Leveraging World Bank Resources for the Poorest: IDA Blended Financing Facility Proposal

Benjamin Leo

Abstract

With the Millennium Development Goals deadline only five years away, the international donor community faces significant challenges due to the global economic crisis, record government deficits, and simultaneous funding requests from nearly every multilateral development institution. This paper proposes a new World Bank financing model for creditworthy emerging economies, such as India and Vietnam, which currently receive billions of dollars in IDA assistance. In contrast to the current IDA-centric financing model, the IBRD would provide the same loan volumes to qualifying emerging economies while IDA would provide grant subsidies to buy down the concessionality level of these IBRD loans. As such, these countries would be held harmless both in terms of aid volumes and lending terms. By better leveraging the IBRD's balance sheet for loan capital, IDA then could re-allocate what it otherwise would have provided to emerging economies. For the current IDA-15 replenishment period, this would mean up to $7.5 billion in additional assistance for the world's poorest, most vulnerable countries. In relative terms, this would entail a 30 percent increase over existing levels. Of this, African countries would have received an additional $5.5 billion in IDA assistance. If donor governments find a way to scrape together increased contributions to IDA, then the allocation pie would grow by an even larger margin. The Inter-American Development Bank already successfully utilizes a similar approach for its lower middle-income and low-income country clients. It is time for World Bank shareholders to seriously consider the same resource-maximizing model. With the IDA-16 replenishment and IBRD general capital increase negotiations currently underway, they have an excellent window of opportunity to implement this win-win-win approach.

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I. OVERVIEW

With the Millennium Development Goal (MDG) deadline only five years away, developing countries are making a final push to achieve their ambitious development targets. However, they currently face several significant headwinds in the fallout of global economic crisis. First, economic growth has slowed substantially in most developing countries. This has put pressure on economic activity, income levels, and government spending for social programs. Second, many donor countries are experiencing pressure on development assistance budgets due to their own economic contractions and sizable stimulus programs. Moreover, donors currently are confronted with simultaneous replenishments of nearly every multilateral concessional finance window[1] as well as general capital increase requests from nearly every multilateral non-concessional finance window.[2] In this environment, it is highly unlikely that donors will be able to continue mobilizing significant increases in contribution levels for those multilateral institutions providing loans and grants to low-income countries.

Against this challenging backdrop, donor governments and international financial institutions (IFIs) should examine innovative approaches to mobilizing increased development financing for low-income countries. Specifically, this paper outlines a proposal for the World Bank to implement a new approach – the IDA Blended Financing Facility. Through this proposed facility, the International Development Association (IDA) would provide grant subsidies to buy down the concessionality level of International Bank for Reconstruction and Development (IBRD) loans to qualifying "blend" and "hardened" term countries. By doing so, IDA would free up significant amounts of financing for the poorest countries while the World Bank would maintain existing assistance volumes and associated concessionality levels for slightly better off countries. The Inter-American Development Bank (IaDB) successfully utilizes a similar approach for its lower middle-income and low-income country clients. If this proposed approach was applied during the IDA-15 replenishment period, the poorest countries could have received up to $7.5 billion in additional IDA assistance while qualifying "blend" and "hardened" term countries would have maintained overall assistance volumes and associated loan concessionality levels.

II. IDA APPROACHING A CROSSROADS

IDA is approaching an interesting crossroads in terms of its geographic focus, scale, and clientele profile. Increasingly, recipient countries are becoming bifurcated into two distinct groups. The majority of its clients in Eastern Europe, Central Asia, and South Asia now enjoy access to the IBRD and international credit markets and are moving toward graduation from IDA altogether. Relatedly, these countries' are more advanced in terms of development results and have significantly lower vulnerabilities and needs. On the other hand, most recipient countries in Sub-Saharan Africa continue to have significant development challenges and vulnerabilities.

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[1] Examples include: the International Development Association (IDA), African Development Fund (AfDF), Asian Development Fund (AsDF), and International Fund for Agricultural Development (IFAD).

[2] Examples include: the International Bank for Reconstruction and Development (IBRD), African Development Bank (AfDB), Asian Development Bank (AsDB), and Inter-American Development Bank (IaDB).

By illustration, this paper examines a number of development and institutional performance indicators across IDA classification groups, including: (1) the World Bank Country Policy and Institutional Assessment (CPIA); (2) income per capita; (3) life expectancy; (4) percentage of the population living on less than $1.25 a day; (5) the percentage of the population that lacks access to an improved water source; (6) primary education completion rates; and (7) child mortality rates. For comparative purposes, average scores for lower- and upper- middle income IBRD-eligible countries are included as well. As figure 1 illustrates, IDA-only countries exhibit significantly greater development challenges, needs, and vulnerabilities. Compared to blend countries, their average life expectancy is 20 percent lower and the percentage of the population living on less than $1.25 a day is nearly twice as large. Blend and hardened term countries actually exhibit strong similarities to lower-middle income countries, which is consistent with their prospects for graduating from IDA assistance in the near- to medium-term.[3]

Figure 1 – Comparative Indicators by IDA and IBRD Classification

Country Group	CPIA Score	Income Per Capita	Life Expectancy	% of Population < $1.25 Day	% of Population w/o Improved Water Source	Primary Education Completion Rate	Under-5 Mortality Rate *(per 1,000)*
IDA Eligible							
IDA-Blend	3.61	3,057	69	25.9	12.6	91.7	42.0
Hardened Terms	3.65	2,451	66	22.6	15.7	86.5	71.9
IDA-Only	3.20	733	57	48.4	34.1	65.1	120.1
IBRD							
Upper Middle Income	4.10	6,399	71	12.1	6.8	97.7	24.7
Lower Middle Income	3.72	2,774	70	16.5	12.6	89.8	65.2

Source: World Bank and UN Human Development Index data with author calculations

Given this stark contrast, several donor countries have pressed IDA to focus a greater percentage of its scarce financing resources on the poorest countries with relatively higher needs (i.e., IDA-only countries). Several options have been explored in recent years. A few European donors have proposed that IDA's performance-based allocation (PBA) formula specifically incorporate measures of vulnerability and/or development needs, which *ceteris paribus* would increase IDA allocations for more vulnerable countries.[4] By extension, countries with lower needs or vulnerabilities would receive smaller IDA allocations on a relative basis. While many other IDA donors recognize the pressing needs and vulnerabilities in most IDA-only countries, they have raised strong concerns about potentially reducing the PBA system's weighting of institutional performance.

Another option is to further reduce the concessionality level of IDA credits for blend and hardened term countries. In February 2010, World Bank management proposed that IDA harmonize its credit terms for blend and hardened term countries with those offered by the Asian

[3] As more blend and hardened term countries graduate to the IBRD, sub-Saharan African will account for the overwhelming majority of IDA-eligible countries. If the former countries are excluded, Africa would account for roughly two-thirds of all IDA-eligible countries. A sizable share of the remaining non-African countries would be small countries with relatively modest IDA programs. Several key exceptions include Afghanistan, Bangladesh, and Nepal; all of which likely will continue to have sizable IDA envelopes and development programs.

[4] According to IDA's existing performance-based allocation system, country assistance envelopes are based upon: (1) institutional performance (as measured by the Country Policy & Institutional Assessment and IDA portfolio performance); (2) population size; and (3) income per capita. See www.worldbank.org/ida for details.

Development Fund. [5] [6] In this manner, IDA would provide credits with a maturity of either 25 or 30 years with a five year grace period. These terms would entail a grant element of roughly 35 to 40 percent.[7] At its core, this proposal would accelerate the credit repayment period for blend and hardened term countries, which could then be re-distributed to all IDA eligible countries in the future. However, the real impact of this change would materialize over the medium- to long-term (i.e., in 10 years or more) due to the grace period and credit amortization profile. As such, it would not address the immediate financing constraints for poorer countries with relatively higher development needs and/or vulnerabilities.

This paper proposes an alternative approach for IDA donors' consideration – namely the IDA Blended Financing Facility.

