

IDA at 65: Heading Toward Retirement or a Fragile Lease on Life?

Todd Moss and Benjamin Leo

Abstract

Even under conservative assumptions, IDA will likely face a wave of country graduations by 2025. We project that it will lose more than half of its client countries and that the total population living in IDA-eligible countries will plunge by two-thirds. The remaining IDA-eligible countries will be significantly smaller in size and overwhelmingly African, and a majority are currently considered fragile or post-conflict. This drastically altered client base will have significant implications for IDA's operational and financial models. We conclude with three possible options for IDA and recommend that World Bank shareholders and management begin frank discussions on its future sooner rather than later.

IDA at 65: Heading Toward Retirement or a Fragile Lease on Life?

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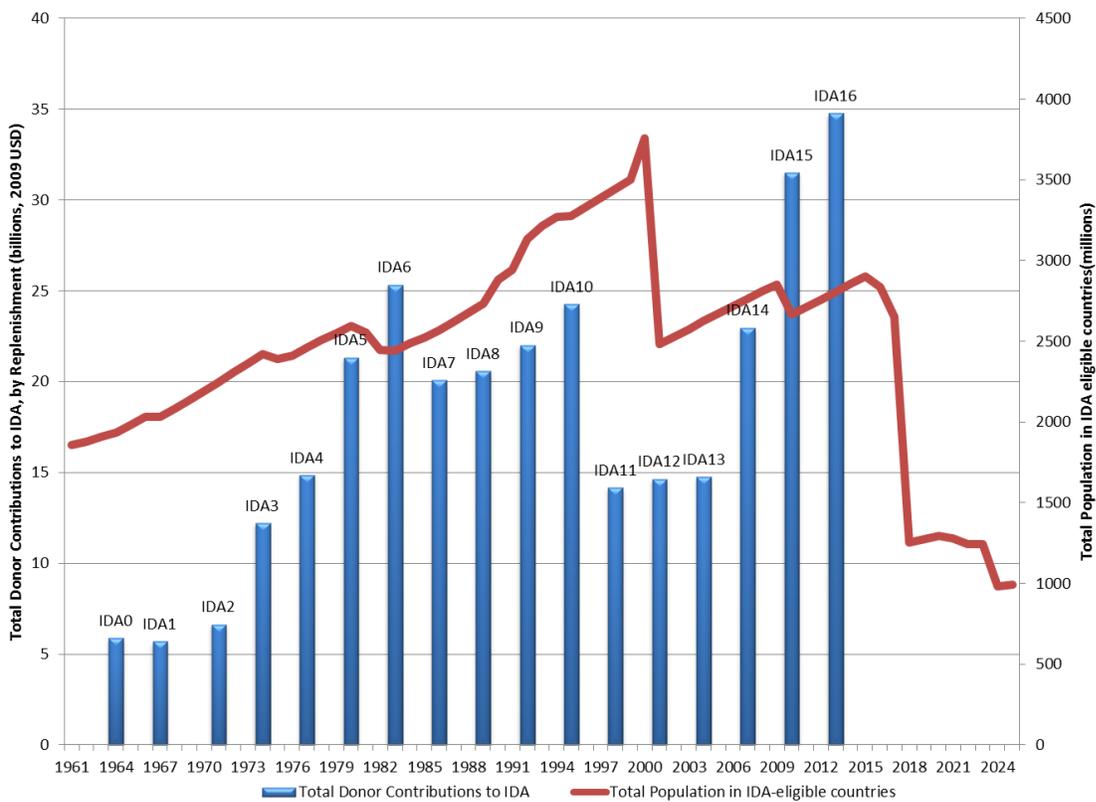
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I. INTRODUCTION

Figure 1: IDA’s Future?



Fast forward to 2025. In that year, the World Bank’s shareholders will begin discussing the 21st replenishment of the International Development Association (IDA). Every three years since IDA’s founding in 1960, the shareholders have met to consider financial contributions that enable the Bank’s soft loan window to make low-interest loans and grants to the governments of the world’s poorest countries. In addition to deciding how much to pledge, the shareholders also use the replenishment negotiations to consider policy and strategic changes for the institution.

In 2025, IDA will be turning 65 years old. By then, the institution will be able to claim widespread success – pointing to the large number of countries that have “graduated” from IDA as a result of growing too wealthy to qualify for its assistance. IDA, as an institution serving its shareholders, has twin goals: (1) to provide finance to countries which cannot borrow because of low-income or lack of creditworthiness; and (2) to help countries grow wealthier and improve their policies so that they can turn to commercial markets or the World Bank’s hard window for their capital needs. Indeed, the structural irony of IDA is that its strategic goals are in contradiction with its own growth, and even survival, as an institution. In short, IDA’s success is in large part determined by its ability to shrink its own client base.

For most of its history, IDA has not been forced to confront this graduation issue directly. The pool of low-income countries has been sufficiently large, and donor/shareholder attention to the needs of poor countries sufficiently strong. This combination of factors usually justified continually larger replenishments. The total number of IDA eligible countries rose as these states gained independence in the 1960s and 1970s. Over the intervening years, some 27 countries graduated from IDA by growing too wealthy.¹ The graduation of China, its largest client, in 1999 partly justified a steep decline in the IDA-11 replenishment period envelope (1996-98). However, steady replenishment growth resumed afterward. In December 2010, IDA concluded its 16th replenishment – its largest ever – with an overall financing envelope totaling of \$49.3 billion for 2011-13, including \$34.7 billion in donor shareholder contributions.

Today, the total number of IDA-eligible countries stands at 79. However, by 2025, IDA’s client base likely will look very different. A large number of clients, including some of IDA’s largest borrowers and many of its best-performing clients, currently are pushing up against the income threshold and thus are expected to graduate within the next 10 to 15 years. This paper projects IDA graduation for the next fifteen years as a thought exercise about the future of IDA. Specifically, what countries will remain IDA clients in 2025? What will be their profile and needs? What will this changed client base mean for the future of the Bank? And, what might it mean for IDA’s operations and strategic direction today?

We find that the pool of clients will change considerably. We find that:

- IDA will lose more than half of its client countries within the next 15 years.

¹ There actually have been 35 country graduates over time. However, 8 countries have since “reverse-graduated” and remain eligible today (see appendix I for details).

- The client base will become overwhelmingly African and dominated by countries currently classified as fragile or post-conflict states.
- These changes bring major implications for IDA’s operational and financial model.

We conclude by suggesting three possible models going forward. First, IDA management and shareholders could attempt to maintain the status quo approach in financial and operational terms. This would imply that assistance envelopes would increase several-fold for the remaining recipient countries. We call this the hope for the best approach. Second, country flows could remain constant in real terms. At the same time, IDA’s overall size would shrink due to country graduation over time. In practice, this approach may make regular donor replenishments unnecessary beyond the IDA-20 or IDA-21 periods. Third, management and shareholders could decide to overhaul IDA’s basic allocation model – thereby shifting from its existing country-based approach to a regional or global public goods driven model. These conclusions, combined with the long-term nature of IDA’s financing and operations, suggest that World Bank management and shareholders should begin discussions soon about the future of IDA and the best way to meet the World Bank’s overarching goal of a “world free of poverty”.

II. PROJECTING THE POOL OF IDA-ELIGIBLE COUNTRIES IN 2025

The first step in thinking about IDA’s future is to project its client base. Decisions about programmatic focus areas, IDA’s cooperation with other development institutions, and its financing envelope all will be driven by which countries will remain eligible for IDA assistance. Although future rates of economic growth are impossible to project with pinpoint accuracy, there are plausible scenarios for estimating who will be in and who will be out.

