

44. **Terms of Assistance.** The terms of assistance will be identical to those under which IDA assistance is normally provided: i.e., the maturity, grace period and service charges would remain the same and the provision of grants would follow debt sustainability considerations.

45. **Coordination with other donors.** The close relationship with other multilateral lenders would continue and be deepened with the introduction of the CRW. Specifically,

- IDA and IMF crisis support are highly complementary and mutually reinforcing. The Funds' support to countries' efforts to stabilize their macro-economic situation and IDA's support to help them address key public expenditure needs are both central to an effective crisis response.
- The EC "Vulnerability Flex" and CRW would be highly complementary and build on the partnership that already exists in many countries between IDA and the EC in the provision of budget support. However, there are differences in country coverage between the EC, which focuses on African, Caribbean, and Pacific (ACP) countries and thus exclude a number of IDA eligible countries in Europe, Asia, and Latin America.
- Finally, the CRW will also allow IDA to assume a platform role in crisis support, which will benefit all efforts by the donor community.

46. **Reporting on allocations to the Board.** The Board would be informed of the final allocations under the CRW in the Board paper on the FY10 regular allocations early in FY11. At that time, the Board would also be provided an update on the use of CRW resources.

47. **Reporting on CRW financed operations.** Management would update the Board on upcoming IDA CRW financed operations at the monthly Steering Committee Meeting. Following Board approval of operations financed from CRW resources, Management will provide biweekly updates on these operations, including information on disbursements, along the lines of the information being provided for operations under the IDA FTF.

V. Financing

48. **The proposed initial funding level for the CRW is expected to be about US\$1.3 billion from redeployed IDA resources plus any voluntary donor contributions to enable support to countries during the IDA15 period.**

49. **Funding from redeployment of IDA resources could amount to US\$1.3 billion.** This would involve US\$1.2 billion in resources linked to arrears clearance plus US\$130 million income earnings from internal resources.

50. **Arrears Clearance.** Resources available for reallocation include (i) donor reimbursement of arrears clearance costs funded from IDA14 commitment authority; and (ii) resources set aside for arrears clearance during IDA15.

- Potentially available resources include US\$817 million representing donor reimbursements for IDA's arrears clearance costs incurred for Liberia, Côte d'Ivoire

and Togo in line with the arrears clearance framework agreed during the IDA15 replenishment discussions.³⁵ These compensatory funds already form part of IDA's general resources but have not yet been allocated to individual countries. If not deployed through the CRW, these resources would be allocated through the PBA system; and

- US\$370 million from the currently unused set aside for arrears clearance and re-engagement costs during IDA15.³⁶ While the IDA15 arrangements envisage that these funds would be rolled over to IDA16 if not utilized during the IDA15 period, it is proposed that these funds be redeployed for the CRW. Redeployment of these funds, however, would require seeking an amendment to the IDA15 Board of Governors resolution³⁷ which would take additional time. As an interim measure, Executive Directors are requested to approve the use of an equivalent amount of internal resources to bridge this immediate financing need. If any additional arrears clearance operations should occur during the remainder of the IDA15 period, Management would present a consolidated accounting of such costs incurred during the IDA15 period, and those expected during the IDA16 period, as part of the overall financing package for IDA16.

51. **Internal resources.** IDA could also contribute US\$130 million from internal resources reflecting higher than anticipated returns on IDA's investment portfolio during FY09 as a result of its prudent investment strategy which is designed to protect its commitment capacity. Investments are made only in a limited range of conservative lending instruments which ensure a level of liquidity sufficient for future disbursements on credits and grants.³⁸ During the past year, as interest rates have gone down to historically low levels, IDA's investments have proven to be highly countercyclical and IDA's investment portfolio has generated significant returns over the past year relative to peers. Management proposes to deploy this additional investment income which has resulted from the crisis to support IDA countries. The amount to be deployed for the CRW would be only the gains on the portion of IDA's investment portfolio being invested on its own account.³⁹ Approval of Executive Directors is also sought for the use of this amount from internal resources.

³⁵ IDA. 2007. *Further Elaboration of a Systematic Approach to Arrears Clearance*. Resource Mobilization Department (FRM). June 2007.

³⁶ Countries with loans and credits in non-accrual status are as follows as of October 1, 2009: Somalia – US\$201 million to IDA, Sudan – US\$549 million to IDA, Zimbabwe – US\$122 million to IDA and US\$594 million to IBRD, Myanmar – US\$314 million to IDA.