III. IDA BACKGROUND

IDA Overview and Country Eligibility: IDA is one of the largest sources of development assistance for the world's poorest countries. It provides concessional loans (referred to as credits) as well as grants for debt vulnerable countries. Currently, seventy-nine countries are eligible for IDA assistance.[8] Since its inception, IDA has provided over $234 billion in financing to low-income countries[9] – averaging roughly $14 billion annually in recent years. Approximately half of IDA resources are channeled to African countries.

IDA Resource Mobilization: IDA is funded largely through donor contributions on a rolling three-year basis - referred to as replenishments. Since its inception in 1960, IDA replenishment resources have increased from $1 billion to over $42 billion during the IDA-15 replenishment period (July 2008 - June 2011). This translates to an increase of approximately 8 percent per year in real financial terms**.**[10] During the IDA-15 replenishment, donor contribution commitments totaled approximately $25 billion – or about 60 percent of the total replenishment envelope. The largest donor contributors to IDA include: the United Kingdom, United States, Japan, Germany, France, Canada, Italy, Spain, the Netherlands, and Sweden. IDA also receives net income transfers from the IBRD and International Finance Corporation (IFC) as well as borrower repayments of previously provided credits.[11]

Credit Terms: IDA offers different credit terms based upon income level and creditworthiness (see figure 2 below). First, IDA-blend terms are offered to countries that have access to IBRD

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[5] IDA (2010), *A Review of IDA's Long Term Financial Capacity and Financial Instruments*.

[6] Three IDA-blend countries located in Asia (India, Pakistan, and Vietnam) were projected to receive approximately 95 percent of all IDA blend term borrowing. As such, World Bank management proposed to harmonize IDA's blend terms with those offered by the Asian Development Fund.

[7] According to IDA, this would have freed up between $1.6 billion and $2 billion during the IDA-15 replenishment period for IDA-only countries.

[8] The following countries have inactive IDA programs largely due to loans arrears: Myanmar, Somalia, Sudan, and Zimbabwe.

[9] IDA (2010), *A Review of IDA's Long Term Financial Capacity and Financial Instruments*.

[10] IDA (2010), *A Review of IDA's Long Term Financial Capacity and Financial Instruments*.

[11] Twenty-three countries have graduated from IDA. Many of these countries, such as China, continue to provide significant repayments to IDA. An additional eleven countries graduated from IDA, but then become re-eligible for IDA assistance at a later date (reverse graduation).

loans, but are below IDA's operational income cutoff.[12] [13] Second, IDA extends "hardened" terms to countries that exceed the operational income cutoff for two consecutive years.[14] Third, "hard" terms are available for blend countries with a per-capita income below the operational cutoff and an active IBRD borrowing program. IDA utilizes a relatively small portion of its total available resources for "hard" term lending.[15] Lastly, regular credit terms (IDA-only) are provided to countries that do not meet IBRD creditworthiness criteria, are below the operational income cutoff, and are not at risk of experiencing debt distress. Appendix I contains a complete country classification list. As noted previously, IDA is actively considering an adjustment of its respective blend and hardened terms, which would harmonize them with those offered by the Asian Development Fund.

Figure 2 – Current IDA Credit Terms[16]

Terms	Maturity	Grace Period	Service Charge	Grant Element
IDA-Only Terms	40	10	0.75%	65%
IDA-Blend Terms	35	10	0.75%	60%
Hardened Terms	20	10	0.75%	47%
Hard Terms	35	10	3.20%	33%

Source: IDA

IDA-15 Assistance Volumes: During the IDA-15 Replenishment period, IDA projected that blend and hardened term countries would receive roughly 28 percent[17] and 6 percent, respectively, of the total available performance-based allocation envelope.[18] Of these categories, the largest recipients are: India, Pakistan, and Vietnam – which IDA estimated would receive roughly SDR 7.1 billion (approximately $11 billion). IDA-only countries were projected to receive the remaining roughly two-thirds in the form of credits and grants. Figure 3 below provides an overview of notional IDA-15 assistance levels for blend and hardened term countries.

[12] The FY10 IDA operational cutoff is $1,135 (in 2008 GNI per capita terms).

[13] Currently, IDA classifies 14 countries as so-called "blends" – Armenia, Azerbaijan, Bosnia-Herzegovina, Cape Verde, Dominica, Georgia, Grenada, India, Pakistan, St. Lucia, St. Vincent & the Grenadines, Uzbekistan, Vietnam, and Zimbabwe. Zimbabwe is considered a notional blend country since it no longer has access to IBRD loans due to its arrears status and overall lack of creditworthiness.

[14] The following countries receive "hardened" credit terms: Angola, Armenia, Azerbaijan, Bhutan, Bolivia, Bosnia-Herzegovina, Republic of Congo, Georgia, Guyana, Honduras, Moldova, and Sri Lanka. Several countries fall under both "blend" and "hardened" term categories, such as: Armenia, Azerbaijan, Bosnia-Herzegovina, and Georgia. In this event, IDA provides "hardened" terms to the respective country.

[15] IDA reduces grant assistance volumes to countries at risk of debt distress by 20 percent to offset administrative costs and ensure greater equity between IDA recipients in net present value terms. During the IDA-15 Replenishment Agreement, IDA shareholders agreed that 7 percent (of the total 20 percent grant volume reduction) would be made available for "hard" term lending. In practice, India and Pakistan are the largest recipients of these terms.

[16] As of September 2008. Grant element calculations based on IDA's website tool (see http://siteresources.worldbank.org/IDA/Resources/GrantElementCalculator.htm).

[17] IDA capped the assistance volumes for India and Pakistan at 18 percent of the total IDA-15 envelope. Without a cap, India alone would receive roughly 60 percent of all available IDA assistance based upon its population size, income level, and country performance rating.

[18] A portion of IDA resources are provided outside its regular performance-based allocation system, such as: arrears clearance grants and funding for regional projects.

Figure 3 – Projected IDA-15 Assistance for Blend and Hardened Term Countries[19]

		IDA-15 Envelope *(projected)*	
Country	**IDA Terms**	**SDR Millions**	**USD Millions**
Angola	Hardened	156	238
Armenia	Hardened	112	171
Azerbaijan	Hardened	160	244
Bhutan	Hardened	21	32
Bolivia	Hardened	114	174
Bosnia-Herzegovina	Hardened	74	113
Cape Verde	Blend	22	34
Congo, Republic of	Hardened	52	79
Dominica	Blend	3	5
Georgia	Hardened	147	224
Grenada	Blend	4	6
Guyana	Hardened	7	11
Honduras	Hardened	153	233
India	Blend	2,830	4,314
Moldova	Hardened	74	113
Pakistan	Blend	1,800	2,744
Papua New Guinea	Blend	67	103
Sri Lanka	Hardened	440	671
St. Lucia	Blend	7	10
St. Vincent	Blend	5	8
Uzbekistan	Blend	146	223
Vietnam	Blend	2,497	3,807
Zimbabwe	Blend*	10	15
TOTAL		**8,901**	**13,569**

