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Shaking Up the Donor Shakedown at the World Bank

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ABSTRACT

The World Bank has developed a remarkably effective fundraising model over many decades in the form of triennial replenishments of the International Development Association (IDA), the arm of the bank that provides grants and highly concessional loans to the world's poorest countries. IDA has raised $225 billion in donor grant funding since it was founded in 1960. The just-concluded 17th replenishment (IDA-17) resulted in another $52 billion amassed for IDA's work in low-income countries.

But even as IDA appears to be at the peak of its fundraising prowess, some threats to the model require fundamental thinking by the World Bank and its member countries about the future of fundraising for the bank as a whole. The World Bank should declare the IDA-17 replenishment its last and move to replace it with a broader bank resource review. Sticking with the status quo risks an underfunded institution and one that is increasingly isolated from its shareholders.

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Introduction: The Decline of IDA

The World Bank has developed a remarkably effective fundraising model over many decades in the form of triennial replenishments of the International Development Association (IDA), the arm of the bank that provides grants and highly concessional loans to the world's poorest countries. IDA has raised $225 billion in donor grant funding since it was founded in 1960. The just-concluded 17th replenishment (IDA-17) resulted in another $52 billion amassed for IDA's work in low-income countries.

But even as IDA appears to be at the peak of its fundraising prowess, some threats to the model require fundamental thinking by the World Bank and its member countries about the future of fundraising for the bank as a whole—not just IDA, but the International Bank of Reconstruction and Development (IBRD), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA) as well.

First, as the Center for Global Development's 2012 Future of IDA working group demonstrated in striking terms, IDA is successfully working itself out of business, at least under its existing business model.[1] With the graduation of IDA's largest client, India, in this round and earlier graduations of countries like China, the bank will no longer need to raise the same levels of funding for IDA to meet its long-standing mandate—to provide cheap money to countries that cannot afford to borrow on harder terms so that they can implement development programs in partnership with the bank.

All told, estimates suggest that 37 of today's 82 IDA-eligible countries will graduate within the next 12 years, and 41 countries by 2030.[2] With fewer countries qualifying for IDA assistance, we should expect traditional IDA fundraising to decline—if not this year, then certainly in the next replenishment.

Second, the IDA replenishment model continues to depend on wealthy-country donors, just as it did at its inception. Historically, IDA was able to ride a wave of growing foreign assistance budgets and, in many cases, to claim a growing share of those budgets. Now, both increasingly appear to be dead ends. Foreign assistance budgets are not growing, and IDA's share among the large donor budgets is declining. Even as a share of donors' *multilateral* contributions, IDA is no longer as dominant. Most notable this year, the Global Fund has surpassed IDA as the largest multilateral claim on the US foreign assistance budget.

Finally, IDA's efforts to expand its roster of donors beyond the wealthiest countries are sustained by hope more than experience. The bank has had success in increasing the number

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[1] The Future of IDA Working Group, *Soft Lending without Poor Countries: Recommendations for a New IDA* (Washington: Center for Global Development, 2012), www.cgdev.org/publication/soft-lending-without-poor-countries-recommendations-new-ida.

[2] The Future of IDA Working Group; Rodrigo Salvado and Julie Walz, "Aid Eligibility and Income per Capita: A Sudden Stop for MICs," PAF Working Paper Series 2013/05, Bill and Melinda Gates Foundation Policy and Finance Department, Washington.

of donors in recent years, but the "emerging" or "nontraditional" donors continue to constitute a negligible share of IDA contributions (just 5 percent in the last replenishment). Importantly, comments from targeted countries like China suggest that these countries, many of which continue to borrow from the World Bank, do not see themselves as playing the role of traditional donors.

IDA: Not the End of the Story for the World Bank

Now, if concern about these threats to IDA's fundraising was simply rooted in institutional self-preservation, it would be easily dismissed. In fact, IDA itself isn't even an institution. It's essentially just a way to describe the financial product offered by the World Bank (the institution) to qualifying countries. But the expected decline of the IDA fundraising model *is* a threat to the World Bank itself and, more importantly, a threat to the bank's development mission.