³⁷ Under paragraph 1 (a) (ii) of Resolution No. 219 (Addition to Resources: Fifteenth Replenishment) adopted by IDA's Board of Governors on April 23, 2008), IDA is authorized to accept these resources to finance arrears clearance operations.

³⁸ Instruments permitted by the existing Investment Authorization for IDA include Government securities, AA Government Agencies, Multilaterals and other official institutions and to a lesser extent limited AAA Securitized Corporate Securities (Asset Backed Securities and Mortgage Backed Securities).

³⁹ This refers to tranches 2 and 3 of the Investment Portfolio and excludes any gains made from increased returns for funds held due to donors' accelerated payments (i.e., tranche 1). For further details, see *Review of IDA's Investment Strategy*. June 16, 2008.

52. Table 6 summarizes currently identified potential internal resources for the funding of the CRW. Total internal resources that could be redeployed for funding of the CRW amount to US\$1,317 million.

Table 7. Preliminary Identified Internal CRW Resources (in US\$ million)

Redeployment of arrears clearance and re-engagement resources	1,187
o/w Donor reimbursement for completed arrears clearance	817
o/w Currently unused set-aside for arrears clearance and re-engagement	370
Additional FY09 IDA investment returns	130
Total internal resources	1,317

53. **Voluntary Donor Contributions.** A few donors have expressed interest in contributing additional resources to IDA15 for the CRW. As soon as donor commitments are received, such funds would also be included under the CRW.

VI. Recommendation

54. Based on the analysis in this paper, Management recommends that the Executive Directors approve the establishment of a pilot crisis response window for the remainder of the IDA15 period. This window would use the eligibility criteria described in paragraph 28 above, the allocation processes described in paragraphs 31-38 above and follow the approval procedures described in paragraph 43 above.

55. Financing for this window would be set at US\$1.3 billion from the sources described in paragraphs 49-51 above plus any additional voluntary donor contributions as discussed in paragraph 53. Approval for the redeployment of the set-aside of resources in IDA15 for arrears clearance and re-engagement will be sought in the context of the IDA16 replenishment. As an interim measure, Management recommends that Executive Directors approve the use from internal resources of US\$370 million to bridge this immediate financing need. Management also recommends that an additional amount of US\$130 million from internal resources be used for this window.

Annex 1. Indicative CRW Allocations to CRW Eligible Countries – Allocation of US\$1.120 billion with US\$0.198 billion retained for Regional Stage 2 allocations

