

Summary of IDA14 Policies for Operational Staff

I. Introduction

1. Discussions of the fourteenth replenishment of IDA (IDA14) concluded in February 2005 with IDA donors agreeing to provide the largest increase of IDA's resources in over two decades, backed by a substantial package of policy reforms. Current donor pledges to IDA14 increase the resources available to IDA countries by about 20% over the IDA13 level, to approximately SDR21.9 billion (\$33 billion). Some donors are exploring the possibility of additional pledges in order to achieve the 30% target increase in IDA14 resources, and close the financing gap of nearly SDR1.8 billion (\$3 billion). Annex 1 provides additional information on the IDA14 funding framework.

2. The IDA14 report¹, which sets out the financial and policy framework for the period between July 1st, 2005 and June 30th, 2008, was approved by the Executive Directors on March 10th. It has been submitted to IDA's Board of Governors on an accelerated schedule, with adoption of the IDA14 resolution expected around mid-April.² Following approval, the IDA14 agreement becomes effective on July 1st, 2005. **IDA financed operations and strategies for IDA countries going to the Board after that date must reflect IDA14 policy. This note provides practical guidance to operational staff to help ensure that this guidance is accurately reflected, and also provides information about the allocation of IDA resources including grants.**

3. The IDA14 agreement endorses IDA's basic development paradigm focused on poverty reduction through growth and investment in people. It includes additional guidance in areas where IDA donors thought it necessary to strengthen the policy framework as a basis for substantially increasing IDA resources. The main elements of this guidance, and the actions required, are described in three sections below. Section II focuses on the performance-based allocation of IDA resources, including the allocation of grants. Section III highlights strategic guidance for IDA14 with respect to growth, private sector development, and working together/donor coordination. Section IV sets out how the IDA14 results measurement system will work, including the implications this has for the design of country strategies and operations.

4. Further details can be found in the final IDA14 report. The policy and background papers for the replenishment discussions can be found on IDA's external webpage, under the IDA14 replenishment heading. The report contains a policy matrix (Annex 2, Table 3), which summarizes the actions required of IDA during the IDA14 period.

¹ See IDA14 Deputies Report "Additions to IDA Resources: Fourteenth Replenishment – Working Together to Achieve the Millennium Development Goals".

² Since IDA's internal resources, including reflows from outstanding credits, cannot be used to finance grants, and because donors can only begin to provide resources once the IDA14 agreement is approved, early approval of the agreement is critical to ensure that IDA gets the resources it needs to begin financing operations in countries that will receive all their funding on grant terms starting in FY06.

II. Allocation of IDA Resources

5. IDA resources are allocated through IDA's Performance-Based Allocation (PBA) system.³ The formula for allocating nominal volumes of IDA resources remains the same as in IDA13, as does the overall objective of allocating 50% of IDA resources to Africa if warranted by performance. The IDA14 period does, however, usher in two new policies with implications for resource allocation. The first is the recent decision by IDA's Executive Directors to increase the transparency of the allocation process by disclosing numerical CPIA and IDA country performance ratings to the public. The second is the new grant allocation system, which will operate in conjunction with the PBA system. Both policies are described below. Lastly, there are several minor modifications to how the PBA system will operate during IDA14, including:

- **Consolidation of CPIA criteria** from 20 to 16 criteria to simplify the system and reduce overlap.
- **Fine-tuning the governance factor** to reduce its volatility by introducing a three-year moving average for the procurement flag from the Annual Report on Portfolio Performance (ARPP). The effective weight of the governance factor will remain the same as during IDA13.
- **Increasing the basic allocation** provided to all IDA countries from SDR3.0 to SDR3.3 million.

6. **Disclosure:** The disclosure of the numerical CPIA and IDA country performance ratings to the public, starting with the 2005 CPIA exercise, is likely to increase public scrutiny of the allocation process. This in turn is likely to make IDA's performance assessments more robust, but also has implications for the programming of IDA resources and for how allocations are set out in country assistance strategies (CASs). Work is underway to amend the link between the IDA allocation system and the CASs accordingly, and a note describing these changes is due out in April.