Source: IDA 2007

V. IDA BLENDED FINANCING FACILITY

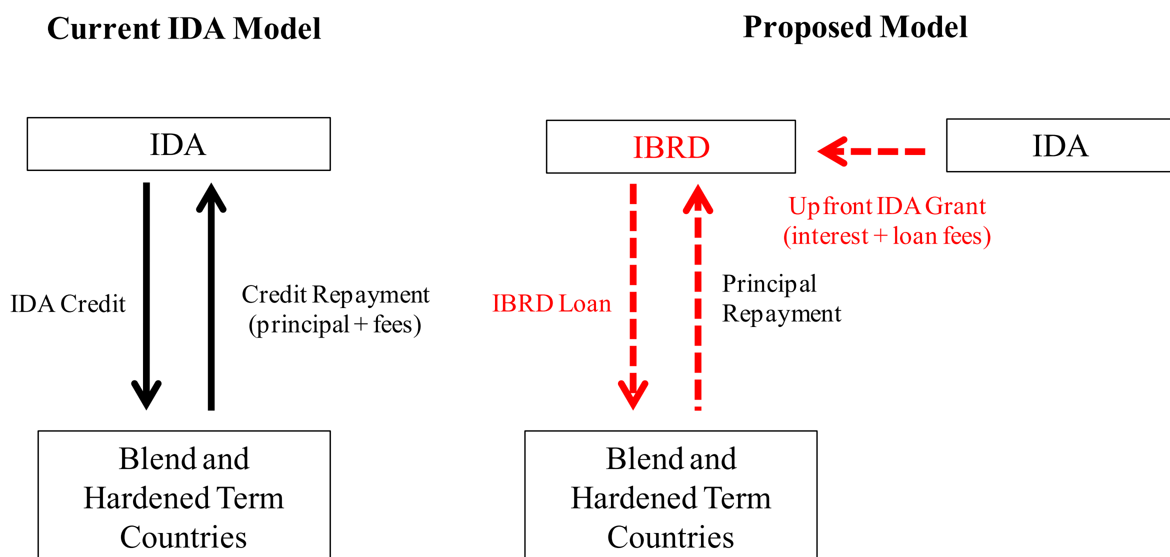
This paper proposes that the World Bank implement a new financing structure for IDA blend and hardened term countries. This approach is based on three guiding principles: (1) maintain the PBA's current institutional performance weighting; (2) maintain overall assistance volumes and concessionality terms for relatively better off countries (i.e., blend and hardened term countries); and (3) dramatically increase assistance volumes for IDA-only countries with greater development needs and/or vulnerabilities.

Operational Modalities: First, IDA would determine the projected replenishment envelopes for all eligible countries, including blend and hardened term countries. This would not entail any changes to its current resource allocation approach. However, the projected resource envelope for qualifying blend and hardened term countries would be met through IBRD non-concessional loans – instead of IDA credits. In this manner, blend and hardened term countries would receive

[19] Source: IDA (2007). *IDA's Performance Based Allocation System: Simplification of the Formula and Other Issues"*. All projected IDA-15 assistance envelopes are denominated in Special Drawing Rights (SDRs) and converted to U.S. Dollars at the agreed IDA-15 exchange rate of 1.52448. As noted previously, several countries are classified as both a blend and hardened term country (Armenia, Azerbaijan, Bosnia-Herzegovina, and Georgia). For the purposes of this paper, these countries are classified as hardened term countries.

the same assistance volume as under IDA's current methodology. The key difference is that the terms extended would be non-concessional. Third, the IDA Blended Financing Facility would provide grant resources to cover blend and hardened term countries' IBRD loan charges and interest payments. More specifically, IDA would provide an upfront grant that is equivalent to the net present value of these charges and interest payments over the life of the loan. In turn, blend and hardened term countries would be responsible only for providing IBRD loan principal repayments. The central benefit is shifting the loan capital requirements from IDA to the IBRD, which has the effect of freeing up scarce IDA resources for countries with greater needs and/or vulnerabilities. Appendix II includes graphical illustrations of the IDA-15 resource flow implications by IDA term classification (i.e., blend, hardened term, and IDA-only).

Figure 4 – Operational Structure: Current Versus Proposed Approach



IBRD Loan Terms: The IBRD offers a number of customized financing terms to meet its clients' needs. First, the IBRD Flexible Loan allows borrowers to customize the repayment terms (i.e. grace period, repayment period and amortization profile) to meet debt management or project needs. Final maturity can be up to 30 years, including grace period. The Flexible Loan interest rate is reset semi-annually based on the six-month LIBOR plus a variable or a fixed spread.[20] In addition, a one-time front-end fee of 0.25 percent of the loan amount is charged at the beginning of the project. In addition, the IBRD offers a fixed rate single currency loan with maturities of six, nine, and twelve years.[21] As of December 2009, the interest rate was 3.88 percent for a fixed single current loan with a grace period of 3 years and a maturity of 12 years.[22] Moreover, the IBRD offers a number of hedging products to manage financial risks, such as: currency swaps, interest rate conversions and swaps, interest rate caps and collars, and commodity swaps.

Grant Element Projections: The IDA Blended Financing Facility is designed to ensure that the IBRD/IDA financing structure has roughly the same overall grant element as IDA blend and

[20] IBRD Flexible Loans are available in U.S. Dollars, Euros, and Japanese Yen.
[21] Fixed rate single currency loans are offered in U.S. Dollars and Euros.
[22] These terms would imply a grant element of approximately 12 percent.

hardened term credits. This paper estimates the blended grant element implications for IBRD loans with a maturity of 20 and 30 years (see figure 5 below). These estimates are based on the following assumptions: (1) London Inter-Bank Offered Rate (LIBOR) of 1.80 percent[23]; (2) IBRD flexible fixed loan terms[24]; (3) IBRD loan disbursement profile of three years[25]; (4) three year grace period; and (5) a discount rate of 5.30 percent[26]. For a $100 million IBRD flexible fixed rate loan with a 30 year maturity, borrower repayments would total roughly $150 million in nominal terms – of which, $50 million would be interest payments and fees. Applying the 5.30 percent discount rate, this loan would have a grant element of roughly 31 percent. An IBRD flexible fixed spread loan with a 20 year maturity would have a grant element of 26 percent. Under the proposed approach, IDA would provide an upfront grant equivalent to the interest payments and front-end fee in NPV terms. For the 30 year IBRD loan, this grant would total $29 million for every $100 million in new lending. For the 20 year IBRD loan, the IDA grant would total $24 million. Put differently, IDA would save 71 cents and 76 cents of every dollar currently provided to blend and hardened term countries. These savings would be even greater if IDA harmonizes its credit terms for blend and hardened term countries with those of the Asian Development Bank.[27]

Figure 5 – Estimated Grant Element of Blended IBRD/IDA Financing

IBRD Loan Terms	Volume	Grant Element	Interest Payment/Fees (*nominal terms*)	IDA Grant Volume (*NPV adjusted*)	Blended Grant Element
30 Year Fixed Spread	100	31%	50	29	60%
20 Year Fixed Spread	100	26%	36	24	50%

<u>Blend and Hardened Term Borrower Creditworthiness</u>: This approach requires that the IBRD will consider blend and hardened term countries as creditworthy borrowers. Clearly, not all countries will meet this litmus test – even with IDA covering projected interest payments and fees. Moreover, not all blend countries will meet this test – despite the fact that their IDA classification is based upon IBRD creditworthiness. Figure 6 below provides a summary of blend countries' active IDA/IBRD projects. Importantly, the IBRD has provided loans to only six blend countries since 2008 (Armenia, Azerbaijan, Bosnia-Herzegovina, Georgia, India, and Pakistan). India and Azerbaijan dominate IBRD borrowing volumes – accounting for almost 93

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[23] Equivalent to the average 6-month LIBOR between July 2008 and December 2009. The rate was 0.44 percent during March 2010. This paper uses a historical figure as a more conservative estimate. See the Interest Rate Sensitivity Analysis section for alternative LIBOR scenarios.

[24] As of January 2010, the IBRD offered flexible fixed loans denominated in US Dollars with a maturity of between 14 and 30 years with an interest rate set at LIBOR plus 1.05 percent. Based on the average LIBOR rate in 2009, this would entail an IBRD interest rate of 2.85 percent. The IBRD also applies a front-end fee of 0.25 percent of the total loan amount, which is charged at the beginning of the project. See IBRD (2010), *Major Terms and Conditions of the IBRD Flexible Loan.*

[25] For simplicity, this paper assumes that loan disbursements are spread evenly over three years. In reality, IBRD average loan disbursement profiles likely will be longer – especially for development projects. As such, this approach utilizes a conservative assumption.

[26] Based upon the average US Dollar denominated CIRR rate between August 2009 and February 2010 (equal to 4.05 percent) plus a 1.25 percent discount rate margin. Differentiated discount rate margins and historical CIRRs can be found on the OECD website (www.oecd.org).