Methodology: Current IDA eligibility is determined by two factors: (1) GDP per capita below a pre-established threshold; and (2) lack of creditworthiness that prevents borrowing from the World Bank’s commercial lending window, the International Bank for Reconstruction and Development (IBRD). In our projections, we use GDP per capita as the primary indicator of future IDA eligibility and assume that all countries below the threshold also meet the lack of creditworthiness criterion.² Currently, the operational threshold for IDA eligibility is set at a GNI per capita of \$1,165 in real 2009 dollars. For simplicity, we hold all calculations in constant 2009 U.S. dollars and apply real growth rates. Assuming no change in the operational threshold for IDA other than adjustments

² IDA (2010). *A review of IDA’s Long Term Fiscal Capacity, and Financial Instruments*, p. 29.

for inflation – a reasonable assumption given past practice – we then compare countries’ projected real GDP per capita to the current threshold to determine when countries are likely to cross the operational threshold.³

In practice, countries do not immediately graduate after breaching this income-based threshold. In making its own internal predictions, IDA includes a five-year delay between exceeding the threshold and the cessation of new IDA lending (i.e., formal graduation).⁴ This delay allows country authorities adequate time to plan for their changed borrowing status. It also is designed to prevent “reverse-graduation” as a result of short-term volatility in income levels and creditworthiness. For consistency, we follow this practice and apply a five-year lag between when a country first crosses the \$1,165 GNI per capita threshold and our projected graduation date.

Baseline Projection: In order to forecast the GDP per capita going forward, we rely on the IMF’s World Economic Outlook (WEO) projection estimates. The WEO provides projections for both nominal GDP and real GDP growth rates through 2015.⁵ Our calculations follow three very simple steps. First, we calculate total GDP for each country in 2025 (in constant 2009 U.S. dollars) by applying the WEO growth projections. Second, we apply the WEO’s real growth rate projections for the year 2015 – which represents the IMF’s best estimate of medium-term growth rates – on a constant basis between 2015 and 2025. Lastly, we divide the real GDP estimates by the most recent 2025 population projections from the UN Population Division to derive per capita estimates.⁶

Small Island Nation Exclusion: IDA currently has an exception that allows for extension of assistance to eleven small island countries that are above the eligibility threshold. This exception is based upon the premise that these countries still need development assistance due to special constraints inherent to small countries (i.e. small domestic markets, high cost of infrastructure, acute vulnerability to natural disasters, etc.). Because credits to these countries represent a very small percentage of the total IDA lending (less than 0.5 percent for the IDA-15 period), and because decisions to graduate small island countries

³ The main difference between GDP and GNI is that the latter includes income received from other countries (e.g., interest and dividends) less similar payments made to other countries.

⁴ *Ibid.*

⁵ IMF (2010), *World Economic Outlook Database- April 2010*.

⁶ United Nations (2009). *World Population Prospects: The 2008 Revision*. The UN Population Division produces eight different variants for their population projections. We use the medium variant. UN population data provides a more refined estimate than assuming constant population growth, because it takes into account local demographic dynamics and detailed assumptions about the future paths of fertility, mortality and international migration.

are based on other criteria, we exclude these small island nations altogether from our analysis and make no prediction or judgment on their continued eligibility.⁷

Key Findings: Our baseline model projects that the composition of IDA clients will change significantly — if perhaps not surprisingly — by the year 2025.⁸ Table 1 shows projected graduation dates by IDA replenishment period. The main findings are:

- More than half of the current IDA-eligible countries (36 out of 68) will graduate by 2025 – even after accounting for a five-year graduation lag.⁹ This includes all existing countries currently classified as “blend,” the 11 countries borrowing from IDA under “hardened” terms, plus 20 currently IDA-only countries.¹⁰
- Some of the largest current recipients will graduate – including India, Vietnam, Pakistan, Nigeria, Ghana, and Kenya.
- Benin and Bangladesh both cross the operational income threshold by 2025, but assuming the 5-year lag, they graduate only in 2029 (at the end of the IDA-21 period).

⁷ Ten small island nations currently fall officially under this exception (Kiribati, Tonga, Vanuatu, Samoa, Cape Verde, Maldives, Dominica, St. Lucia, St. Vincent & Grenadines, and Grenada). Two others, Solomon Islands and Sao Tome and Principe, are likely to fall under the exception once they reach the operational threshold (Solomon Islands already crossed the threshold).

⁸ The year 2025 lies in the middle of the IDA 20 replenishment period, and is thus when the IDA 21 replenishment negotiations will begin.

⁹ This excludes small island countries.

¹⁰ “Blend” refers to countries with GDP per capita below the operational threshold, but who are considered credit worthy by the IDRB, which allows them to borrow from both World Bank windows. “Hardened” terms are extended to 1) countries that have recently crossed the operational threshold for a period of two years, or 2) temporarily to countries that are above the operational threshold but are not deemed credit worthy enough to have access to IBRD funds. Kosovo is currently classified as IDA eligible, but has a World Bank estimated GDP per capita of \$3240 but confusingly is not listed as a hardened terms country. For this reason, we have excluded Kosovo from all analysis.

Table 1 – Projected Graduates by IDA Replenishment Period, Baseline Scenario¹¹

IDA-15	IDA-16	IDA-17	IDA-18	IDA-19	IDA-20	IDA-21
Azerb. (H/B)	Angola (H)	Cameroon	Côte d'Ivoire	Cambodia		Bangladesh
	Armenia (H/B)	India (B)	Kenya	Ghana*		Benin
	Bhutan (H)	Nigeria	Kyrgyz Rep.	Lesotho		
	Bolivia (H)	Vietnam (B)	Laos	Nicaragua		
	Bos. & Herz. (H/B)	Yemen Rep.	Mauritania	Pakistan (B)		
	Congo, Rep. of (H)	Zambia	PNG (B)	Senegal		
	Djibouti			Tajikistan		
	Georgia (H/B)					
	Guyana					
	Honduras (H)					
	Moldova (H)					
	Mongolia					
	Sri Lanka (H)					
	Sudan*					
	Uzbekistan (B)					

Remaining IDA-Eligible Countries: So, who would be left? What will the IDA pool look like in 2025? Table 2 compares the current IDA client pool with our projections for 2025 and Table 3 lists the countries projected to remain IDA-eligible. Figures 2 and 3 present the projections, income levels, and the size of current IDA allocations. The main characteristics of the IDA client base by 2025 will be:

(1) Much Smaller:

- Only 31 countries left;
- Remaining eligible countries account for only 40 percent of current IDA allocations;
- The total population of IDA-eligible countries will fall by nearly two-thirds, from almost 3 billion currently to roughly 1 billion.

¹¹ This does not include countries that fall under the small island exception. Countries are listed under the last replenishment we expect them to receive funding (for instance, Azerbaijan received funds under IDA-15, but will not do so under IDA-16). *Ghana's projected graduation does not reflect the rebasing of its GDP, which could accelerate its graduation significantly (see fn 17). Sudan's fate is likewise uncertain pending the outcome of the 2011 Southern Sudanese referendum, and the latter's envisioned independence.

(2) Largely African

- Sub-Saharan Africa will account for over 80 percent of client countries (25 out of 31).
- The only non-African countries will be Afghanistan, Bangladesh, Myanmar, Nepal, Haiti, and Timor-Leste.

(3) More Fragile

- Countries currently defined as fragile or post conflict will account for nearly 60 percent of clients (18 out of 31).
- Only four countries (Bangladesh, Myanmar, Timor-Leste, and Zimbabwe) have not been classified as Heavily Indebted Poor Countries (HIPC).
- The average IDA Resource Allocation Index (IRAI) score of remaining countries drops from 3.3 to 3.1.¹²

Table 2: IDA Country Client Base Comparison, 2010 and 2025¹³

	2010	2025
Number of IDA-Eligible Countries*	68	31
Total Population (millions)	2,820	997
% Sub-Saharan Africa	55%	81%
<i>Population-Weighted</i>	31%	65%
Fragile Status (% of Countries)	41%	58%
<i>Population-Weighted</i>	17%	38%
HIPC (% of Countries)	58%	84%

¹² The IRAI measures eligible countries' institutional and policy performance according to 16 indicators. Previously, the World Bank named it the Country Policy and Institutional Assessment (CPIA). For additional details, see www.worldbank.org/ida.