Allocation of IDA14 grants

7. The PBA system allocates the *volume* of resources, and will operate in conjunction with the new IDA grant allocation system, which sets the *terms* (i.e. credit or grant) on which IDA resources will be provided. The risk of debt distress is the primary grant eligibility criterion in the new system, and the share of grants in total IDA financing will emerge from a country-by-country analysis of the risk of debt distress. The

³ The following exceptions to the PBA systems remain in effect for IDA14: (i) small island economies and "gap" countries (which have per capita incomes above IDA's operational cutoff) will retain access to IDA resources; (ii) eligible post-conflict countries will continue to receive exceptional post-conflict allocations for up to four years, plus three years of phase-out before the CPIA-based norm applies; (iii) additional resources may be made available on a one time basis to countries in the aftermath of a major natural disaster, or to countries that are in the process of re-engaging with IDA after a prolonged period of inactivity; and (iv) the IDA13 provision of SDR300 million annually for regional projects is continued for IDA14, with one third of the amount coming from participating countries' allocations.

estimated share of IDA14 resources that will be provided on grant terms is approximately 30%, a substantial increase compared to between 18-21% in IDA13. The grant allocation system has the following features (which are explained further in Annex II):

8. **Grant Eligibility:** Grant eligibility will be limited to IDA-only countries⁴ and will be based on ratings of countries' risk of debt distress. Debt distress risk will initially be estimated from current data on key external debt ratios. Existing Debt Sustainability Analyses (DSAs) may be used to supplement this rating mechanism. Over time, debt distress risk estimates will be based only on DSAs.

9. **Grant Allocation:** Once the volume of IDA resources is allocated according to the PBA system, countries' debt distress risks are used to determine the terms of the allocations. Countries qualify for grants as follows:

- **Countries with high risk of debt distress** are eligible to receive IDA resources on grant terms only. This group is expected to comprise about 37 of the 80 IDA-eligible countries, and includes most post-conflict and fragile states.
- **Countries with medium risk of debt distress** would be eligible to receive 50% of its IDA resources as grants and 50% as credits. This group comprises 6-7 countries, including Ethiopia and Uganda (which have reached the HIPC Completion Point).⁵
- **Countries with low risk of debt distress** receive only credits and no grants.

10. The portion of the allocation provided on grant terms is then reduced by 20% to address moral hazard and equity concerns and to compensate IDA for the charge income it forgoes when it provides grants. Of the 20%, 9% will be used to compensate for charges (and will be lent out on hard-terms to IDA blend countries⁶) and 11% will be re-allocated to all IDA-only countries according to the PBA formula. Grant and credit shares are again assigned based on debt distress ratings, but there is no 20% volume discount in this second round. Thus the effective discount of the grant portion of a country's allocation will be less than 20%.⁷

11. **Exceptions:** There are four exceptions to the new grant allocation system. First, two special transitional cases, Kosovo and Timor-Leste retain limited eligibility for

⁴ IBRD/IDA blends, including hardened term "gap" countries and "notional" blends, are ineligible for IDA14 grants. If a country is re-classified from blend to IDA-only status during the period between the end of the IDA14 replenishment negotiations and the IDA14 Mid-Term Review (MTR), it will continue to be ineligible for IDA14 grants until its case is re-examined during the MTR. A mechanism will be proposed by end-FY05 whereby a country could cease to be eligible for grants if its government or other public sector entities contract or guarantee new loans from alternative sources of financing which threaten to defeat the debt sustainability objective of IDA14 grants.

⁵ Grants may comprise less than 50% of the actual discounted allocation for medium risk countries.

⁶ IDA donors agreed to use the resources from the 9% portion of the volume discount to create a "Hard-Term Lending Window" for creditworthy blend countries with per capita income below the operational cutoff for IDA but with an active IBRD lending program. Lending terms under this window would be those of a 35-year IDA credit plus an interest rate charged on top of standard IDA charges. Countries currently eligible for hard-term lending are Azerbaijan, India, Indonesia, and Pakistan.

⁷ Post-conflict countries are not subject to the 11 percent discount (but also do not benefit from the reallocation round).

grants in IDA14. Second, the portion of regional projects that is attributable to IDA-only countries eligible for 100% grants would be financed on a grant basis. Third, as in IDA12 and IDA13, eligible post-conflict countries with large and protracted arrears will remain eligible for limited grant support in the pre-arrears clearance phase.

III. Key Areas of Strategic Emphasis in IDA14

A. Growth, Infrastructure, and Private Sector Development

12. Sustained economic growth is a prerequisite for poverty reduction and for achieving the Millennium Development Goals (MDGs). While many IDA countries have achieved significant growth in recent years, the IDA donors asked for more attention to be paid to the growth agenda, infrastructure, and private sector development in particular in preparing country strategies such as PRSs and CASs.