To understand why, consider what success for IDA and IDA countries looks like in the form of IDA "graduation." Countries that are very poor (per capita income of less than $1,205) and not creditworthy receive assistance from IDA. As these countries succeed economically, hopefully in part due to World Bank assistance, they "graduate" from IDA. To date, 36 countries have graduated, including remarkably successful countries like Korea (IDA class of 1973) and China (IDA class of 1999).

But graduation from IDA does not mean graduation from the World Bank as a whole. Simply put, today's IDA countries are tomorrow's IBRD countries. The terms of financing change, but the continuity to the bank's engagement is highly desirable, with many of the same programs funded by IBRD that had previously been funded by IDA. For example, IBRD has financed successful conditional cash transfer programs in the health and education sectors in the Philippines',[3] just as IDA finances these same programs in countries like Yemen and Malawi—in both cases, drawing on the same staff and expertise.

As a result, more graduations from IDA likely mean more demand for IBRD (and IFC/MIGA) resources. India is a striking example. As part of IDA-17, donors agreed to create a special transitional facility for India so as to facilitate the country's graduation from IDA while recognizing the added strain that graduation would put on IBRD resources. Specifically, India has routinely reached IBRD's single-borrower limit in recent years. India's representatives in the bank have indicated that they aren't concerned about graduation from IDA per se, but they are concerned that limitations on their borrowing from IBRD, combined with graduation from IDA, could trigger a precipitous decrease in overall

[3] Nazmul Chaudhury, Jed Friedman, and Junko Onishi, *Philippines Conditional Cash Transfer Program: Impact Evaluation 2012,* Report Number 75533-PH (Washington: World Bank, 2013), http://documents.worldbank.org/curated/en/2013/01/17389714/philippines-conditional-cash-transfer-program-impact-evaluation-2012.

assistance from the World Bank in the years ahead. The newly created IDA transitional facility represents a clever, though temporary, solution to this problem.

Soon enough, India will transition out of the IDA transitional facility, joining a steady stream of IDA graduates that are placing new demands on the World Bank's non-IDA resources. Also, what about those resources and the World Bank's ability to increase them to meet higher demand? The IBRD experience, which holds for IFC and MIGA as well, demonstrates just how constraining the current model is.

Since the bank's inception, it has secured just less than $12 billion in member-country contributions for the IBRD—a modest sum stacked up against IDA's $225 billion.[4] Yet these contributions are used very differently and, as a result, enable the IBRD to provide a level of assistance on par with IDA. Annual assistance for IDA countries today is about $15 billion, equal to the current sustainable annual lending level at the IBRD.[5] The difference is that IBRD operates on a capital model, with member countries' $15 billion in capital contributions leveraged nearly fourfold by the bank's ability to borrow in capital markets.[6] This model depends in part on IBRD's ability to lend on harder terms to countries that are creditworthy enough to borrow on those terms, something IDA cannot do.[7]

While the IDA and IBRD financial models are different in obvious and necessary ways, one consequence is that the World Bank has become much more adept at raising funds from its member countries through the IDA channel than through the IBRD channel, where such fundraising hasn't been as important.

In fact, the IBRD has had only four fundraising episodes ("capital increases") in its 68-year history, compared with IDA's 17 rounds of fundraising over 53 years. IBRD capital increases have been ad hoc in nature and have tended to follow (and respond to) external economic shocks, whether the post-Lehman global financial crisis or the debt crises that preceded the 1989 capital increase.[8]

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[4] The $12 billion represents "paid-in" capital. There is also an accumulated commitment of contingent or "callable" capital, but callable capital commitments do not have an impact on the budgets of contributing countries. For our purposes, a dollar of paid-in capital has the same budgetary impact as a dollar of IDA contributions.