¹³ *Excludes countries the 10 countries that fall under the small island exception, plus the Solomon Islands.

Table 3: Countries Remaining in IDA, 2025¹⁴

Country	GDP Per Capita (2009)	Real GDP Growth Rate 2015**	2025 GDP Per Capita (in 2009 U.S. Dollars)	IDA-15 Allocation (SDR millions)	Notes ***
Somalia	-	-	-	-	Fragile, Inactive
Myanmar	-	-	-	-	Fragile, Inactive
Burundi	163	4.9	270	152	Fragile
Congo, Dem. Rep.	171	7.0	339	724	Post-conflict
Niger	371	4.0	411	224	-
Liberia	239	5.7	414	94	Post-conflict
Zimbabwe*	375	2.0	455	0	Fragile, Inactive
Guinea	414	3.9	529	66	Fragile
Malawi	328	7.1	561	288	-
Togo	422	4.3	565	81	Fragile
Ethiopia	390	7.7	634	1,562	-
Sierra Leone	311	6.5	652	46	Fragile
Madagascar	412	5.1	705	506	-
Chad	687	2.7	708	34	Fragile
Gambia, The	440	5.1	714	13	Fragile
Guinea-Bissau	513	4.7	761	12	Fragile
Central African Rep	447	5.5	783	25	Fragile
Nepal	452	4.8	801	427	-
Eritrea	363	3.7	858	43	Fragile
Burkina Faso	564	6.5	884	355	-
Mozambique	465	7.8	892	457	-
Timor-Leste	543	5.8	917	9	Fragile
Uganda	474	7.5	961	753	-
Tanzania	551	7.0	1007	1,205	-
Mali	656	4.4	1023	272	-
Rwanda	536	7.1	1052	250	-
Haiti	733	4.5	1053	52	Post-conflict
Afghanistan	486	7.1	1078	359	Post-conflict
Comoros	799	4.0	1157	6	Fragile
Benin	711	6.0	1236	141	-
Bangladesh	574	6.2	1274	2,563	-

¹⁴ * Zimbabwe may reengage with IDA during the IDA-16 period. ** Source: IMF (2010), *World Economic Outlook Database*; United Nations (2009), *World Population Prospects: The 2008 Revision*. *** Source: IDA (2010), *IDA Performance Based Allocation System: Review of the Current System and Key Issue for IDA16*.

Figure 2– IDA-Eligible Countries in 2009

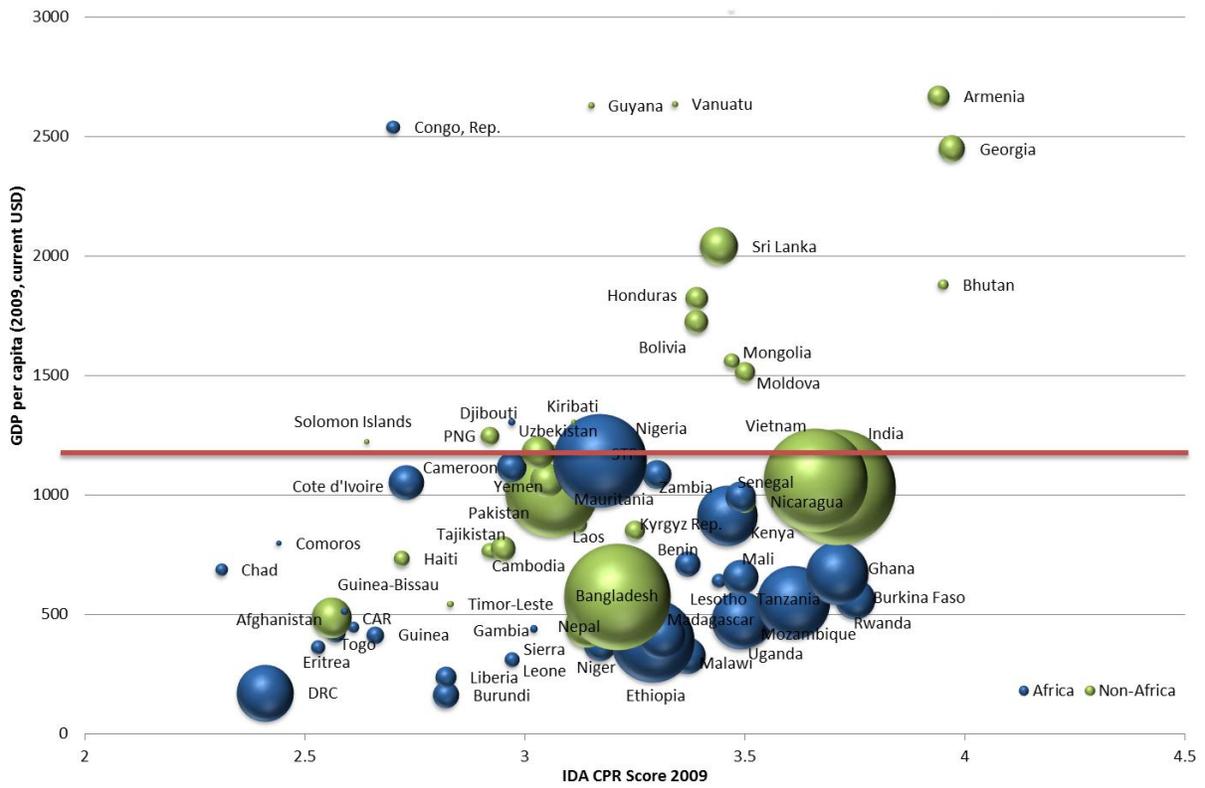
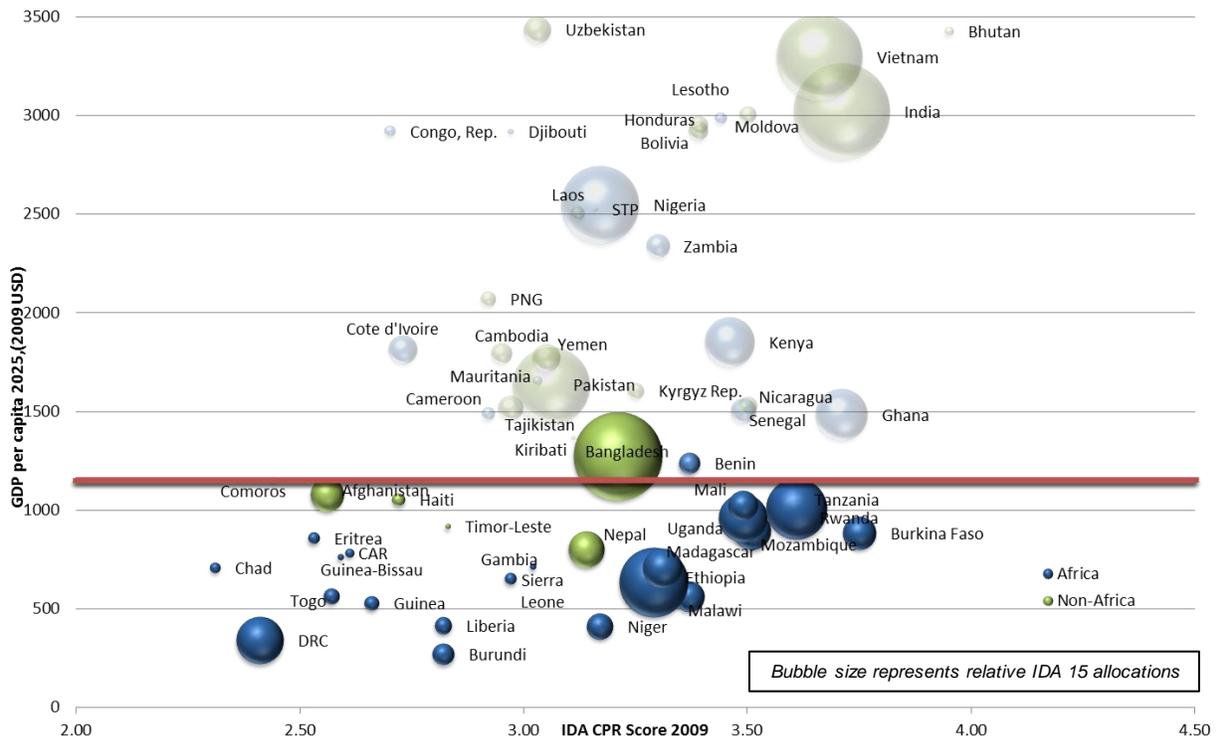