[27] As noted previously, this would reduce the grant element of IDA credits for blend and hardened term countries. By extension, the required IDA subsidy would be lower to maintain the grant element of the blended financing operation.

percent of total active projects. For IDA, three countries (India, Pakistan, and Vietnam) account for over 94 percent of overall lending volumes to blend countries. While Pakistan has been a blend country for over a decade, the IBRD still accounts for less than 20 percent of the total IDA/IBRD lending volume. The picture is even starker since 2008 – with IBRD lending commitments accounting for roughly 10 percent. As Vietnam only became an IDA blend country in 2009, the IBRD has not yet approved any new financing. However, IBRD lending volumes to Vietnam are expected to grow significantly over the coming years based upon its growth and debt sustainability prospects.

Figure 6 – IDA-Blend Borrowing: Active IBRD/IDA Projects[28]

	Active IBRD/IDA Projects			IBRD/IDA Commitments Since 2008		
Country	**IBRD**	**IDA**	**Total**	**IBRD**	**IDA**	**Total**
Armenia	138	273	411	138	80	218
Azerbaijan	1,631	377	2,008	1,123	193	1,315
Bosnia-Herzegovina	130	207	337	130	30	160
Cape Verde	0	35	35	0	5	5
Dominica	0	1	1	0	0	0
Georgia	275	194	469	275	60	335
Grenada	4	14	18	0	7	7
India	12,991	7,572	20,563	7,187	2,856	10,043
Pakistan	703	3,048	3,751	174	1,456	1,629
Papua New Guinea	40	82	122	0	17	17
St. Lucia	7	13	20	0	3	3
St. Vincent & Grenadines	7	7	13	0	0	0
Uzbekistan	55	317	372	0	217	217
Vietnam	0	5,180	5,180	0	1,871	1,871
Total	**15,980**	**17,320**	**33,300**	**9,026**	**6,794**	**15,820**

Source: World Bank

While only blend countries currently are eligible for IBRD lending, some hardened term countries may be deserving borrowers under the proposed blended financing approach. As such, this paper examines a number of relevant creditworthiness indicators for both blend and hardened term countries, including: (1) gross national income per capita; (2) country credit rating[29]; (3) external indebtedness ratios; and (4) foreign reserves.[30] In addition, figure 7 below examines whether countries' external indebtedness indicators breach their respective World Bank/IMF Debt Sustainability Framework (DSF) debt distress thresholds.[31] Eleven of the 15

[28] As of April 2010.
[29] Based on foreign currency denominated ratings by Standard & Poor's and Moody's.
[30] Appendix II includes additional macroeconomic variables for IDA blend and hardened term countries.
[31] The World Bank/IMF Debt Sustainability Framework applies debt distress thresholds based upon respective countries' CPIA scores and external indebtedness ratios. For "strong" performing countries (CPIA score greater than 3.75), the relevant thresholds are: (1) NPV external debt-to-GDP ratio of 50 percent; (2) NPV external debt-to-export ratio of 200 percent; and (3) debt service-to-export ratio of 25 percent. For "medium" performing countries (CPIA score greater than 3.25 and less than 3.75), the relevant thresholds are: (1) NPV external debt-to-GDP ratio of 40 percent; (2) NPV external debt-to-export ratio of 150 percent; and (3) debt service-to-export ratio of 20 percent. For "poor" performing countries (CPIA score less than 3.25), the relevant thresholds are: (1) NPV external debt-to-GDP ratio of 30 percent; (2) NPV external debt-to-export ratio of 100 percent; and (3) debt service-to-export ratio of 15 percent.

blend countries' external debt ratios currently are below their respective DSF threshold. In contrast, four blend countries (Dominica, Grenada, Pakistan, and Zimbabwe) breach at least one of their respective DSF thresholds. Only one hardened term country (Bhutan) breaches its respective DSF threshold. In addition, the Republic of Congo received extensive debt relief under the Heavily Indebted Poor Country (HIPC) Initiative and Multilateral Debt Relief Initiative (MDRI) in January 2010, which largely explains its low external indebtedness ratios. This suggests that these six countries are not prospective candidates for the proposed blended financing approach at this time.

Figure 7 – Debt Sustainability Indicators, IDA Blend and Hardened Term Countries

				External Debt Sustainability Indicators				DSF Risk Profile
Country	**IDA Terms**	**GNIPC**	**Credit Rating (S&P and Moody's)**	**External Debt-to-GDP**	**External Debt-to-Exports**	**Debt Service-to-Exports**	**Foreign Reserves (*in months of imports*)**	**Debt Distress Threshold Breach**
Angola	Hardened	3,450	n.a.	24.6	32.6	4.1	4.9	No
Armenia	Blend	3,350	n.a./Ba2	31.1	92.2	5.8	5.1	No
Azerbaijan	Blend	3,830	BB+/Ba1	17.5	26.0	1.0	5.3	No
Bhutan	Hardened	1,900	n.a.	68.4	166.0	15.0	11.3	Yes
Bolivia	Hardened	1,460	B-/B2	14.0	46.0	5.0	24.2	No
Bosnia-Herzegovina	Blend	4,510	B+/B2	39.0	95.4	8.4	5.3	No
Cape Verde	Blend	3,130	B+/n.a.	38	120.0	5.5	2.6	No
Congo, Republic	Hardened	1,970	n.a.	18.0	27.0	2.0	11.9	No
Dominica	Blend	4,770	n.a.	57.5	146.0	14.6	3.1	Yes
Georgia	Blend	2,470	B/n.a.	23.8	82.3	6.2	4.1	No
Grenada	Blend	5,710	B-/n.a.	70.1	269.3	12.0	3.5	Yes
Guyana	Hardened	1,420	n.a.	39.7	-	2.4	5.0	No
Honduras	Hardened	1,800	B	10.8	21.9	1.7	4.4	No
India	Blend	1,070	BBB-/Baa3	19.5	81.6	9.0	9.7	No
Moldova	Hardened	1,470	-	21.6	60.7	4.7	3.3	No
Pakistan	Blend	980	B-	30.5	219.4	9.0	2.9	Yes
Papua New Guinea	Blend	1,010	B+/Ba2	15.2	19.2	4.1	4.7	No
Sri Lanka	Hardened	1,780	B	34.0	105.0	10.0	2.2	No
St Lucia	Blend	5,530	n.a.	37.3	73.7	10.4	3.5	No
St Vincent	Blend	5,140	n.a.	35.8	122.2	18.5	-	No
Uzbekistan	Blend	910	n.a.	12.5	30.2	5.0	12.1	No
Vietnam	Blend	890	BB	17.0	22.0	4.0	4.1	No
Zimbabwe	Blend	330	n.a.	183.1	320.1	19.7	1.8	Yes
AVERAGE	-	**2,560**	-	**37.3**	**99.0**	**7.7**	**6.1**	-
Blends	-	*2,909*	-	*41.9*	*114.6*	*8.9*	*4.8*	-
Hardened Terms	-	*1,976*	-	*27.3*	*65.6*	*6.1*	*8.9*	-
Recent IDA Graduates								
Albania (FY08)	IBRD	4,090	n.a.	17.6	62.4	5.0	4.3	-
China (FY99)	IBRD	3,259	A+/A1	11.0	26.0	2.0	15.0	-
Egypt (FY99)	IBRD	2,162	BB+/Ba1	18.3	54.5	5.0	6.1	-
Indonesia (FY08)	IBRD	2,239	BB-/Ba2	29.4	135.1	13.0	6.0	-
Macedonia (FY02)	IBRD	4,657	BB/n.a.	51.0	98.5	9.0	4.6	-
Serbia (FY07)	IBRD	6,782	BB-/n.a.	76.0	276.1	14.0	7.7	-
AVERAGE	-	**3,865**	-	**33.9**	**108.8**	**8.0**	**7.3**	-
w/o China		*3,986*	-	*38.5*	*125.3*	*9.2*	*5.7*	-
Potential IDA Facility Countries		**2,575**	-	**24.5**	**64.4**	**6.5**	**6.4**	-

Source: IMF staff reports, Standard & Poor's, Moody's, and World Bank

Figure 7 above also includes creditworthiness indicators for countries that graduated from IDA assistance over the last decade. These countries have approximately $17 billion in active IBRD projects – and nearly $11 billion in IBRD loan commitments since 2008 (see figure 8 below). Importantly, the prospective candidates for the proposed blended financing approach[32] exhibit

[32] The following countries would be prospective candidates: Angola, Armenia, Azerbaijan, Bolivia, Bosnia-Herzegovina, Georgia, Honduras, India, Moldova, Papua New Guinea, Sri Lanka, St. Lucia, St. Vincent, Uzbekistan, and Vietnam.

comparable creditworthiness indicator performance as these IDA graduate countries – especially if China is excluded.