[5] Cumulatively, the IBRD has provided $524 billion in assistance over a 65-year period (1945–2010), and IDA has provided $221 billion in assistance over a 50-year period (1960–2010).

[6] In contrast, IDA operates largely on a grant-based model. Donors provide grant resources to IDA, and in turn, IDA uses this funding to support highly concessional (0 percent interest, 40-year repayment period) loans and grants.

[7] IBRD prices its loans based on its own cost of borrowing plus some measure of administrative expenses.

[8] See Devesh Kapur, John P. Lewis, and Richard Webb, *The World Bank: Its First Half Century, Volume 1* (Washington: Brookings Institution, 1997).

Fundraising as a Governance and Policy Tool

As a result of these limited and sporadic episodes, capital increases have lacked the structure and continuity that come with scheduled IDA replenishments. Without such architecture in place, they have also lacked the depth of policy discussion and decision making that is the hallmark of the IDA replenishment process.

Despite the efforts of some major shareholders to set a policy agenda alongside the 2010 IBRD capital increase, the strategy that emerged ("New World, New World Bank Group") was largely a reiteration of what the bank was already doing, vague in articulating new commitments, and as a result quickly forgotten.[9] The predominant attitude among shareholders and bank management at the time was that the capital increase was strictly a financial measure made necessary by the global financial crisis.[10]

This attitude contrasted sharply with the parallel discussions associated with the IDA-16 replenishment, where member-country representatives were negotiating elements of a three-year policy agenda for the bank's IDA work. These negotiations led to the creation of a crisis response window within IDA as well as a deepening and refinement of IDA's results framework, among other policy outcomes.

Policy setting within the IDA replenishment has had considerable reach into other arms of the institution. Current World Bank policies and approaches on results measurement and reporting have their origins in IDA, and replenishment decisions in recent years have extended to the allocation of IBRD and IFC net income. More controversially, common IDA and IBRD environmental safeguards resulted from efforts by the US Congress to use the leverage of funding for IDA to obtain new environmental procedures at the bank. The so-called Pelosi amendment detailed the circumstances under which the US executive director could vote in favor of a World Bank project at the board based on the congressional authors' view of appropriate environmental assessments. Subsequent to the amendment's passage in 1989, the US Treasury sought an agreement among IDA donors during IDA-9 that would bring the World Bank into compliance with the Pelosi amendment's conditions.[11] The eventual IDA-9 agreement resulted in a major revision of the World Bank's procedures in 1991.

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[9] After one six-month follow-up report to the Development Committee (the highest governance body for the World Bank) after the strategy was adopted in April 2010, the topic fell off the of the committee's agenda entirely.

[10] In response to the crisis, the IBRD tripled its annual lending level using existing capital. The infusion of capital from shareholders was intended to provide a smooth path back to a sustainable equity-to-loan ratio without a drastic reduction in annual lending during the postcrisis period.

[11] See Kathryn C. Lavelle, *Legislating International Organization: The US Congress, the IMF, and the World Bank* (Oxford University Press, 2011).

The Politics of Capital Increases

The very limited use of capital increases as a policy tool by shareholders is also explained by the desire of many of the bank's shareholders to keep capital increases themselves very limited. Locations like the US, UK, and Japan have long viewed capital increases as far more politically problematic than IDA replenishments. This is not due to financial burden per se. The United States, for example, contributes about $1.4 billion a year to IDA, compared with just $187 million a year (over five years) for the IBRD's current capital increase.

Instead, these countries have been reluctant to provide (and to ask their national governments to approve) direct financing, however modest, to the arm of the bank that supports middle-income countries, particularly when the largest IBRD borrower is China.