- **Promoting growth in PRSs and CASs:** The PRSs should continue to place appropriate weight on the importance of economic growth for poverty reduction, on private sector development as a critical engine for promoting growth, and on trade policy issues. CASs should continue to be strengthened and more CASs should be undertaken jointly with IFC and MIGA. All IDA14 CASs initiated after January 2005 should be results-based.
- **Strengthening IDA's Analytical Work:** Country-focused ESW is important in providing an informed basis for equitable growth and poverty reduction. Greater emphasis should be placed on analytical work that integrates macroeconomic, sectoral and structural reform issues for growth. ESW should be of high-quality, be more timely, and be directly usable by policy-makers.
- **Development Policy Operations (DPOs):** The IDA Deputies noted that DPOs should remain below 30% of total IDA commitments for the IDA14 period. They requested a framework for assessing the readiness of recipient countries to make productive use of DPOs. This framework should be based on a systematic review of experience and presented at the IDA14 Mid-Term Review (MTR)
- **Infrastructure:** While maintaining its strong performance as a lender to the social sectors, IDA should increase its assistance and commitments for infrastructure in line with the Bank's Infrastructure Action Plan. Regional programs can play an important role in addressing regional infrastructure needs. IDA will continue its role as a financier and a provider of analytical support for regional programs in close cooperation with the RDBs to enhance cooperation, avoid overlap, and ensure that each institution's programs are based on its comparative advantage.
- **Investment Climate:** IDA's diagnostic work, in particular Investment Climate Assessments (ICAs) should be strengthened. The coverage of ICAs will be increased during the IDA14 period and their findings reflected in IDA CASs and operations. As a baseline of investment climate information becomes available, accumulated investment climate knowledge should be adapted to local environments, and diagnostic efforts shifted towards monitoring key indicators over time in partnership with other stakeholders.

- **Micro, Small, and Medium Enterprises (MSMEs):** While supporting to improve the investment climate, IDA continues to provide direct support to MSMEs and also indirect support to intermediary institutions that have substantially lower transaction costs in supplying finance and other services to MSMEs. IDA is working closely with other institutions of the World Bank Group in this area, undertaking a joint IDA/IFC MSME Program in Africa. This program will be reviewed for the IDA14 MTR, and the possibility of scaling up will be explored.
- **Output-Based Aid (OBA):** The Bank has been piloting OBA approaches in IDA countries as a means to provide infrastructure services to the poor. A review of these pilots will be undertaken for the MTR.

B. Working Together/Donor Coordination

13. Throughout its work at country, regional and global levels, IDA cooperates closely with key partners on the basis of shared objectives and comparative advantages to build a better harmonized assistance system with lower transaction costs, based on alignment of donor efforts, a common framework of results, and stronger and more transparent financial management and capacity in IDA countries. IDA donors asked for strengthened efforts in this area, and also asked for greater emphasis to be placed on analyzing the distributional impacts of policy lending, and for reforms in the way that conditionalities are used in IDA operations. In particular:

- **Harmonization:** Progress on harmonization would be monitored during IDA14 and beyond. This would be done through a set of indicators agreed by the donor community at the OECD-DAC High Level Forum. IDA would construct a baseline against which to monitor progress of the relevant indicators for its operations, and would monitor and periodically report on progress against the baseline. In addition, IDA would also emphasize donor coordination through the adoption of harmonization indicators in CASs and through their inclusion in the Bank's Key Performance Indicators (KPI) program.
- **Strengthening the PRS Process:** The PRS process is one of the key instruments for the delivery of coordinated aid among donors, but still needs to be strengthened by linking it more closely to countries' budget processes, and encouraging consideration of PRSs by national legislative bodies. More upstream analytical work and follow-up advice is needed, particularly in the area of public finance, and donors encouraged IDA to do this in collaboration with other donors.
- **Distributional Analysis:** When reforms supported by operations providing budget support are expected to have significant distributional impacts, IDA will assess these impacts through poverty and social impact analysis (PSIA) or other studies. These assessments will be based on analysis undertaken by the borrowing country, other development agencies, civil society organizations, or the Bank's own work. Where the Bank undertakes these assessments it will invite the borrower and other donors active in the country to participate as fully engaged partners.
- **Conditionality:** IDA will report on progress made in implementing the recommendations of the Bank's Review of World Bank Conditionality.