Figure 8 – Active IBRD Projects and Lending Commitments, Recent IDA Graduates

Country	Active Projects	Commitments Since 2008
Albania (FY08)	132	86
China (FY99)	8,509	4,023
Egypt (FY99)	2,702	2,050
Indonesia (FY08)	4,900	3,805
Macedonia (FY02)	332	185
Serbia (FY07)	615	448
Total	**17,189**	**10,598**

Source: World Bank

Projected IDA Resource Savings: During the IDA-15 replenishment period, the 16 aforementioned blend and hardened term countries potentially eligible for the IDA Blended Financing Facility approach were projected to receive 26 percent of the total available assistance envelope. If the IBRD provided the projected lending capital for these countries – coupled with upfront IDA grants to cover interest payments and loan charges – IDA would have retained roughly SDR 4.9 billion ($7.5 billion) of its available IDA-15 resources for the poorest, most vulnerable countries.

Figure 9 – Proposed IDA Blended Financing Facility, Estimated IDA-15 Savings

Terms	Target Grant Element	IDA-15 Envelope *(SDR Millions)*	Grant Buydown Ratio *(in NPV terms)*	Required IDA Grant Envelope	IDA-15 Savings *(SDR Millions)*
IDA-Blend	60%	5,432	29%	1,579	3,852
Hardened Terms	47%	1,357	24%	321	1,036
TOTAL	-	**6,789**	-	**1,900**	**4,889**

If these estimated savings were re-allocated to IDA-only countries based upon the performance-based allocation system, African countries could have received an additional $5.5 billion in assistance during the IDA-15 period. Importantly, IDA-15 assistance volumes for HIPCs would have increased by over $4.6 billion. These additional flows would be more than enough to address the MDRI netting out issue, which IDA Deputies currently are considering in the IDA-16 replenishment negotiation.[33] Moreover, post conflict countries and countries re-engaging with IDA after a prolonged hiatus would have received an additional $1.1 billion. Appendix IV provides the notional country-by-country simulation impact if the estimated savings were re-allocated to IDA-only countries.

[33] Under the MDRI agreement, IDA gross assistance volumes to MDRI beneficiary countries are reduced by the amount of debt service forgiveness provided during the respective replenishment period. These assistance volumes are then re-allocated to IDA-only countries through the performance-based allocation system. For some MDRI beneficiaries, this so-called netting out has reduced gross IDA assistance volumes substantially. As such, IDA management has proposed a number of policy options, such as declaring a moratorium on the MDRI netting out during the IDA-16 replenishment period.

Debt Service Profile: One important consideration is the debt service impact for qualifying blend and hardened term countries. Given the shorter IBRD loan grace period, recipient countries would begin making principal payments sooner than with corresponding IDA blend and hardened term credits. This has the effect of shifting the loan amortization profile forward (see figure 10 below). Appendix V includes graphical debt service comparisons for: (1) an IDA blend term loan and the blended IBRD/IDA structure with a 30 year maturity; and (2) and IDA hardened term loan and the blended IBRD/IDA structure with a 20 year maturity. IMF and World Bank staff would need to examine the impact of debt service profile shifts in the context of countries' periodic debt sustainability analyses.

Figure 10 – Debt Service Comparison, Current IDA Credits and Blended Loans[34]

Loan Terms	Years 1-5	Years 6-10	Years 11-20	Years 21-30	Years 31-40
IDA Blend Terms	1.4	3.5	32.0	54.8	26.0
Blended 30 Year Loan	7.4	18.5	37.0	33.3	0.0
Differential	6.0	15.0	5.0	(21.5)	(26.0)
IDA Hardened Terms	1.4	3.5	103.4	0.0	0.0
Blended 20 Year Loan	11.7	29.4	58.9	0.0	0.0
Differential	10.3	25.9	(44.5)	0.0	0.0

Source: World Bank Group and author calculations

Interest Rate Sensitivity Analysis: A second related consideration is the potential impact of interest rate fluctuations over time. While IBRD flexible loans offer a fixed interest rate margin (so-called risk premium), the underlying interest rate is based on variable six-month LIBOR levels. As such, LIBOR fluctuations would impact the overall interest rate profile of the respective loan. As of March 2010, the six-month LIBOR was 0.44 percent. Between 2000 and 2010, the six-month LIBOR averaged approximately 3.13 percent. Appendix VI illustrates the impact of different LIBOR sensitivity scenarios on: (1) IBRD loan grant elements; and (2) required IDA grant buy-down figures.[35] Importantly, the IDA grant buy-down ratio would remain robust even if the six-month LIBOR reverted to its 2000-2009 average level of 3.13 percent. Under this scenario, the projected IDA-15 envelope savings available for re-allocation to IDA-only countries still would have been SDR 4 billion ($6.1 billion).

IBRD Capital and Loan Loss Provisioning Impact: A third consideration will be the impact on IBRD resource and loan loss provisioning requirements. The ultimate resource requirements will depend upon the IBRD's determination of country creditworthiness. Nonetheless, additional IBRD market borrowing and donor capital subscriptions will be necessary to implement this

[34] Based on a $100 million loan. IBRD debt service figures are based on its repayment profile calculator tool (see http://treasury.worldbank.org/bdm/htm/Repayment_Profile_Calculator.html). IDA blend credit term figures are based on: (1) grace period of 10 years; (2) principal repayments of 2.5 percent annually between years 11-20 and 5 percent annually between years 21-35; and (3) service fee of 0.75 percent of the total outstanding credit balance. IDA hardened credit term figures are based on: (1) grace period of 10 years; (2) principal repayments of 10 percent annually between years 11-20; and (3) a service fee of 0.75 percent of the total outstanding credit balance.

[35] The U.S. Dollar denominated CIRR would increase with higher LIBOR levels. This would raise the respective discount rate used to determine the loan's overall grant element, thereby limiting the impact on required IDA grant buy-down figures. However, this paper maintains the discount rate of 5.30 percent for conservative purposes.

proposed approach. Currently, there is a window of opportunity to address these issues since shareholders are actively considering an IBRD general capital increase. The IBRD also will need to carefully consider loan loss provisioning (LLP) requirements. The IBRD's LLP guidelines and country-specific provisioning are not publicly available. As figure 7 illustrated, the creditworthiness profile of prospective blend and hardened term countries is similar to those countries that graduated from IDA assistance over the last decade. Nonetheless, the loan volumes envisioned under this proposal likely would have a negative impact on the IBRD's overall portfolio. However, this would not impact the IBRD's AAA credit rating or overall financial integrity.

IDA Financial Integrity: A fourth consideration is the impact on IDA reflows over time. Under the proposal, IDA would forego principal and interest payments by shifting from traditional credits for blend and hardened term countries to upfront grants to increase the concessionality of the blended financing operation. At its core, this entails a tradeoff between: (1) maximizing IDA resources for the poorest and most vulnerable countries *now*; and (2) maximizing IDA's projected credit reflows over the next four decades. The latter rationale is based upon the premise that many countries will require IDA assistance for an additional two or three generations. As such, donors should not undermine its self-sustaining financial capacity. To offset this potential concern, IDA could utilize a highly concessional loan instead of a grant to increase the grant element of the blended financing operation.[36] The IaDB utilizes this approach for its low-income country borrowers (see section VI). While this would provide IDA with additional recycled resources for beneficiary countries 40 years in the future, it also would require a larger credit volume to buy-down the concessionality level of the blended financing operation.