In reaction to the 2010 capital increase, one US congressman had this to say:

> We are being asked to authorize nearly a billion dollars of taxpayer money for the World Bank. And on the margin, obviously, any dollars we spend are 100 percent borrowed. And there is a little irony there that we would borrow this money from the Chinese, the Indians, and the Brazilians to put into a bank to loan to the Chinese, the Indians, and the Brazilians. That irony is not lost on me.[12]

More fundamentally, political tensions arise due to a prevalent view in Western countries that some of the large IBRD borrowers are an economic threat and the source of a growing number of trade and other policy conflicts. For example, when the Obama administration sought congressional approval for the 2010 IBRD capital increase, Treasury officials faced aggressive questioning over the World Bank's role in financing projects in Argentina, a country that had long-standing disputes with US investors related to the country's historic debt default in 2001. In response to this pressure, and to preserve support for the capital increase at the World Bank and the Inter-American Development Bank, the administration announced its opposition to virtually all World Bank and IDB engagement in Argentina.

Of course, the sporadic nature of capital increases tends to reinforce the challenges associated with them. For countries like the United States, there is a budgetary hurdle associated with any new spending item relative to ongoing spending, particularly at a time of flat or declining federal budgets. Funding for IDA has been included in the US budget virtually every year since IDA's inception. In contrast, the 2010 IBRD capital increase appeared in the fiscal year 2012 budget as a new spending item and will disappear again after a five-year pay-in period.

For the United States, sporadic capital increases have also meant large investments of time and effort to win congressional support for a measure that will expire in a few years' time.

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[12] Congressman John Campbell, hearing before the Subcommittee on International Monetary Policy and Trade, House Financial Services Committee, July 27, 2011.

Despite the political challenges associated with the 2010 capital increase, the Obama administration was successful in winning congressional approval. Yet, the legislative decision makers who were convinced of the case are no longer called upon to remain committed to the case just a few years later. As a result, any future effort to win approval for a capital increase will effectively mean starting anew with countless meetings, phone calls, hearings, and documentation.

From Bigger to Smaller

These trends point to a future in which the World Bank as a whole will see a steady decline in shareholder financial support as IDA fundraising declines and the ad hoc nature of capital increases continues. There is some risk that the institution will simply shrink in the absence of ongoing financial support from shareholders. In fact, that was the adopted path for the IBRD following the 2010 capital increase, as reflected in work done for the Development Committee:

> The IBRD has presented a post-crisis lending scenario where *nominal* annual commitments from FY13 onwards return to $15 billion, its average level in *real* terms for the decade prior to the current crisis. This figure is not a demand assessment.… It balances considerations for the expected post-crisis global economic environment, the WBG's [World Bank Group's] vision for its roles in the post-crisis world, and the effort to minimize the burden on shareholder governments and their taxpayers. [italics added][13]

Paradoxically, in the context of a capital *increase*, the bank and its shareholders agreed that the IBRD would shrink in real terms beginning in 2013.[14] Not coincidentally, in this environment many of the World Bank's biggest borrowers, under the auspices of the BRICS, began to talk publicly about a new development institution (the "BRICS Bank"), where the political and financial constraints of nonborrowing members would not be an issue.

And From Smaller Back to Bigger

Yet, just three years after agreement on the capital increase that would shrink the World Bank, the institution's new president Jim Yong Kim has now shifted dramatically to counter the possibility of decline with a host of measures aimed at boosting capital, including cuts to

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[13] "Review of IBRD and IFC Financial Capacities," prepared by staff of the World Bank for the Development Committee, April 24, 2010.

[14] In financial terms, the role of the capital increase was to allow for a smooth transition from high levels of crisis lending ($40 billion annually) to "normal" lending of $15 billion. Absent the new capital, the bank would have been forced to scale back lending abruptly. However, little discussion occurred at the time about the long-term implications of the very modest "once in a generation" capital increase. Although the supporting documentation was clear enough that this was a decision to shrink the institution, this did not feature in the public characterization of the capital increase.

the administrative budget, more fee-for-service business, and higher charges on loans.[15] Absent from this list is any consideration of future capital increases, an oddly self-imposed constraint at a time when bank officials are suggesting informally that they would like to identify enough additional capital to allow for sustainable lending to increase by two-thirds.