- **Small and Vulnerable Countries:** A special challenge for the donor community is to assist small and vulnerable countries as well as Low Income Countries Under Stress (LICUS) and post-conflict countries. Analytical support to these countries appears to be more important than lending programs. In close cooperation with the RDBs, further efforts to develop creative approaches to these countries should be undertaken, including the use of trust funds to support the cost of Bank staff engaged in advisory work.
- **Regional Programs** play an important role in improving regional infrastructure, enhancing trade, and the utilization of water and energy resources. IDA will continue to finance and provide analytical support for regional programs in close cooperation with RDBs.

IV. IDA14 Results Framework

14. IDA14 introduces a new 2-tiered results measurement framework for IDA. The first tier will track outcome indicators in areas relevant to countries' PRSs and IDA's activities, and the second tier will measure IDA's contribution to these outcomes. An important element of the results framework is the results-based CAS, which links IDA programming more clearly to country priorities. The IDA14 results framework will be implemented through these CASs and through operations, and includes additional efforts to strengthen statistical capacity in recipient countries. The implementation of this framework will be monitored by OPCRX. The details of this new 2-tiered system and of the statistical capacity building measures are set out below.

Tier 1: Monitoring Country Outcomes

- The first tier includes 14 country outcome indicators (Table 1), covering areas that are consistent with the MDGs, are priorities in PRSs, and reflect IDA's activities in IDA countries: income poverty; health; gender; basic education; water supply; infrastructure; private sector development; governance; and economic growth. Data on these 14 indicators will be compiled by DEC and reported every three years in line with IDA replenishments.
- Starting in FY06, all new IDA operations in four sectors will report on, and strengthen country capacity as necessary to ensure adequate monitoring of key sector outcomes included in the IDA14 results measurement system: (i) health: under-five child mortality rate; (ii) education: primary education completion rate; (iii) water supply: proportion of the population with improved access to a safe water source; (iv) rural road transport: proportion of the rural population with access to an all-season rural road.

Table 1: Country Outcome Indicators

Income Poverty	(1) Proportion of population below \$1/day poverty line
Health	(2) Under-5 child mortality
	(3) HIV prevalence rate of women aged 15 - 24
	(4) Proportion of births attended by skilled health personnel
Gender	(5) Ratio of girls to boys in primary and secondary education
Education	(6) Primary school completion rate
Infrastructure	(7) Proportion of population with sustainable access to a secure water source
	(8) Fixed lines and mobile telephone per 1000 inhabitants
	(9) Access of rural population to an all-season road
	(10) Household electrification rate
PSD	(11) Formal cost required for business start up
	(12) Time required for business start-up
Governance	(13) Public expenditure management
Economic Growth	(14) GDP per capita

Tier 2: Monitoring IDA's Contribution to Country Outcomes

15. The second tier consists of 9 indicators to monitor IDA's contribution to country outcomes in three different categories: country level; project level; and project outputs.

- **Country Level (Results-Based CASs):** Cumulative introduction of results-based CASs in IDA countries will be monitored and targeted to ensure progress toward incorporating solid results frameworks in projects at the country level.
- **Project Level:** Four indicators relevant to project quality including evaluation of project outcomes for the IDA portfolio, the quality at entry of IDA-supported operations, the share of Implementation Completion Reports (ICRs) with satisfactory data on project outcomes, and the share of Project Status Report with satisfactory baseline data for outcome monitoring will be monitored.
- **Project Outputs:** Outputs from completed projects in four sectors (health, education, water supply, and rural road transport) will be recorded and aggregated to the extent possible. The information will be drawn from ICRs.

Table 2: Indicators for IDA's Contribution to Country Outcomes

Country level	(1) Number of results-based CASs prepared during IDA14
Project level	(2) Percent of IDA projects with satisfactory outcome ratings
	(3) Percent of IDA projects with satisfactory rating quality at entry
	(4) Percent of IDA Implementation Completion Reports with satisfactory data on project outcomes
	(5) Percent of first IDA Project Status Reports with satisfactory baseline data on expected outcomes for projects initiated after July 2003
Outputs	(6) Health: For example, health clinics constructed
	(7) Education: For example, teachers trained
	(8) Water supply: For example, household water connections
	(9) Transport: For example, kilometers of rural roads constructed

16. **Statistical Capacity Building:** Country capacity to measure progress towards core development outcomes is the basis for global monitoring of progress towards MDGs and the complementary monitoring efforts of IDA's results measurement system. To improve statistical capacity in IDA countries, a 3-step program is introduced in IDA14.