VI. INTER-AMERICAN DEVELOPMENT BANK PRECEDENT

In 2007, the IaDB implemented a number of ambitious measures that reformed its approach to providing assistance to low-income countries.[37] Traditionally, the IaDB's concessional finance window – the Fund for Special Operations (FSO) – solely provided concessional loans to eligible countries.[38] Under its new approach, the IaDB provides blended financing to low-income countries to leverage the scarcity of available FSO concessional resources. The IaDB's non-concessional window – Ordinary Capital (OC) – provides market-based loans with a maturity of 30 years to FSO-eligible countries.[39] In turn, the FSO provides loans with a 90 grant element to increase the overall concessionality level of the blended operation.[40] The ratio between these two financing sources is designed to meet specific concessionality level targets based upon

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[36] For example, IDA could provide a credit with a 40 year maturity, minimal service charge, and a bullet payment in year 40. This would entail a grant element of greater than 90 percent.
[37] This included 100 percent debt relief for the following Heavily Indebted Poor Country (HIPC) Initiative countries: Bolivia, Guyana, Haiti, Honduras, and Nicaragua. As the region's most vulnerable country, the FSO committed to provide $50 million annually in grant assistance to Haiti between 2007 and 2009.
[38] Old FSO loans had a 40 year maturity, 10 year grace period, interest rate of 1 percent from years 1-10 and 2 percent thereafter, and a commitment fee of 0.50 percent. Most recently, these loans had a grant element of approximately 55 percent.
[39] The following countries are eligible for FSO assistance: Bolivia, Guyana, Haiti, Honduras, and Nicaragua.
[40] The reformed FSO loans have a maturity of 40 years, interest rate of 0.25 percent, and a bullet payment in the final year of the loan.

income criteria (see figure 11 below). In 2009, the IaDB provided $716 million its low-income country recipients. Of this, the FSO provided $228 million in concessional loans or grants while the OC provided $488 million in non-concessional loans. Through this blended approach, the IaDB was able to provide greater than three times the assistance volume to low-income countries than otherwise possible if only FSO resources were utilized.[41]

In addition, the IaDB provides blended financing for its lower middle-income country borrowers.[42] Specifically, the FSO provides annual grant transfers to a separate entity – the Intermediate Financing Facility (IFF) – which, in turn utilizes the resources to buy-down OC loan interest rates. Through these two blended financing approaches, the IaDB ensures that countries' financing terms gradually transition over time as its income per capita level increases. While this paper only proposes new blended financing for blend and hardened term countries, the World Bank could pursue a more gradual and nuanced approach similar to the IaDB's approach.

Figure 11 – Financing Terms for IaDB Borrowers

Income Category	Financing Source (%)	Borrower Examples	Grant Element
Middle-Income	OC (100%)	Brazil, Colombia	~20%
Lower Middle-Income	FSO/IFF (20%), OC (80%)	El Salvador, Suriname	28%
Upper Low-Income	FSO (50%), OC (50%)	Bolivia, Honduras	35%
Lower Low-Income	FSO (70%), OC (30%)	Guyana, Nicaragua	51%
Fragile State	FSO Grants (100%)	Haiti	100%

Source: IaDB

VII. CONCLUSION

This paper outlines an innovative financing model for the World Bank's low-income borrowers. The blended approach achieves three central objectives: (1) maintain IDA's existing performance-based allocation system; (2) maintain assistance volumes and overall concessionality levels for IDA blend and hardened term countries; and (3) dramatically increase IDA assistance for the world's poorest and most vulnerable countries. Moreover, it addresses donors' budgetary burdens and inability to continue providing substantial IDA contribution increases. If applied during the IDA-15 replenishment period, IDA-only countries would have received up to $7.5 billion in additional resource flows. Of this, African countries would have received roughly $5.5 billion. This financing would have a dramatic impact on poor countries' final push to achieve their MDG targets – especially as their own government budgets have declined due to the global economic crisis. With the IDA-16 replenishment and IBRD general capital increase negotiations currently underway, World Bank shareholders have an excellent window of opportunity to implement this win-win-win approach.

[41] This assumes that the FSO does not mobilize additional resources through a donor replenishment.
[42] Currently, Ecuador, El Salvador, Guatemala, Paraguay and Suriname are eligible for IFF subsidies.

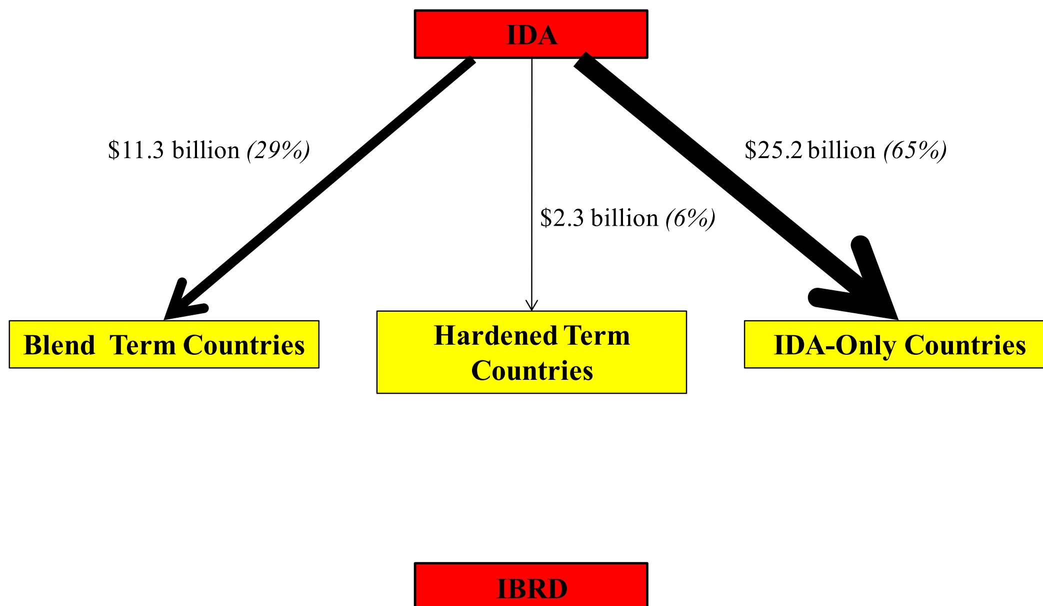
IDA Term Classification by Country[43]

Country	IDA Status	Country	IDA Status	Country	IDA Status
Afghanistan	IDA-Only	Georgia	Hardened/Blend	Nigeria	IDA-Only
Angola	Hardened	Ghana	IDA-Only	Pakistan	Blend
Armenia	Hardened/Blend	Grenada	Blend	Papua New Guinea	Blend
Azerbaijan	Hardened/Blend	Guinea	IDA-Only	Rwanda	IDA-Only
Bangladesh	IDA-Only	Guinea-Bissau	IDA-Only	Samoa	IDA-Only
Benin	IDA-Only	Guyana	IDA-Only	Sao Tome and Principe	IDA-Only
Bhutan	Hardened	Haiti	IDA-Only	Senegal	IDA-Only
Bolivia	Hardened	Honduras	Hardened	Sierra Leone	IDA-Only
Bosnia-Herzegovina	Hardened/Blend	India	Blend	Solomon Islands	IDA-Only
Burkina Faso	IDA-Only	Kenya	IDA-Only	Sri Lanka	Hardened
Burundi	IDA-Only	Kiribati	IDA-Only	St. Lucia	Blend
Cambodia	IDA-Only	Kyrgyz Republic	IDA-Only	St. Vincent & Grenadines	Blend
Cameroon	IDA-Only	Laos	IDA-Only	Sudan	IDA-Only
Cape Verde	Blend	Lesotho	IDA-Only	Tajikistan	IDA-Only
Central African Republic	IDA-Only	Madagascar	IDA-Only	Tanzania	IDA-Only
Chad	IDA-Only	Malawi	IDA-Only	Timor-Leste	IDA-Only
Comoros	IDA-Only	Maldives	IDA-Only	Togo	IDA-Only
Congo - DRC	IDA-Only	Mali	IDA-Only	Tonga	IDA-Only
Congo, Republic of	Hardened	Mauritania	IDA-Only	Uganda	IDA-Only
Cote d'Ivoire	IDA-Only	Moldova	Hardened	Uzbekistan	Blend
Djibouti	IDA-Only	Mongolia	IDA-Only	Vanuatu	IDA-Only
Dominica	Blend	Mozambique	IDA-Only	Vietnam	Blend
Eritrea	IDA-Only	Nepal	IDA-Only	Yemen, Republic of	IDA-Only
Ethiopia	IDA-Only	Nicaragua	IDA-Only	Zambia	IDA-Only
Gambia, The	IDA-Only	Niger	IDA-Only	Zimbabwe	Blend

Source: IDA

[43] Liberia is an IDA-only country. However, it is excluded from this paper due to lack of relevant World Bank data, such as CPIA scores.