Figure 3– IDA-Eligible Countries in 2025



Three Alternative Scenarios: Predicting GDP growth rates fifteen years into the future is a highly uncertain exercise. Ultimately, our projections depend upon the accuracy of WEO forecasts. This is particularly problematic given a historical tendency by the IMF to systematically over-project growth rates for low-income countries.¹⁵ For robustness checks, we ran three additional scenarios with more conservative growth rates, including: (1) cutting long-term growth rates (2015-2025) in half while maintaining near-term WEO growth rate projections (2010-2014); (2) following Leo (2009), we subtract one percentage point from all annual WEO growth projections for 2010-2025; and (3) use the recent historical averages of the past 15 years (1995-2010) for each country to forecast the next 15 (2011-2025). Even under these more conservative growth scenarios, the overall country graduation findings do not change significantly. This is mainly because a significant portion of IDA-eligible countries are already close to the income threshold. Therefore, they will more than comfortably graduate from IDA by 2025 even with modest growth rates. However, there are a few country graduation differences, including:

- *Half WEO*: Only two countries (Tajikistan and Senegal) would no longer “graduate” before 2025 after allowing for the 5-year lag.¹⁶
- *WEO Minus One Percentage Point*: Only Tajikistan no longer graduates.
- *Recent historical average*. Only five countries (Cote d’Ivoire, Kenya, Lesotho, Rwanda and Tajikistan) would no longer graduate by 2025. Together they represent less than 6% of current IDA allocations.¹⁷
- *Pakistan*: Pakistan is a close call under all alternative growth scenarios, graduating in either 2025 or 2026.¹⁸

¹⁵ Benjamin Leo (2009), “Will World Bank and IMF Lending Lead to HIPC IV? Debt Déjà-Vu All Over Again,” *Center for Global Development Working Paper 193*.

¹⁶ Ghana would not graduate under any of the alternative scenarios using the old GDP base. However, in November 2010 Ghana completed a GDP rebasing exercise that increased estimates by 63 percent. This places its GDP per capita just above the current IDA eligibility threshold in 2011. Although these new estimates are not yet included in WEO data, Ghana’s IDA graduation is now highly likely within IDA-17 or IDA-18 periods and a near certainty by 2025.

¹⁷ We recognize that growth rates have been highly unstable and therefore projections, even under conservative scenarios, may prove optimistic, and indeed will no doubt prove so for certain countries. See William Easterly, Michael Kremer, Lant Pritchett, and Lawrence Summers (1993), “Good policy or good luck? Country growth performance and temporary shocks,” *Journal of Monetary Economics*.

Note on Shocks and Reverse Graduation: Our analysis makes an additional simplifying assumption that countries will not fall into conflict or experience a significant economic shock – either of which would impact growth rates, IDA graduation prospects, and the possibility of “reverse graduation”. Historically, eight out of IDA’s 35 previous graduates eventually reverse graduated. This would suggest that countries face a roughly one-quarter chance of falling back over time. Thus, it seems reasonable to assume that several countries projected to graduate by 2025 will experience some type of shock that prevents them from doing so. However, most IDA-eligible countries are relatively small in size and their failure to graduate would not have a significant impact on the resource demand projections. Of the current IDA-eligible countries, only a major crisis in India, Vietnam, Nigeria, or Pakistan would have a meaningful effect on IDA’s overall operational and financial projections.

Table 4: Graduation Predictions, Selected Countries¹⁹

Country	WEO Real GDP growth rate 2015	Graduation Predictions (with 5-year lag)		
		WEO Baseline	WEO-1	Half WEO
Bangladesh	6.2	2029	-	-
Cambodia	6.8	2022	2022	2024
Cameroon	3.5	2016	2017	2016
Côte d'Ivoire	6.0	2019	2019	2019
Ghana	4.8	2022	2026	2029
India (B)	8.1	2016	2016	2016
Kenya	6.5	2020	2020	2020
Kyrgyz Rep.	3.4	2019	2018	2019
Laos	9.2	2020	2021	2020
Lesotho	12.6	2022	2023	2024
Mauritania	4.7	2018	2020	2018
Nicaragua	4.0	2021	2024	2021
Nigeria	6.0	2015	2015	2015
Pakistan (B)	6.0	2022	2025	2026
Papua New Guinea (B)	5.0	2019	2019	2019
Senegal	5.0	2021	2025	2027
Tajikistan	5.0	2023	2027	2029
Vietnam (B)	7.5	2016	2016	2016
Yemen, Rep.	4.6	2015	2015	2015
Zambia	6.5	2015	2015	2015

¹⁸ Under the WEO baseline scenario, Pakistan would cross the threshold in 2017 and thus “graduate” in 2022, ahead of the 2025 deadline.

¹⁹ Shading denotes that the country would not graduate under the respective alternative real GDP per capita growth scenario. As per footnote 17 above, Ghana is likely to graduate in IDA 17 or 18.

Conclusion: Based on the above analysis, the composition of IDA's client base will change dramatically over the next 15 years. The vast majority of its clients will be in Africa, and the majority either will be considered fragile states or newly emerged from fragility. Importantly, these projections are not dependent on rosy growth scenarios, but remain likely even under more conservative assumptions.

III. IMPLICATIONS FOR IDA AND ITS SHAREHOLDERS

A. OPERATIONAL IMPLICATIONS

Such a dramatic shift in IDA's client base has serious implications for the institution's future and how the World Bank operates overall. Two operational implications come immediately to mind: (1) the fragile states conundrum; and (2) division of labor with the African Development Bank (AfDB).

Grappling with the Fragile States Conundrum: Although some of the remaining IDA countries will likely improve performance over time, it seems probable that the average country performance level will drop. The current IDA model is to focus on high-performing countries and also to have special side facilities for post-conflict, poorly-performing, or fragile states. This dynamic may reverse by 2025, with fragile states forming the majority of IDA's client base in terms of total countries. This may raise alarm bells since the World Bank has long identified the difficulties of working and staffing in fragile states. To date, it has made little progress in meeting these challenges. The World Bank's own evaluation group noted that efforts in fragile states was focused on areas of "traditional weakness", showed a lack of selectivity, and have not yet overcome human resource problems.²⁰

Thus, the IDA of 2025 will face serious hurdles in terms of its strategic model, use of performance incentives, and staffing. For instance, Gelb (2011) suggests that the current performance based-allocation system does not create sufficient incentives for either staff or recipient country officials in countries with IRAI scores below 3.25 due to time lags and other factors.²¹ He suggests that IDA should augment its performance-based allocation system with a short-term feedback portfolio score to enable quicker response to successful projects and to shut down failing ones. This problem is no longer a marginal and lagging side business, but rather becomes almost the *raison d'être* of IDA.

²⁰ Independent Evaluation Group (2007), *Engaging with Fragile States: An IEG Review of World Bank Support to Low-Income Countries under Stress*.

²¹ Alan Gelb (2010), "How Can Donors Create Incentives for Results and Flexibility for Fragile States? A Proposal for IDA," *Center for Global Development Working Paper 227*.