	Country	Population	GNI per capita	GNI per capita	Crisis Impact	Crisis Impact	Allocation FY09	CRW Allocation		
		(million)	(US\$)	below median	(growth decline - percentage points)	above median	(US\$ m)	(US\$ m)	% of FY09 allocation	
Africa	Benin	8.7	690	X	-1.0%		68.9	14.7	21%	
	Burkina Faso	15.2	480	X	-0.9%		173.3	25.3	15%	
	Burundi	8.1	140	X	-1.0%		90.6	13.8	15%	
	Central African Republic	4.4	410	X	-0.5%		15.2	7.9	52%	
	Congo, DR	64.2	150	X	-2.0%	X	420.1	56.0	13%	
	Côte d'Ivoire	20.6	980		2.3%		127.7	25.7	20%	
	Cameroon	18.9	1150		-1.0%		102.3	23.6	23%	
	Comoros	0.6	750		0.4%		2.8	1.5	54%	
	Eritrea	5.0	300	X	0.4%		22.9	8.8	39%	
	Ethiopia	80.7	280	X	-4.3%	X	777.1	56.0	8%	
	Gambia, The	1.7	390	X	-2.4%	X	5.7	4.8	84%	
	Guinea	9.8	380	X	-1.7%		32.6	16.6	51%	
	Guinea-Bissau	1.6	250	X	0.0%		6.3	3.3	52%	
	Ghana	23.4	670	X	-1.7%		424.5	38.4	9%	
	Kenya	38.5	770		-1.8%		399.0	47.4	12%	
	Lesotho	2.0	1080		-4.5%	X	21.2	4.8	23%	
	Liberia	3.8	170	X	-2.5%	X	44.1	9.9	23%	
	Madagascar	19.1	410	X	-5.8%	X	244.2	47.0	19%	
	Malawi	14.3	290	X	-3.1%	X	139.1	35.3	25%	
	Mali	12.7	580	X	-0.6%		155.0	21.3	14%	
	Mauritania	3.2	840		-1.4%		12.4	4.6	37%	
	Mozambique	21.8	370	X	-2.8%	X	214.4	53.5	25%	
	Niger	14.7	330	X	-3.1%	X	97.7	36.3	37%	
	Rwanda	9.7	410	X	-3.6%	X	122.7	24.3	20%	
	São Tomé and Príncipe	0.2	1020		-1.9%	X	2.3	1.1	47%	
	Senegal	12.2	970		-0.8%		117.2	15.5	13%	
Sierra Leone	5.6	320	X	-1.7%		26.1	9.7	37%		
Tanzania	41.3	440	X	-1.8%	X	646.5	56.0	9%		
Togo	6.5	400	X	0.1%		42.9	11.2	26%		
Uganda	31.7	420	X	-2.9%	X	375.6	56.0	15%		
Zambia	12.6	950		-1.3%		79.5	16.0	20%		
South Asia	Afghanistan, Rep. of.	27.2	292	X	4.2%		232.3	44.7	19%	
	Bangladesh	160.0	520	X	-0.9%		1174.5	56.0	5%	
	Bhutan	0.7	1900		-4.9%	X	12.0	2.1	18%	
	Maldives	0.3	3630		-10.7%	X	5.5	1.4	25%	
	Nepal	28.6	400	X	0.2%		234.8	46.9	20%	
	Sri Lanka	20.0	1790		-2.8%	X	156.3	41.2	26%	
Latin America and the Caribbean	Guyana	0.8	1460		-1.5%		3.0	1.7	55%	
	Haiti	9.8	650	X	0.1%		39.9	16.5	41%	
	Honduras	7.2	1800		-5.7%	X	62.7	15.4	24%	
	Nicaragua	5.7	1080		-3.4%	X	49.9	12.2	24%	
East Asia and the Pacific	Cambodia	14.7	600	X	-8.4%	X	59.0	36.3	62%	
	Kiribati	0.1	1990		-0.7%		2.9	0.9	30%	
	Lao PDR	6.0	770		-2.7%	X	24.6	12.8	52%	
	Mongolia	2.6	1690		-7.5%	X	30.5	6.1	20%	
	Samoa	0.2	2680		-6.3%	X	5.7	1.1	20%	
	Solomon Islands	0.5	1180		-6.8%	X	3.0	1.8	59%	
	Timor-Leste	1.1	2460		2.4%		4.5	2.1	46%	
	Tonga	0.1	2560		2.7%		2.2	0.9	39%	
Vanuatu	0.2	2330		-3.7%	X	3.7	1.2	33%		
Europe and Central Asia	Kosovo	2.0	1486			1/	X	23.2	4.8	21%
	Kyrgyz Republic	5.3	780		-4.2%		X	38.3	11.4	30%
	Moldova	3.6	1500		-9.5%		X	43.9	8.0	19%
	Tajikistan	6.8	600	X	-5.1%		X	29.3	17.3	59%
Middle East and North Africa	Djibouti	0.8	1130		0.0%		5.5	1.8	33%	
	Yemen, Republic of	23.1	950		2.4%		107.5	28.7	27%	
Unallocated Stage 2 Resources								198.0		

- 1/ The IMF WEO database does not contain GDP growth rates for Kosovo; for allocation purposes, Kosovo has been grouped with countries with crisis impact above the median, consistent with assessment of crisis impact on other IDA countries in Europe and Central Asia.

Annex 2. GDP growth rates 2006 – 2010 (%)