It may be possible for the World Bank to pursue measures other than traditional capital increases in order to expand—rather than contract—financially. But vague assertions about new business lines and leveraging the financing of institutional investors and sovereign wealth funds are a reminder that many of these proposals are untested.

Further, measures like budget cutting and higher loan pricing themselves will be made more difficult politically by keeping additional capital off the table. While nonborrowing countries might embrace these measures, the bank's borrowers, who make use of the services that will be squeezed by budget cuts and who will be called upon to pay higher loan charges, will be unhappy that *all* of the bank's shareholders are not being asked to contribute to the capital-raising effort.

World Bank Shareholders, Particularly the Rich Ones, Have the Most to Lose

For the institution, the clear rejection[16] of a capital increase at this stage no doubt reflects some judgment about the political constraints of the nonborrowers. Yet, it is these countries that may have the most to lose from a World Bank that no longer depends on their financial support.

A development institution that no longer looks to its shareholders for financing will also be less beholden to their policy agendas. This carries the greatest risk for the nonborrowers,[17] but it holds for the shareholders as a group. Far more important than the jockeying of individual shareholders to impose their policy agendas, the ability of the bank's members to *collectively* guide a policy agenda will be weakened without a critical mass of routine financing from this group. As a result, not only will the World Bank's shareholders suffer, but the institution itself will suffer. Certainly the problems identified with the proliferation of trust funds[18] within the World Bank demonstrate the downside of the alternative, in which the

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[15] Sandrine Rastello, "World Bank Intends to Boost Lending with Existing Capital," *Bloomberg*, October 25, 2013, www.bloomberg.com/news/2013-10-25/badre-says-world-bank-aims-to-boost-lending-with-current-capital.html.

[16] Sandrine Rastello.

[17] The borrowers, at least the large borrowers, would retain some degree of influence within the bank by virtue of their borrowing. One explanation for China's sustained borrowing from the IBRD (versus technical assistance and knowledge transfer delivered without financially unnecessary borrowing) is that it provides the country a greater degree of political influence within the bank.

[18] Independent Evaluation Group, *Trust Fund Support for Development: An Evaluation of the World Bank's Trust Fund Portfolio* (Washington DC: Independent Evaluation Group [World Bank Group], 2011).

institution pursues new and diverse sources of financing outside of the core governance arrangement.

Consideration of a new global infrastructure facility[19] points the bank further in this direction and highlights the risks of this approach. Infrastructure investment is a core function of the World Bank and responds to a compelling development need in the bank's client countries. But the bank's delivery of "infrastructure" through IDA and IBRD represents a wider range of activities than simply financing individual projects. For example, an IBRD investment in power generation in a country may well be accompanied by a package of renewable energy investments, technical assistance on energy-sector policy, and a set of commitments by the client government to pursue energy subsidy reforms. Too much reliance on new, stand-alone facilities, whether small trust funds or a large-scale global infrastructure facility, jeopardizes the bank's ability to deliver a comprehensive package of assistance in a coherent manner.

Of course, a choice to pursue fundraising through nontraditional channels does not mean a collapse of governance in the World Bank. The bank's resident board of directors serves an important governance function, but it does so with significant shortcomings and would prove a poor substitute for governors-level engagement on funding decisions, whether money for IDA or more capital for the IBRD and IFC. Under current arrangements, the board is largely focused on the day-to-day business of the bank, with much of the agenda taken up by loan and project approvals. In contrast, the attention paid by member-country capitols (typically finance ministries) to decisions about the World Bank's core finances provides a unique focus, independence (from bank management), and discipline to bigger-picture policy discussions.

How Big a Bank?

For the purposes of this essay, *how* the World Bank fundraises, with its governance and structural implications, matters more than *how much* the bank fundraises. The question of how much requires detailed consideration of the external environment, the economic and political dynamics within the bank's borrowing countries, and cost analysis of the broader development goals set by the institution's shareholders.