Rationalizing the Relationship with the African Development Bank: Currently, the justification for having both a World Bank and an African Development Bank is that they each bring special strengths. IDA is a global institution, while the African Development Fund (AfDF) is able, as an African institution, to bring regional expertise. But in a world where IDA is overwhelmingly African, this distinction begins to disappear. The old model of cooperation where the AfDF simply co-financed IDA-prepared projects is already dying. The AfDB has focused its portfolio on infrastructure and deliberately withdrawn from sectors, such as health and education, where it is not perceived to have a comparative advantage. In this context, IDA will need to pursue two objectives:

- (1) A clearer division of labor with its sister AfDF by focusing on its core competencies and withdrawing from sectors where others have the lead. Without prejudging this outcome, one illustrative example could be that the AfDF would assume the lead on infrastructure and private sector development while IDA would focus on financial management and the social sectors.
- (2) A new way of collaborating. At the strategic and operational levels, IDA must find a way of working more closely with the AfDF in a regular and coordinated manner rather than ad hoc arrangements.

B. FINANCIAL IMPLICATIONS

The projected evolution of IDA's client base over time will raise a number of financial considerations both for the institution's management and its donor country shareholders. For example, does it make sense for countries like Ethiopia or Tanzania to receive billions of dollars every year from IDA? If yes, then should donor governments consider reducing bilateral and other multilateral engagements (i.e., letting IDA own these countries)? If not, then should donor governments scale back their replenishment contribution levels over time with the declining pool of IDA-eligible countries? Also, does ensuring full financing for the Multilateral Debt Relief Initiative (MDRI) really remain important anymore?

Before turning to these strategic issues, we first briefly forecast IDA's future lending capacity based upon a variety of input variables – including: donor contributions, credit reflows, IBRD and IFC net income transfers, and income generated from IDA's substantial liquidity.

Baseline Financial Scenario: The baseline scenario draws upon the respective input variables and assumptions included in the World Bank's recent IDA-16 replenishment

paper (see appendix II for details).²² This entails an increase of IDA's commitment capacity of roughly 2.7 percent per annum between 2011 and 2028. Under this scenario, IDA would have an estimated commitment capacity of roughly \$49 billion in real terms during the IDA-21 replenishment period (approximately \$67 billion in nominal terms).

Illustrative Performance-Based Country Allocations: Next, we estimate country-by-country allocations for the IDA-21 period utilizing a scaled-down performance-based allocation (PBA) system (see appendix III for details). For the sake of simplicity, we remove the existing PBA exceptions – such as, exceptional allocations for post-conflict and reengaging countries, grant volume discounts, and MDRI netting out requirements.²³ In addition, we utilize a second simplifying assumption – that countries' performance rating scores in 2009 will remain constant over the subsequent time period.²⁴ On average, country ratings tend to fluctuate modestly in the near-term, but may change by a significant amount over time.²⁵ Given this, we would expect to see material differences in respective countries' performance ratings between 2009 and 2025. As such, our PBA allocation estimates should be viewed as purely illustrative.

Despite the methodological simplifications, this exercise highlights overall assistance volume trends. Given IDA's projected commitment capacity, eligible countries could receive roughly \$17 per capita annually (in real terms) during the IDA-21 period. This is

²² IDA (2010), *A Review of IDA's Long Term Financial Capacity and Financial Instruments*. See www.worldbank.org/ida. While every effort is made to ensure consistency with IDA's internal model, we have not incorporated IDA's existing usage of advance commitment authority. This authority allows IDA to provide programmatic commitments in the near term, which are backed by resources received over the life of the specific project or program (i.e., repayments from other IDA loans). In contrast, our analysis follows a pure cash flow model. Among other things, this methodological difference impacts IDA's projected liquidity and, by extension, the income generated off these resources. IDA invests approximately 60 percent of its liquid assets in bond instruments, such as U.S. Treasuries. Historically, it has earned a 5 percent annualized return on these investments. Source: *Ibid.*, p. 5.

²³ Under IDA's existing PBA system, countries may receive significantly larger assistance allocations if they are categorized as "post-conflict" or "reengaging". For additional details on these exceptions, see Benjamin Leo (2010), "Inside the World Bank's Black Box Allocation System: How Well Does IDA Allocate Resources to the Neediest and Most Vulnerable Countries?" *Center for Global Development Working Paper 216*. We exclude these PBA exceptions for several reasons – ranging from methodological simplicity to the difficulty in projecting which countries (if any) would be classified as "post-conflict" or "reengaging" in 2025. The same reasoning applies to IDA's grant volume reduction.

²⁴ While we do not attempt to project countries' future performance ratings, we do utilize population projections for 2025 from the United Nations. See United Nations (2009), *World Population Prospects: The 2008 Revision*.

²⁵ Alan Gelb (2010), "How Can Donors Create Incentives for Results and Flexibility for Fragile States? A Proposal for IDA," *Center for Global Development Working Paper 227*.

roughly twice the level that IDA actually committed to these countries in per capita terms between 2007 and 2009.²⁶ Several individual country cases are particularly striking – both in terms of the sheer volume of projected IDA assistance and the relative increase over current levels (see appendix IV for additional details).

- Bangladesh could receive well over \$3 billion annually in real terms during the IDA-21 period – more than three times the average IDA commitment level between 2007 and 2009. Moreover, this would exceed what Bangladesh received from all OECD-DAC reporting donor organizations combined in 2009.²⁷
- Burkina Faso could receive nearly \$1 billion annually during the IDA-21 period – roughly four times the average IDA commitment level between 2007 and 2009.
- Ethiopia could receive almost \$2.5 billion annually – more than twice the size of average IDA commitments in recent years.
- Niger could receive \$500 million per year – greater than what it received from all OECD-DAC reporting organizations combined in 2009.

Table 5: Indicative IDA-21 Allocations, Ten Largest Country Recipients²⁸

Largest IDA Recipients	IDA21 Volume (<i>real terms</i>)	% of IDA-21 Total Envelope	% Change vs 2007-2009
Bangladesh	\$9,800	20%	423%
Ethiopia	\$7,400	15%	247%
Tanzania	\$6,300	13%	328%
Uganda	\$4,200	9%	291%
Burkina Faso	\$2,800	6%	436%
Mozambique	\$2,600	5%	409%
Nepal	\$1,800	4%	233%
Madagascar	\$1,800	4%	574%
Malawi	\$1,600	3%	522%
Niger	\$1,500	3%	578%
Mali	\$1,500	3%	271%
TOTAL	\$41,300	86%	-

Source: World Bank, OECD-DAC, and authors calculations

²⁶ Source: OECD.Stat

²⁷ This includes nearly 60 bilateral and multilateral donor organizations. The respective figures include gross IDA commitments in 2009 for comparison purposes.

²⁸ Projected IDA-21 assistance envelopes are rounded to the nearest \$100 million. The percentage change figures compare the estimated IDA-21 envelopes to total IDA commitments provided between 2007 and 2009 (in current U.S. dollars).

Given the sheer volumes of projected IDA assistance, World Bank management and donor governments should begin considering a range of financial options – such as those listed above. Should donor governments seek to maintain constant assistance volumes in real per capita terms for the overall pool of countries that remain IDA-eligible (i.e., decrease contributions commensurate with country graduation trends)? If not, then should they consider reducing bilateral and other multilateral engagements (i.e., letting IDA own these countries)? Alternatively, should IDA donors relax their financing commitments for offsetting the cost of foregone repayments associated with HIPC/MDRI debt relief or IDA grants over time?

Constant Real Per Capita Assistance Volumes: Under this approach, donor governments would adjust their so-called regular replenishment commitments²⁹ to ensure that recipient countries, on average, receive constant IDA assistance volumes.³⁰ For the IDA-21 period, this could mean reducing the overall replenishment envelope by more than one-half compared to the baseline financial scenario – thereby ensuring that countries would still receive roughly \$8 per capita annually in real terms (versus \$17 per capita annually).³¹ Strikingly, this would mean that donors could almost cease to provide regular contributions during the IDA-21 period. However, they would need to continue to offset the foregone revenue associated with the provision of debt relief and grants (see Figure 4).