IDA-15 Status Quo: Country Allocation by Term Grouping



Note – Arrows are drawn to scale
Figures in parentheses indicate the group's percentage of IDA-15 resources

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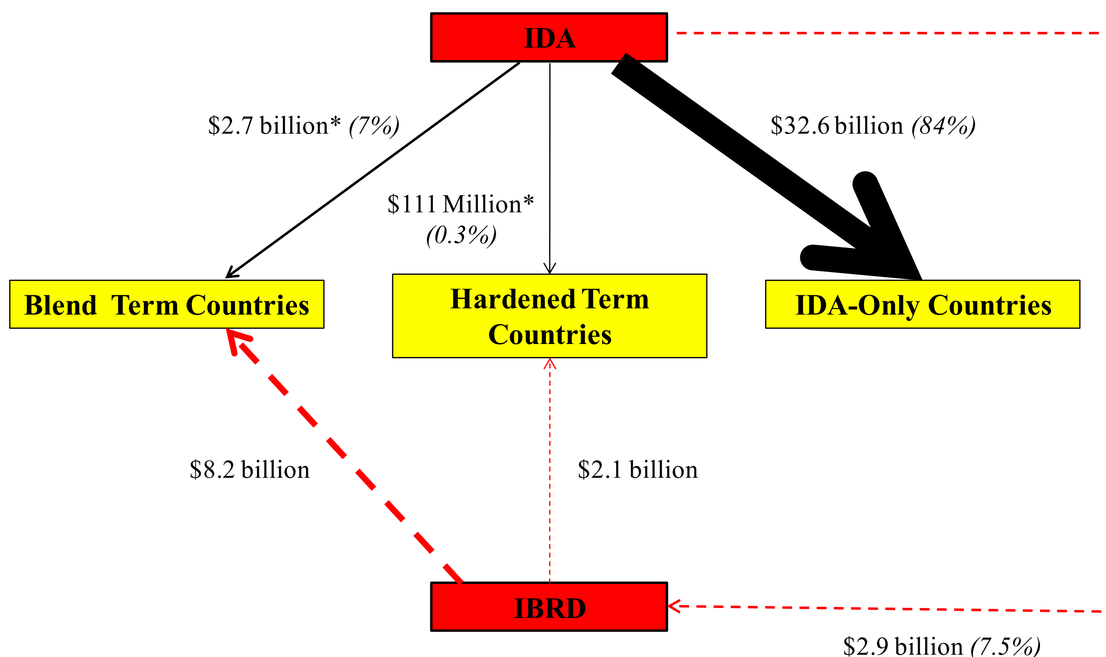
IDA-15 Blended Financing Facility: Country Allocation by Term Grouping



Note – Arrows are drawn to scale
Figures in parentheses indicate the group's percentage of IDA-15 resources
* Six blend or hardened term countries would receive regular IDA assistance due to ineligibility for the proposed Facility

IDA Blend and Hardened Term Countries – Select Creditworthiness Indicators

Country	IDA Terms	GNIPC	Credit Rating (S&P and Moody's)	External Debt Sustainability Indicators				DSF Risk Profile	Other Macroeconomic Variables			
				External Debt-to-GDP	External Debt-to-Exports	Debt Service-to-Exports	Foreign Reserves (*in months of imports*)	Debt Distress Threshold Breach	Current Account Balance (% of GDP)	Fiscal Balance (% of GDP)	Govt Revenue (% of GDP)	Inflation
Angola	Hardened	3,450	n.a.	24.6	32.6	4.1	4.9	No	-3.4	-4.8	38.0	14.0
Armenia	Blend	3,350	n.a./Ba2	31.1	92.2	5.8	5.1	No	-13.7	-7.5	20.0	3.0
Azerbaijan	Blend	3,830	BB+/Ba1	17.5	26.0	1.0	5.3	No	19.6	6.3	46.2	2.2
Bhutan	Hardened	1,900	n.a.	68.4	166.0	15.0	11.3	Yes	-3.1	2.2	35.9	7.0
Bolivia	Hardened	1,460	B-/B2	14.0	46.0	5.0	24.2	No	1.1	2.0	34.6	4.3
Bosnia-Herzegovina	Blend	4,510	B+/B2	39.0	95.4	8.4	5.3	No	-8.8	-0.1	47.3	0.9
Cape Verde	Blend	3,130	B+/n.a.	38	120.0	5.5	2.6	No	-18.5	-9.1	23.8	1.5
Congo, Republic	Hardened	1,970	n.a.	18.0	27.0	2.0	11.9	No	-14.6	7.3	36.8	39.2
Dominica	Blend	4,770	n.a.	57.5	146.0	14.6	3.1	Yes	-32.4	-4.1	29.3	1.8
Georgia	Blend	2,470	B/n.a.	23.8	82.3	6.2	4.1	No	-16.3	-9.4	26.6	1.2
Grenada	Blend	5,710	B-/n.a.	70.1	269.3	12.0	3.5	Yes	-28.0	-4.1	29.3	1.4
Honduras	Hardened	1,800	B	10.8	21.9	1.7	4.4	No	-9.1	-1.5	25.2	5.9
India	Blend	1,070	BBB-/Baa3	19.5	81.6	9.0	9.7	No	-2.2	-8.0	20.7	8.7
Moldova	Hardened	1,470	-	21.6	60.7	4.7	3.3	No	-11.8	-0.2	37.8	10.0
Pakistan	Blend	980	B-	30.5	219.4	9.0	2.9	Yes	-5.1	-4.9	14.1	20.8
Papua New Guinea	Blend	1,010	B+/Ba2	15.2	19.2	4.1	4.7	No	-6.7	-2.0	27.1	8.2
Sri Lanka	Hardened	1,780	B	34.0	105.0	10.0	2.2	No	-1.2	7.8	15.7	4.6
St Lucia	Blend	5,530	n.a.	37.3	73.7	10.4	3.5	No	-16.0	-4.1	29.3	2.2
St Vincent	Blend	5,140	n.a.	35.8	122.2	18.5	-	No	-29.5	-4.1	29.3	4.2
Uzbekistan	Blend	910	n.a.	12.5	30.2	5.0	12.1	No	7.3	2.0	39.6	12.5
Vietnam	Blend	890	BB	17.0	22.0	4.0	4.1	No	-9.7	-4.7	27.2	7.0
Zimbabwe	Blend	330	n.a.	183.1	320.1	19.7	1.8	Yes	-21.4	-3.8	27.3	9.0
AVERAGE	-	2,612	-	37.2	99.0	8.0	6.2	-				
Blends	-	*2,909*	-	*41.9*	*114.6*	*8.9*	*4.8*	-	*-12.1*	*-3.8*	*29.1*	*5.6*
Hardened Terms	-	*1,976*	-	*27.3*	*65.6*	*6.1*	*8.9*	-	*-6.0*	*1.8*	*32.0*	*12.2*

Proposed IDA Blended Financing Facility: Simulated IDA-15 Re-Allocation Impact for IDA-Only Countries[44]