As I've stated elsewhere,[20] one should be suspicious of multilateral development bank demand analyses, which are highly malleable and tend to be tailored to meet the objectives of the moment. The World Bank's own "bottom-up, country-by-country" forecasts of IBRD borrowing demand pointed to steady-state demand of $15 billion annually as recently as this

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[19] Natasha Brererton-Fukui, "World Bank to Set Up Global Infrastructure Facility," *The Wall Street Journal.* September 6, 2013, http://online.wsj.com/news/articles/SB10001424127887324577304579058660663794356.

[20] Scott Morris, "Verging on Merging at the Inter-American Development Bank," CGD Essay, Center for Global Development, Washington, 2013, www.cgdev.org/publication/verging-merging-inter-american-development-bank.

past spring. Somehow these forecasts precisely matched the sustainable-lending level for the institution given existing capital.

Nonetheless, the World Bank strategy, endorsed by the bank's shareholders, now clearly points to higher lending, possibly as much as $25 billion a year. Having endorsed the strategy, these same shareholders should embrace a growth strategy that keeps their governance role intact by ensuring ongoing financial support. To do so, they will need a different model to work with.

A Bank Resource Review

The World Bank should move now to avoid a growing isolation from its shareholders and a growing divide between the financial ambitions that support its core mission and the reality of its core fundraising channels. Perhaps counterintuitively, the boldest steps in this direction would be to declare IDA-17 the last stand-alone replenishment and, within three years, to lay the groundwork for a new bank-wide resource review (BRR) exercise.

The BRR would be modeled on the IDA replenishment itself, as well as the European Bank for Reconstruction and Development's capital resource review (CRR),[21] an exercise conducted every five years in which the institution's shareholders consider capital adequacy alongside strategic objectives for the subsequent five-year period.

Key elements of the BRR:

- A year-long series of meetings would be held at the governors' deputies level,[22] organized according to the country constituencies represented in the World Bank Governors' Development Committee.
- The meetings would be organized around an overarching prospective strategy for the World Bank Group, with individual sessions focused on discrete policy topics. World Bank management would be charged with generating the substantive papers that would form the basis of discussion and decision making by the governors' deputies.

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[21] European Bank for Reconstruction and Development, "Capital Resources Review," last updated November 15, 2010, www.ebrd.com/pages/about/policies/capres.shtml.

[22] Although the EBRD's CRR provides the clearest model for joining the consideration and approval of a multiyear strategy with consideration of the bank's capital needs, in one key respect the CRR falls short. The EBRD conducts the CRR through a hybrid governance mechanism, defined as a series of "special" meetings of the resident board of directors, to which governors' representatives are invited. The result is an unwieldy and confusing mix of board directors and participants from capitols. During the previous CRR were instances of representatives of the same country offering conflicting views in the same negotiating session.

- The meetings would culminate in a decision by governors at the World Bank annual meetings to adopt a multiyear strategy for the World Bank Group joined with funding decisions for the specified time period across the bank's functions. Funding outcomes could include a sliding scale of support for IDA, as well as additional capital for IBRD and IFC. Of course, it could also mean no additional funding. The long-standing EBRD CRR exercise has only rarely led to capital increases, though the institution has a much narrower geographic and sectoral mandate than the World Bank.
- The Development Committee itself would take on a more robust decision-making role and would effectively be the decision-making body at the culmination of the negotiations.
- Initially, the BRR exercise would work within the World Bank's existing institutional structure, such that governors might decide on a package that is partially an IDA replenishment and partially a capital increase for the other arms of the institution. Over time, the BRR itself might facilitate structural changes within the institution and could certainly accommodate such changes—for example, relying on the IBRD capital model for all borrowing countries, with a less prominent IDA-like grant component where needed.