Step 1: Implementation of the IDA14 Results Measurement System

- In cooperation with development partners, DECDG will compile information on the statistical systems of IDA countries including indicators of their statistical capacity, and prepare profiles of countries' statistical capacity which can feed into the preparation of CASs and PRSPs.
- DECDG will monitor statistical capacity building activities undertaken by all development partners in IDA countries and report to the Board annually on the progress of efforts to improve statistical capacity.
- DECDG will track country outcomes in the IDA14 Results Measurement System annually.

Step 2: Assist countries in preparing national strategies for the development of statistics

- IDA countries should have national strategies for the development of statistics in place by 2006 to meet the agenda of the Marrakech Action Plan for Statistics (MAPS).
- In this regard, the Trust Fund for Statistical Capacity Building and the Partnerships for Statistics in the 21st Century will continue to support countries adopting a fast-track approach to preparing strategic plan.

Step 3: Initiate a pilot program to align and harmonize internationally sponsored surveys

- A pilot program will be initiated to align and harmonize internationally sponsored surveys and to make improvements in statistical practices consistent with national statistical development plans. In selecting countries, priority should be given to IDA countries preparing CASs during the IDA14 period. This work should be coordinated through the new International Household Survey Network formed as part of the MAPS.

V. Conclusion

17. The ability of the Bank to implement the IDA14 policy framework will become one of the key benchmarks for assessing the effectiveness of IDA. As with past replenishments, strong implementation of IDA policies will be an asset when the negotiations with donors for the fifteenth replenishment of IDA begins in 2007.

Annex I

IDA Replenishment Resources: SDR millions, at replenishment agreed fx rates														
Resources	IDA1	IDA2	IDA3	IDA4	IDA5	IDA6 a/	IDA7 b/	IDA8	IDA9	IDA10	IDA11(incl ITF)	IDA12	IDA13	Prel. IDA14
				FY75-77	FY78-80	FY81-84	FY85-87	FY88-90	FY91-93	FY94-96	FY97-99	FY00-02	FY03-05	FY06-08
Donor contributions	750.00	1,188.00	2,408.62	3,841.53	5,911.66	9,138.27	8,720.88	10,301.57	11,679.00	13,000.00	8,050.77	8,649.95	10,020.00	14,130.00
Of which: structural gap	-	-	-	-	39.99	123.15	238.08	94.60	57.43	180.76	1,138.14	-	286.70	1,877.00
Net of structural gap	750.00	1,188.00	2,408.62	3,841.53	5,871.67	9,015.12	8,482.80	10,206.97	11,621.57	12,819.24	6,912.63	8,649.95	9,733.30	12,253.00
Internal resources	-	-	12.00	50.41	54.18	102.98	-	1,201.00	1,754.00	2,659.00	5,526.00	5,920.00	7,300.00	8,700.00
IBRD transfers	174.08	227.96	273.55	268.51	232.20	414.98	514.50	84.00	670.00	701.00	859.00	651.00	700.00	1,111.60
Others	-	12.10	43.34	57.32	35.22	15.59	-	185.00	3.00	95.00	1,325.00	91.00	100.00	269.00
Total resources	924.08	1,428.06	2,737.51	4,217.77	6,193.27	9,548.67	8,997.30	11,676.97	14,048.57	16,274.24	14,622.63	15,311.95	17,833.30	22,333.60
Commitment authority	924.08	1,428.06	2,737.51	4,217.77	6,193.27	9,548.67	8,997.30	11,676.97	14,048.57	16,274.24	14,622.63	15,311.95	17,833.30	21,863.60
Percent change:														
Donor contributions		58.4%	102.7%	59.5%	52.8%	53.5%	-5.9%	20.3%	13.9%	10.3%	-46.1%	25.1%	12.5%	25.9%
Total resources		54.5%	91.7%	54.1%	46.8%	54.2%	-5.8%	29.8%	20.3%	15.8%	-10.1%	4.7%	16.5%	25.2%
Commitment authority		54.5%	91.7%	54.1%	46.8%	54.2%	-5.8%	29.8%	20.3%	15.8%	-10.1%	4.7%	16.5%	22.6%
a/ excludes FY84 Account and Special Fund.														
b/ excludes Special Facility for Africa.														

IDA14 Grant Allocation System

IDA resources are allocated according to IDA's Performance Based Allocation System. The grant amounts for each eligible country are derived through the process detailed below.

Step 1	Assign grant and credit shares in IDA allocation of IDA-only countries according to the "Traffic Light System".
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- **The Traffic Light System** is the system which assesses countries' risk of debt distress and determines the credit/grant mix for IDA-only countries.