Debt Relief and Grant Financing Considerations: According to IDA, foregone revenues associated with HIPC and MDRI debt relief and grant financing will total nearly \$10 billion (nominal terms) during the IDA-21 period.³² Given the reduced demand for IDA assistance following country graduations, donor governments could decide to halt compensatory contributions that offset this impact during the IDA-21 period (or even before). Assuming IDA management's other baseline assumptions, then recipient countries still would receive real assistance volumes of roughly \$15 per capita annually.³³ As such, donor governments also could reduce their regular contributions while still delivering *massive* increases for recipient countries.

²⁹ Per IDA operational practices, regular donor contributions exclude additional financial commitments to offset the foregone revenue associated with the provision of debt relief and grants.

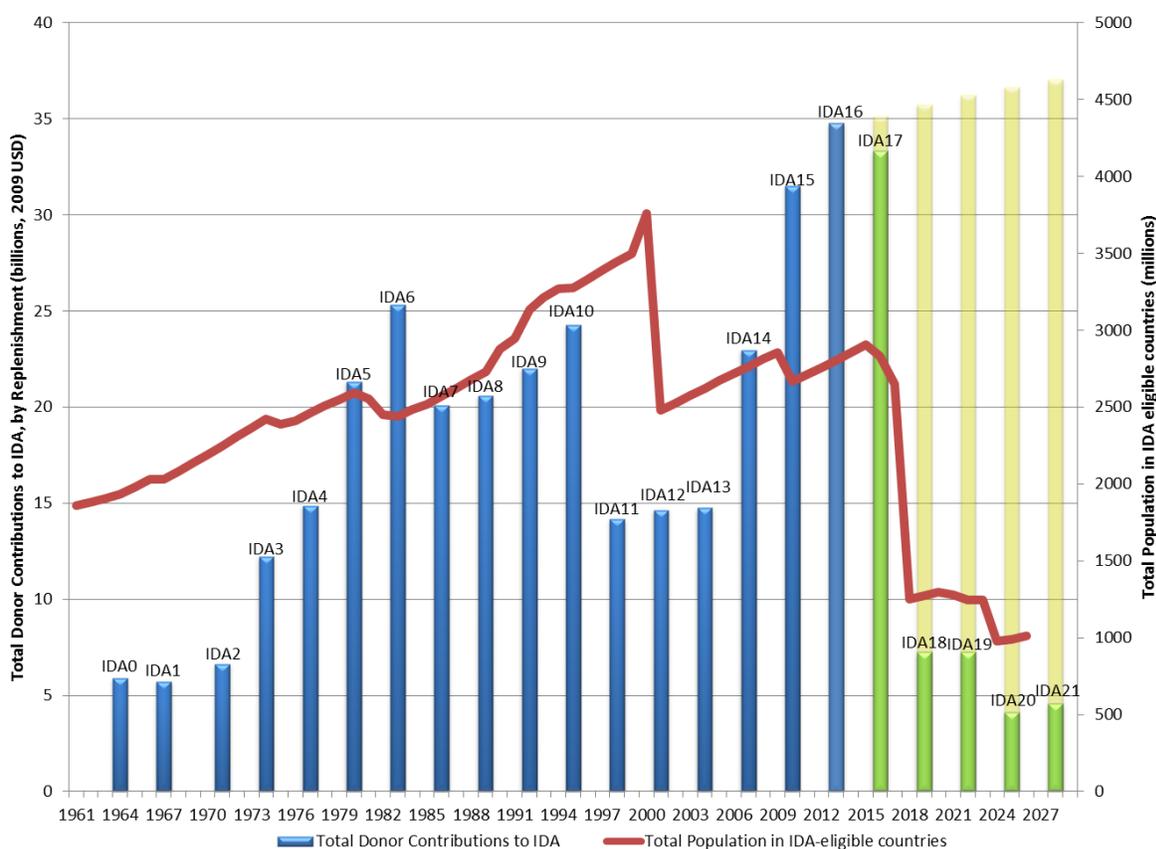
³⁰ In practice, this is a very conservative assumption since several countries currently receive exceptional post-conflict or reengaging country allocations – which would expire prior to the IDA-21 period.

³¹ According to our illustrative estimates, the IDA-21 envelope would decline from \$67 billion in nominal terms (\$49 billion in real terms) to roughly \$20 billion in nominal terms (nearly \$15 billion in real terms).

³² See IDA (2010), *Debt Relief Provided by IDA under the MDRI and HIPC Initiative: Update on Costs and Donor Financing as of June 30, 2010*.

³³ Most importantly, that regular donor contributions would increase by 2 percent per year.

Figure 4: Projected IDA Donor Contributions Required to Maintain Per Capita Allocations in Real Terms, by Replenishment Period



Note – Green bars indicate projected donor contributions (both regular and compensatory) required to maintain annual per capita allocation constant, on average, for IDA recipient countries. Yellow bars indicate the projected “savings” compared to IDA management’s financial baseline scenario.

IV. CONCLUSION: OPTIONS FOR IDA GOING FORWARD

Given the operational and financial implications outlined above, this leaves IDA with three broad options:

- (1) *Stay the Course and Hope for the Best*: IDA could maintain its current allocation system and continue to argue every three years for replenishments at the current (or even higher) levels. This would entail justifying significant increases in country allocations, and defending requests for shareholder contributions against other development spending options. This option would assume that: (a) the donor shareholders continue to view IDA as a central and effective mechanism; (b) that IDA’s country-based allocation model remains the optimal approach to

promoting development and fighting poverty; and (c) that increased spending per country is justified.

- (2) *Declare Success and Shrink Over Time*: Another option is to simply scale IDA down to meet the needs and size of the smaller client base. If IDA flows were held constant real per capita terms, then IDA-21 may in fact be the last replenishment for regular donor contributions. The shareholders, after 65 years of subsidizing IDA (and many wondering when it all ends) would have an end date for new contributions and also be able to maintain financing at the current levels. In pursuing this approach, shareholders might even be able to reclaim depreciated dividends starting in subsequent periods.
- (3) *Launch A New Regional/Global Public Goods Window within IDA*: A third option is for IDA to complement – or even replace – its country-based lending model with a wholly different approach for funding global public goods (GPGs). The potential arguments in favor of this model are compelling since the number of low-income countries is rapidly declining and many of the great remaining challenges – energy, technology, regional infrastructure, agricultural research, and vaccines – are beyond any single country investment strategy. Moreover, these important development issues traditionally have been underfunded.³⁴ The challenge of finding a performance-compatible allocation strategy for GPGs is significant, but there is time to conceive of new models. In fact, the launching of a special GPG window may provide an opportunity to update IDA’s governance structure and draw in some of the recent graduates as active contributors.³⁵

³⁴ Nancy Birdsall (2004), “Underfunded Regionalism in the Developing World,” *Center for Global Development Working Paper Number 49*; Nancy Birdsall and Arvind Subramanian (2007), “From World Bank to World Development Cooperative,” *Center for Global Development Essay*; Michael Kremer (2006), “The Missing Mandate: Global Public Goods,” in Nancy Birdsall, ed., *Rescuing the World Bank: A CGD Working Group Report and Selected Essays*.

³⁵ See Nancy Birdsall and Kapur (2005) *Hardest Job in the World: Five Crucial Tasks for the next president of the World Bank*.