Country	IDA-15 Baseline	IDA-15 Adjusted	Differential	Differential
	(SDR millions)			(USD millions)
Afghanistan	405	521	117	178
Bangladesh	2,563	3,272	708	1,079
Benin	136	181	45	68
Burkina Faso	385	496	111	170
Burundi	329	425	95	146
Cambodia	143	181	38	58
Cameroon	183	242	59	89
Central African Republic	48	68	20	31
Chad	20	28	8	12
Comoros	6	6	1	1
Congo - DRC	840	1,085	245	373
Cote d'Ivoire	289	373	84	128
Djibouti	10	12	2	3
Eritrea	42	52	10	15
Ethiopia	1,505	1,925	420	641
Gambia, The	11	15	4	7
Ghana	856	1,124	268	408
Guinea	53	71	18	28
Guinea-Bissau	10	13	2	4
Haiti	127	168	41	62
Kenya	797	1,016	219	334
Kiribati	6	6	0	0
Kyrgyz Republic	77	97	20	30
Laos	75	94	19	29
Lesotho	44	56	11	17
Madagascar	495	652	157	240

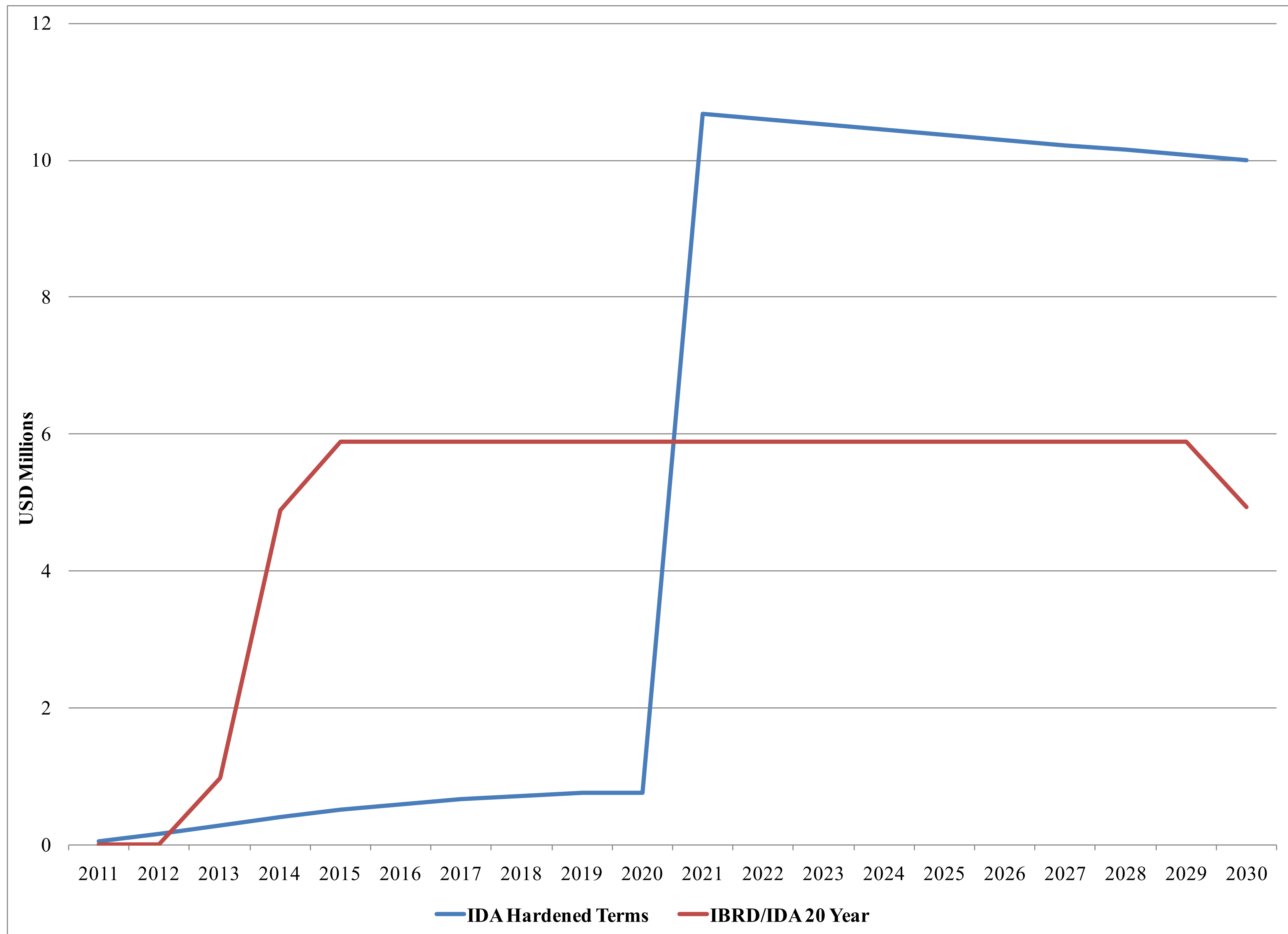
Country	IDA-15 Baseline	IDA-15 Adjusted	Differential	Differential
	(SDR millions)			(USD millions)
Malawi	282	365	83	127
Maldives	11	12	2	3
Mali	243	323	80	122
Mauritania	22	33	11	17
Mongolia	43	53	11	16
Mozambique	458	600	142	216
Nepal	351	445	94	143
Niger	228	295	67	102
Nigeria	1,914	2,442	528	805
Rwanda	217	277	60	91
Samoa	11	11	0	0
Sao Tome and Principe	4	5	0	1
Senegal	165	235	71	108
Sierra Leone	41	53	12	19
Solomon Islands	6	6	1	1
Sudan	74	93	19	29
Tajikistan	53	66	13	20
Tanzania	1,149	1,495	346	528
Timor-Leste	18	22	3	5
Togo	407	528	121	185
Tonga	5	5	0	1
Uganda	723	953	230	350
Vanuatu	8	9	1	1
Yemen, Republic of	284	361	77	117
Zambia	178	240	62	94

Country Groupings	IDA-15 Differential	
	USD Millions	Percentage Change
Sub-Saharan Africa	5,506	30%
Other Regions	1,726	27%
o/w Bangladesh	*1,079*	*28%*
Post Conflict	845	29%
Reengaging	277	31%
HIPCs	4,617	30%

[44] This simulation is based upon the author's re-creation of the IDA performance-based allocation system. It utilizes the methodology updated during the IDA-15 period. While every effort was made to ensure consistency with IDA's actual allocation system, undoubtedly there will be country-specific variations compared to IDA's internally generated and authoritative figures. Given this, all figures provided are purely notional.

Debt Service Profile Comparison: Existing IDA Blend Term Credit and Proposed Blended IBRD/IDA Financing

Debt Service Profile Comparison: Existing IDA Hardened Term Credit and Proposed Blended IBRD/IDA Financing



Appendix VI

LIBOR Sensitivity Analysis: IDA Blended Financing Facility & Estimated IDA-15 Savings

LIBOR Scenario	6-Month LIBOR	IBRD Loan Grant Element	IBRD/IDA Blended Target Grant Element	IDA-15 Envelope *(Status Quo)*	Required IDA Grant *(% of IBRD Loan)*	Required IDA-15 Grant Envelope	IDA-15 Savings *(SDR Millions)*
IDA Blend Countries - IBRD 30 Year Fixed Spread Loan							
Baseline Scenario (July 2008 - Dec 2009)	1.80%	31%	60%	5,432	29%	1,580	3,852
#1 Low-Case (January 2009 - March 2010)	0.99%	39%	60%	5,432	21%	1,131	4,301
#2 Historic Rate (2000-2009)	3.13%	18%	60%	5,432	43%	2,317	3,115
IDA Hardened Term Countries - IBRD 20 Year Fixed Spread Loan							
Baseline Scenario (July 2008 - Dec 2009)	1.80%	26%	47%	1,357	24%	321	1,036
#1 Low-Case (January 2009 - March 2010)	0.99%	33%	47%	1,357	17%	229	1,128
#2 Historic Rate (2000-2009)	3.13%	16%	47%	1,357	35%	470	887

LIBOR Scenarios	IDA-15 Savings			
	Blend Countries	Hardened Term Countries	Total *(SDR Millions)*	Total *(USD Millions)*
Baseline Scenario (July 2008 - Dec 2009)	3,852	1,036	4,889	7,453
#1 Low-Case (January 2009 - March 2010)	4,301	1,128	5,429	8,276
#2 Historic Rate (2000-2009)	3,115	887	4,002	6,101