Traffic Light System

Step (1)	Appropriate debt-burden indicators are selected. <ul style="list-style-type: none"> • NPV of debt-to-exports • NPV of debt-to-GDP • Debt service-to-exports 																			
Step (2)	Countries' relative positions with respect to the debt-burden thresholds from the joint Bank-Fund debt sustainability framework (as per matrix below) are measured <ul style="list-style-type: none"> • Percentage distances between actual debt-burden indicators and their respective thresholds are calculated. The debt-burden thresholds vary depending on country performance. <table border="1" data-bbox="409 1075 1338 1276"> <thead> <tr> <th rowspan="2">Performance Category</th> <th colspan="3">Debt and Debt-Service Thresholds (%)</th> </tr> <tr> <th>NPV of debt-to-GDP</th> <th>NPV of debt-to-exports</th> <th>Debt service-to-exports</th> </tr> </thead> <tbody> <tr> <td>Weak (CPIA<3.25)</td> <td>30</td> <td>100</td> <td>15</td> </tr> <tr> <td>Medium (3.25<CPIA<3.75)</td> <td>40</td> <td>150</td> <td>20</td> </tr> <tr> <td>Strong (CPIA≥3.75)</td> <td>50</td> <td>200</td> <td>25</td> </tr> </tbody> </table>	Performance Category	Debt and Debt-Service Thresholds (%)			NPV of debt-to-GDP	NPV of debt-to-exports	Debt service-to-exports	Weak (CPIA<3.25)	30	100	15	Medium (3.25<CPIA<3.75)	40	150	20	Strong (CPIA≥3.75)	50	200	25
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Step (3)	A decision rule for the debt-burden indicators is established. <ul style="list-style-type: none"> • Two variables are computed and compared. <ul style="list-style-type: none"> ➤ the average of the percentages distances of the two stock indicators (NPV of debt-to-exports and NPV of debt-to-GDP) to their respective thresholds ➤ the relative distance of the debt service-to-exports ratio to its threshold <p>The number that yields the most conservative (prudent) decision in terms of debt-distress classification is chosen</p>																			
Step (4)	A "traffic light" is assigned to countries according to the risk of debt distress. <ul style="list-style-type: none"> • "Green light" indicates a low risk of debt distress – the debt-burden indicator is more than 10 percent below the debt-burden threshold. • "Red light" indicates a high risk of debt distress – the debt-burden indicator is more than 10 percent above the debt-burden threshold. • "Yellow light" indicates a medium risk of debt distress – the debt-burden indicator is in the range of 10 percent above and below the debt-burden threshold. 																			
Step (5)	Assign grant and credit shares in IDA allocations <ul style="list-style-type: none"> • "Green light" – 100 percent credits • "Red light" – 100 percent grants • "Yellow light" – 50% credits and 50% grants 																			

Step 2	Apply a 20% upfront volume discount on all grants.
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- A 20% upfront volume discount is applied on all grants, in order to address moral hazard concerns and compensate IDA for foregone charge income due to IDA14 grants.

Step 3	Subdivide a 20% up front volume discount into two components: 9 percent charges-related portion and 11 percent incentive-related portion.
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Step 4	Reallocate resources from the incentive-related portion (11%) of the volume discount to IDA-only countries according to the PBA system.
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- 9 percent portion – The provision of grants entails lost reflows to IDA from both foregone principal and charge income. To finance foregone charge income, donors agreed to use the resources from the 9% portion of the volume discount to create a “Hard-Term Lending Window” for IBRD/IDA blend countries.
 - ✓ This lending is restricted to creditworthy blend countries with per capita income below the operational cutoff for IDA (currently at \$895) but with an active IBRD lending program, in order to reduce country credit risk for IDA.
 - ✓ Currently eligible countries would be: Azerbaijan, India, Indonesia, and Pakistan.
 - ✓ Lending terms under this window would be that of a standard 35-year IDA credit plus an interest rate charged on top of standard IDA charges.
- 11 percent portion – The remaining 11% portion is re-allocated to all IDA-only countries according to the PBA system.

Step 5	Apply the “Traffic Light System” again to determine grant and credit shares of such re-allocation.
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- A 20 percent volume discount is not applied on grants in this second round of allocation. Thus, the final grant share (both overall and on a country-by-country basis) would be determined endogenously after all of the above steps are taken. The estimated level of grant share in total envelope in IDA14 is approximately 30%.