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APPENDIX I: HISTORICAL GRADUATIONS AND REVERSE GRADUATIONS FROM IDA³⁶

Country	Last IDA credit	Reverse Graduation	Notes
Albania	FY08		
Botswana	FY74	-	
Cameroon	FY81	FY94	
Chile	FY61	-	
China	FY99	-	
Colombia	FY62	-	
Congo	FY82	FY94	
Costa Rica	FY62	-	
Cote d'Ivoire	FY73	FY92	
Dominican Republic	FY73	-	
Ecuador	FY74	-	
Eq. Guinea	FY93	-	Remained IDA-eligible until FY99.
Egypt	FY81; FY99	(FY91)	Graduated again in FY99.
El Salvador	FY77	-	
Honduras	FY80	FY91	
Indonesia	FY80-FY08	FY99	Re-entered on 11/03/98. Graduated again in FY08.
Jordan	FY78	-	
Korea	FY73	-	
Mauritius	FY75	-	
Macedonia, FYR	FY02	-	Graduated from IDA as of June 30, 2001. Last IDA credit in FY02.
Montenegro	FY08		Graduated from IDA as of July 6, 2007. Last IDA credit in FY08.
Morocco	FY75	-	
Nicaragua	FY81	FY91	
Nigeria	FY65	FY89	
PNG	FY83	FY03	Became blend in FY03.
Paraguay	FY77	-	
Philippines	FY79; FY93	(FY91)	Graduated again in FY93.
Serbia	FY07		
St. Kitts	FY94	-	
Swaziland	FY75	-	
Syria	FY74	-	
Thailand	FY79	-	
Tunisia	FY77	-	
Turkey	FY73	-	
Zimbabwe	FY83	FY92	

IDA Graduates Between Fiscal Years 1961-2010 = 35

IDA Net Reverse Graduates = 8

Total Net IDA Graduates = 27

³⁶ World Bank (2010), "List of IDA Graduates." See www.worldbank.org/ida/.

APPENDIX II: IDA FINANCIAL CAPACITY PROJECTIONS: BASELINE ASSUMPTIONS

Regular Donor Contributions	2 percent annual increase from the level committed for the IDA-16 replenishment.
Debt Relief Costs	Additional donor contributions on a pay-as-you-go basis to cover all foregone credit reflows associated with HIPC and MDRI debt relief.
IDA Grant Costs	Additional donor contributions on a pay-as-you-go basis to offset foregone loan principal repayments. Foregone loan charge income is financed through volume discounts on IDA grants.
IDA Grant Share	Constant at 20 percent of total IDA commitments.
Non-Accruals	Remain stable at 5 percent of IDA's total credit portfolio.
Loan Charges	Fixed service charge of 75 basis points; commitment charge reset annually between 0 and 50 basis points as required to cover any annual income gap.
Administrative Expenses	Flat in real terms, in line with IBRD corporate assumptions.
IBRD/IFC Transfers	Constant at \$3.9 billion per replenishment period (\$1.3 billion annually).
Inflation	Constant at 2 percent per annum.

APPENDIX III: SIMPLIFIED IDA PERFORMANCE-BASED ALLOCATION METHODOLOGY

Country Performance Rating (Step #1): The country performance rating is based upon two sub-components – Country Policy and Institutional Assessment (CPIA) ratings and IDA project/program portfolio quality ratings. The CPIA assesses each IDA-eligible country’s performance according to 16 policy and institutional quality criteria.³⁷ These criteria are grouped into four equally weighted clusters: (A) economic management; (B) structural policies; (C) policies for social inclusion and equity; and (D) public sector management and institutions (commonly referred to as the “governance cluster”). World Bank country staff collects this information through an annual questionnaire.³⁸ Second, IDA staff utilizes the World Bank’s Annual Report on Portfolio Performance (ARPP) to determine each country’s quality and management of IDA projects and programs.

$$\text{Country Performance Rating} = [0.24 * (\text{Average Score of CPIA Clusters A-C})] + [0.68 * \text{CPIA Cluster D}] + [0.08 * \text{Portfolio Quality}]$$

Country Allocation Score (Step #2): IDA utilizes exponents to apply relative weightings to each of the three variables in the PBA formula. The country performance rating currently has an exponent of 5.0 and the population variable has an exponent of 1.0. Lastly, IDA applies an exponent of -0.125 to the GNI per capita variable. This is designed to modestly reduce IDA allocations for countries with relatively higher per capita income levels. In doing so, the PBA has a methodological favoring toward countries with greater needs (with income as a proxy measure).

$$\text{IDA Country Allocation Score}_i = (\text{Country performance rating}_i^{5.0}, \text{Population}_i^{1.0}, \text{GNI/capita}_i^{-0.125})$$

Relative Country Allocation Share (Step #3): IDA then determines the relative allocation share for each country. The relative share is calculated by dividing each country’s IDA allocation score by the total allocation score of all eligible countries.

$$\text{Relative Country Allocation Share}_i = \frac{\text{IDA Country Allocation Score}_i}{\sum \text{IDA Country Allocation Scores}}$$

³⁷ Country performance for each CPIA criteria is rated between 1 (lowest) and 6 (highest).

³⁸ To ensure CPIA rating consistency within and across regions, the World Bank extensively reviews and vets CPIA assessments for 12 “benchmark” countries.

Preliminary Country Allocation (Step #4): IDA arrives at each country's preliminary allocation by multiplying its relative share by the total available IDA replenishment envelope.

*IDA Country Allocation_i = Country Allocation Relative Share_i * IDA Replenishment Envelope*

APPENDIX IV

Illustrative Performance-Based Allocation Estimates – Projected IDA-21 Countries (Baseline Financial Assumptions)³⁹

Country	2009 Country Performance Rating /1				Other PBA Variables		IDA-21 PBA Output				IDA-21 Annual vs IDA Current		OECD-DAC Reporting Agencies		
	CPIA (A-C)	CPIA (D)	Portfolio Quality	CPR	GNI per Capita	Population /2	Weighted PBA Score	PBA Share	Allocation (nominal)	Allocation (real) /3	Real IDA-21 Per Capita Per Annum	2007-09 Avg Commitments	% Real Change /4	Gross Commitments (2009) /5	% of IDA-21 Annual
Afghanistan	2.87	2.4	3.0	2.56	1,078	45.0	2,069	1.6%	1,049	744	6	217	14%	6,327	4%
Bangladesh	3.70	3.0	3.5	3.21	1,274	195.0	27,107	20.4%	13,746	9,752	17	773	320%	2,324	140%
Benin	3.54	3.3	3.5	3.37	1,236	13.8	2,471	1.9%	1,253	889	22	88	235%	622	48%
Burkina Faso	3.81	3.7	4.0	3.75	884	24.8	7,892	5.9%	4,002	2,839	38	214	342%	1,689	56%
Burundi	3.21	2.6	3.5	2.82	270	11.2	986	0.7%	500	355	11	109	8%	699	17%
Central African Republic	2.72	2.4	4.0	2.60	783	5.7	300	0.2%	152	108	6	48	-26%	350	10%
Chad	2.58	2.2	2.5	2.32	708	16.9	495	0.4%	251	178	4	21	178%	644	9%
Comoros	2.53	2.4	2.5	2.44	1,157	0.9	32	0.0%	16	12	4	0	-	84	5%
Congo - DRC	2.82	2.2	3.0	2.41	339	98.1	3,873	2.9%	1,964	1,393	5	464	0%	2,818	16%
Eritrea	2.04	2.7	2.5	2.53	858	7.4	327	0.2%	166	118	5	30	33%	213	18%
Ethiopia	3.48	3.2	3.5	3.29	634	119.8	20,656	15.5%	10,475	7,431	21	999	148%	4,244	58%
Gambia, The	3.38	2.9	3.0	3.02	714	2.5	275	0.2%	140	99	13	3	890%	109	30%
Guinea	2.89	2.6	2.5	2.66	529	15.2	925	0.7%	469	333	7	26	328%	211	53%
Guinea-Bissau	2.61	2.6	2.5	2.59	761	2.3	118	0.1%	60	42	6	8	78%	132	11%
Haiti	3.07	2.5	3.5	2.72	1,053	12.5	774	0.6%	392	278	7	53	73%	1,435	6%
Liberia	2.83	2.8	3.0	2.82	414	5.9	495	0.4%	251	178	10	191	-69%	792	7%
Madagascar	3.59	3.3	2.5	3.31	705	28.6	4,972	3.7%	2,521	1,789	21	157	280%	265	225%
Malawi	3.39	3.4	3.0	3.37	561	23.2	4,540	3.4%	2,302	1,633	23	102	432%	1,068	51%
Mali	3.74	3.4	3.5	3.49	1,023	18.6	4,048	3.0%	2,053	1,456	26	185	163%	1,504	32%
Mozambique	3.82	3.4	3.5	3.51	892	31.2	7,096	5.3%	3,598	2,553	27	212	302%	2,081	41%
Nepal	3.40	3.0	3.5	3.14	801	38.0	5,001	3.8%	2,536	1,799	16	258	133%	1,312	46%
Niger	3.42	3.1	3.0	3.17	411	27.4	4,124	3.1%	2,091	1,484	18	87	472%	455	109%
Rwanda	3.86	3.5	3.5	3.59	1,052	14.7	3,649	2.7%	1,850	1,313	30	118	271%	1,316	33%
Sierra Leone	3.31	2.9	2.5	2.97	652	8.1	829	0.6%	420	298	12	37	166%	364	27%
Tanzania	3.96	3.5	3.5	3.61	1,007	67.4	17,420	13.1%	8,834	6,267	31	641	226%	4,241	49%
Timor-Leste	2.99	2.7	3.5	2.83	917	1.9	146	0.1%	74	52	9	6	200%	232	8%
Togo	2.90	2.4	3.0	2.57	565	9.3	469	0.4%	238	169	6	120	-53%	574	10%
Uganda	4.04	3.3	3.5	3.49	961	53.4	11,779	8.9%	5,973	4,237	26	481	194%	2,449	58%
Zimbabwe	1.81	2.0	0.0	1.79	455	16.8	145	0.1%	74	52	1	0	-	856	2%
	-	-	-	85.95	22,694	915	133,012	100%	67,450	47,850	17	5,648	-	39,413	-