Key benefits:

- Under the BRR, the World Bank Group would for the first time have a model that joins policy direction and fundraising across all the arms of the institution under a single exercise. The prospect for funding commitments would drive the focus and effort that has defined IDA replenishments while extending the reach across the organization.
- The BRR would be an improvement on the IDA replenishment model in the number and composition of participants. There were 52 donor country and 12 IDA country participants in the last IDA replenishment. Hosting 64 participants in a single policy discussion proves unwieldy in practice, and there is a clear bias in favor of donor-country participants in the composition. The BRR would rely on a far more manageable 25 participants and a composition that is more balanced between borrowers and nonborrowers.[23]
- More flexible fundraising will mean more flexible programming. Long-standing proposals like IDA buy-downs of IBRD lending[24] would be easier to contemplate

23 Although Development Committee representation rotates within constituencies, some of which have a mix of borrowers and nonborrowers, the overall composition is roughly half borrowers and half nonborrowers.

24 Ben Leo, "Leveraging World Bank Resources for the Poorest: IDA Blended Financing Facility Proposal, CGD Working Paper 214, Center for Global Development, Washington, www.cgdev.org/publication/leveraging-world-bank-resources-poorest-ida-blended-financing-facility-proposal-working.

under this "everything on the table" approach to financial contributions. And contentious issues like IFC income transfers to IDA would be far less charged since they would be decided in the context of resource decisions for the entire bank. Over time, the bank under the BRR will be able to adjust its relative resource mix to respond to changes in the composition of external demand. This would reflect both the dynamic of IDA countries becoming IBRD countries and also shifts between sovereign and private-sector finance.

- Under a more flexible, less IDA-focused fundraising model, the bank can potentially boost its own lending significantly without any net increase in shareholder contributions. Consider India, whose annual IDA allocation is about $1.7 billion. Let's assume that India's expected graduation from IDA means a $1.7 billion drop in IDA demand and a $1.7 billion increase in IBRD demand. In the IDA context, $1.7 billion for India can be thought of as a direct draw on donor contributions of roughly the same amount. But in the IBRD, given existing capital leverage, a $1.7 billion capital contribution would mean more than $6 billion in additional lending. Again, IBRD's current sustainable lending level is just $15 billion a year. The simple assumption that donor contributions follow India from IDA to IBRD yields much of the additional capital to support the most ambitious version of the bank's new strategy, not just for India's program but for the IBRD as a whole.
- The BRR would change the mix of contributions from shareholders but would be unlikely to increase the overall burden on shareholders. Consider the United States, which currently provides about $1.4 billion annually to IDA and $187 million to support the IBRD capital increase, a total of about $1.6 billion annually. The five-year pay-in period for the capital increase for the IBRD ends in fiscal year 2016, just a year before a new IDA replenishment. Assuming that India's graduation alone implies a 5 percent cut in the US IDA contribution (or $70 million), combined with a cessation of capital contributions ($187 million), one could expect US support for the World Bank to decline by at least $257 million a year starting in 2017. Under the BRR alternative, the United States (and other shareholders) would be able to consider a range of options for maintaining the $257 million in contributions—that is, maintaining support at prior year levels. Given the relative magnitudes, it is highly unlikely that the bank or other shareholders would be pressing for contributions above this level.
- Further, the BRR would alleviate the budgeting and political challenges shareholders face in accommodating sporadic capital increases. Rather than ad hoc capital contributions that come and go over time, or entirely new requests like the global infrastructure facility, shareholders would face a stable annual commitment to the World Bank, the mix of which might vary from BRR to BRR but would be unlikely to increase in absolute terms over time given the additional leverage that a long-term shift from IDA to IBRD provides. A single contribution to the World Bank, used for various purposes and various countries, would be less politically challenging than separate contributions to IDA and IBRD (with clear lines drawn between low-income and middle-income countries) have been historically.

- The BRR would yield benefits that extend beyond the World Bank. Already, the IDA replenishment conversation provides benefits to the international community distinct from discussions in other aid forums. IDA has long represented a collective decision-making model around the largest single pool of grant funds for development. The unique discipline provided by questions of how to spend these funds arguably yields benefits different from more abstract conversations in other forums. The BRR would represent a scaling up of this model, with broader application.