	Actual			Projected		Average		Change in average growth rate 1/
	2006	2007	2008	2009	2010	06-08	09-10	06/08 - 09/10
Afghanistan, Rep. of.	8.2	12.1	3.4	15.7	8.6	7.9	12.1	4.2
Bangladesh	6.5	6.3	6.0	5.4	5.4	6.3	5.4	-0.9
Benin	3.8	4.6	5.0	3.8	3.0	4.5	3.4	-1.0
Bhutan	6.3	21.4	7.6	8.5	5.3	11.8	6.9	-4.9
Burkina Faso	5.5	3.6	5.0	3.5	4.1	4.7	3.8	-0.9
Burundi	5.1	3.6	4.5	3.2	3.6	4.4	3.4	-1.0
Cambodia	10.8	10.2	6.7	-2.7	4.3	9.2	0.8	-8.4
Cameroon	3.2	3.3	2.9	1.6	2.7	3.1	2.1	-1.0
Central African Republic	3.8	3.7	2.2	2.4	3.1	3.2	2.8	-0.5
Comoros	1.2	0.5	1.0	1.0	1.5	0.9	1.3	0.4
Congo, DR	5.6	6.3	6.2	2.7	5.4	6.0	4.0	-2.0
Côte d'Ivoire	0.7	1.6	2.3	3.7	4.0	1.5	3.9	2.3
Djibouti	4.8	5.1	5.8	5.1	5.4	5.2	5.2	0.0
Eritrea	-1.0	1.3	1.0	0.3	1.4	0.4	0.8	0.4
Ethiopia	11.5	11.5	11.6	7.5	7.0	11.5	7.2	-4.3
Gambia, The	6.5	6.3	6.1	3.6	4.3	6.3	4.0	-2.4
Ghana	6.4	5.7	7.3	4.5	5.0	6.5	4.8	-1.7
Guinea	2.5	1.8	4.9	0.0	2.7	3.1	1.3	-1.7
Guinea-Bissau	0.6	2.7	3.3	1.9	2.5	2.2	2.2	0.0
Guyana	5.1	5.4	3.0	2.0	4.0	4.5	3.0	-1.5
Haiti	2.3	3.4	1.2	2.0	2.7	2.3	2.4	0.1
Honduras	6.7	6.3	4.0	-2.0	2.0	5.7	0.0	-5.7
Kenya	6.4	7.1	1.7	2.5	4.0	5.1	3.3	-1.8
Kiribati	3.2	-0.5	3.4	1.5	1.1	2.0	1.3	-0.7
Kyrgyz Republic	3.1	8.5	7.6	1.5	3.0	6.4	2.2	-4.2
Lao PDR	8.4	7.5	7.2	4.6	5.4	7.7	5.0	-2.7
Lesotho	8.1	5.1	3.5	-1.0	3.1	5.6	1.1	-4.5
Liberia	7.8	9.4	7.1	4.9	6.3	8.1	5.6	-2.5
Madagascar	5.0	6.2	7.1	-0.4	0.9	6.1	0.3	-5.8
Malawi	6.7	8.6	9.7	5.9	4.6	8.4	5.2	-3.1
Maldives	18.0	7.2	5.8	-4.0	3.4	10.3	-0.3	-10.7
Mali	5.3	4.3	5.1	4.1	4.5	4.9	4.3	-0.6
Mauritania	11.4	1.0	2.2	2.3	4.7	4.9	3.5	-1.4
Moldova	4.8	3.0	7.2	-9.0	0.0	5.0	-4.5	-9.5
Mongolia	8.6	10.2	8.9	0.5	3.0	9.2	1.8	-7.5
Mozambique	8.7	7.0	6.8	4.3	5.2	7.5	4.8	-2.8
Nepal	3.7	3.2	4.7	4.0	4.1	3.9	4.1	0.2
Nicaragua	3.9	3.2	3.2	-1.0	1.0	3.4	0.0	-3.4
Niger	5.8	3.3	9.5	1.0	5.2	6.2	3.1	-3.1
Rwanda	7.3	7.9	11.2	5.3	5.2	8.8	5.2	-3.6
Samoa	2.2	2.2	4.8	-5.5	-1.0	3.1	-3.3	-6.3
São Tomé and Príncipe	6.7	6.0	5.8	4.0	4.5	6.2	4.3	-1.9
Senegal	2.4	4.7	2.5	1.5	3.4	3.2	2.5	-0.8
Sierra Leone	5.1	6.4	5.5	4.0	4.0	5.7	4.0	-1.7
Solomon Islands	6.9	10.7	6.9	0.4	2.4	8.2	1.4	-6.8
Sri Lanka	7.7	6.8	6.0	3.0	5.0	6.8	4.0	-2.8
Tajikistan	7.0	7.8	7.9	2.0	3.0	7.6	2.5	-5.1
Tanzania	6.7	7.1	7.4	5.0	5.6	7.1	5.3	-1.8
Timor-Leste	-5.8	8.4	12.8	7.2	7.9	5.1	7.5	2.4
Togo	3.9	1.9	1.1	2.4	2.6	2.3	2.5	0.1
Tonga	0.6	-3.2	1.2	2.6	1.9	-0.4	2.2	2.7
Uganda	10.8	8.4	9.0	7.0	6.0	9.4	6.5	-2.9
Vanuatu	7.4	6.8	6.6	3.0	3.5	6.9	3.3	-3.7
Yemen, Republic of	3.2	3.3	3.6	4.2	7.3	3.4	5.8	2.4
Zambia	6.2	6.3	5.8	4.5	5.0	6.1	4.8	-1.3

Source: IMF, WEO update October 2009

^{/1} Percentage point change in average growth rates between 2006-08 and 2009-10.