1/ As noted previously, we assume that country performance ratings in 2025 will be the same as 2009.

2/ Population projections for 2025 are based on United Nations (2009).

3/ Based on a constant inflation rate of 2 percent.

4/ Boxes indicate that the country is eligible for exceptional post-conflict assistance from IDA. These countries currently receive significantly higher IDA assistance volumes than if they were subject to the regular PBA system parameters. This explains why their assistance volume differentials between the IDA-15 and IDA-21 periods are much lower, on average, than for other countries.

5/ Source: OECD.Stat. For comparison purposes, figures include gross IDA commitments in 2009.

³⁹ Monetary figures are represented in millions of current U.S. dollars.

Illustrative Performance-Based Allocation Estimates – Projected IDA-21 Countries (*Donor Contribution Growth of 15 Percent*)⁴⁰

Country	2009 Country Performance Rating /1				Other PBA Variables		IDA-21 PBA Output				IDA-21 Annual vs IDA Current		OECD-DAC Reporting Agencies		
	CPIA (A-C)	CPIA (D)	Portfolio Quality	CPR	GNI per Capita	Population /2	Weighted PBA Score	PBA Share	Allocation (nominal)	Allocation (real) /3	Real IDA-21 Per Capita Per Annum	2007-09 Avg Commitments	% Real Change /4	Gross Commitments (2009) /5	% of IDA-21 Annual
Afghanistan	2.87	2.4	3.0	2.56	1,078	45.0	2,069	1.6%	3,742	2,655	20	217	308%	6,327	14%
Bangladesh	3.70	3.0	3.5	3.21	1,274	195.0	27,107	20.4%	49,029	34,782	59	773	1400%	2,324	499%
Benin	3.54	3.3	3.5	3.37	1,236	13.8	2,471	1.9%	4,469	3,170	77	88	1096%	622	170%
Burkina Faso	3.81	3.7	4.0	3.75	884	24.8	7,892	5.9%	14,274	10,126	136	214	1478%	1,689	200%
Burundi	3.21	2.6	3.5	2.82	270	11.2	986	0.7%	1,783	1,265	38	109	287%	699	60%
Central African Republic	2.72	2.4	4.0	2.60	783	5.7	300	0.2%	542	384	22	48	164%	350	37%
Chad	2.58	2.2	2.5	2.32	708	16.9	495	0.4%	896	635	13	21	891%	644	33%
Comoros	2.53	2.4	2.5	2.44	1,157	0.9	32	0.0%	59	42	15	0	-	84	17%
Congo - DRC	2.82	2.2	3.0	2.41	339	98.1	3,873	2.9%	7,006	4,970	17	464	257%	2,818	59%
Eritrea	2.04	2.7	2.5	2.53	858	7.4	327	0.2%	592	420	19	30	374%	213	66%
Ethiopia	3.48	3.2	3.5	3.29	634	119.8	20,656	15.5%	37,360	26,504	74	999	785%	4,244	208%
Gambia, The	3.38	2.9	3.0	3.02	714	2.5	275	0.2%	498	353	48	3	3432%	109	108%
Guinea	2.89	2.6	2.5	2.66	529	15.2	925	0.7%	1,672	1,186	26	26	1426%	211	187%
Guinea-Bissau	2.61	2.6	2.5	2.59	761	2.3	118	0.1%	213	151	22	8	535%	132	38%
Haiti	3.07	2.5	3.5	2.72	1,053	12.5	774	0.6%	1,399	993	27	53	519%	1,435	23%
Liberia	2.83	2.8	3.0	2.82	414	5.9	495	0.4%	895	635	36	191	11%	792	27%
Madagascar	3.59	3.3	2.5	3.31	705	28.6	4,972	3.7%	8,993	6,379	74	157	1256%	265	802%
Malawi	3.39	3.4	3.0	3.37	561	23.2	4,540	3.4%	8,212	5,826	84	102	1799%	1,068	182%
Mali	3.74	3.4	3.5	3.49	1,023	18.6	4,048	3.0%	7,321	5,194	93	185	838%	1,504	115%
Mozambique	3.82	3.4	3.5	3.51	892	31.2	7,096	5.3%	12,834	9,105	97	212	1333%	2,081	146%
Nepal	3.40	3.0	3.5	3.14	801	38.0	5,001	3.8%	9,045	6,417	56	258	730%	1,312	163%
Niger	3.42	3.1	3.0	3.17	411	27.4	4,124	3.1%	7,459	5,291	64	87	1939%	455	388%
Rwanda	3.86	3.5	3.5	3.59	1,052	14.7	3,649	2.7%	6,600	4,682	106	118	1223%	1,316	119%
Sierra Leone	3.31	2.9	2.5	2.97	652	8.1	829	0.6%	1,499	1,064	44	37	850%	364	97%
Tanzania	3.96	3.5	3.5	3.61	1,007	67.4	17,420	13.1%	31,507	22,352	111	641	1062%	4,241	176%
Timor-Leste	2.99	2.7	3.5	2.83	917	1.9	146	0.1%	263	187	33	6	971%	232	27%
Togo	2.90	2.4	3.0	2.57	565	9.3	469	0.4%	849	602	22	120	68%	574	35%
Uganda	4.04	3.3	3.5	3.49	961	53.4	11,779	8.9%	21,305	15,114	94	481	947%	2,449	206%
Zimbabwe	1.81	2.0	0.0	1.79	455	16.8	145	0.1%	263	186	4	0	-	856	7%
	-	-	-	85.95	22,694	915	133,012	100%	240,578	170,670	62	5,648	-	39,413	-

1/ As noted previously, we assume that country performance ratings in 2025 will be the same as 2009.

2/ Population projections for 2025 are based on United Nations (2009).

3/ Based on a constant inflation rate of 2 percent.

4/ Boxes indicate that the country is eligible for exceptional post-conflict assistance from IDA. These countries currently receive significantly higher IDA assistance volumes than if they were subject to the regular PBA system parameters. This explains why their assistance volume differentials between the IDA-15 and IDA-21 periods are much lower, on average, than for other countries.

5/ Source: OECD.Stat. For comparison purposes, figures include gross IDA commitments in 2009.

⁴⁰ On average, donor contributions grew by more than 15 percent annualized between 2000 and 2010. Applying this growth going forward would mean a total IDA-21 envelope of nearly \$180 billion (in real terms).