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IDA16 Mid-Term Review

Capping MDRI Netting Out: Implementation Experience

IDA Resource Mobilization Department
Concessional Finance and Global Partnerships

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I. Introduction

1. **This paper responds to a request from IDA Deputies that IDA Management report on the implementation experience of capping the Multilateral Debt Relief Initiative (MDRI) netting out** at 30 percent of IDA countries' gross Performance Based Allocations (PBA) at the IDA16 Mid-Term Review (MTR).[1] The paper is organized as follows. Section II provides background information on the rationale for the MDRI netting out and the agreement that was reached during the IDA16 replenishment negotiations to cap the MDRI netting out at 30 percent; section III summarizes the implementation experience during FY11-13 and the projected long term impact between IDA16 and IDA21, particularly with respect to allocations to the Fragile and Conflict-Affected Countries (FCCs); and section IV presents the projected impact of eliminating the MDRI netting out relative to the current mechanism. Section V concludes the paper and sets out issues for discussion.

II. Background

2. **IDA countries that benefit from debt relief under the MDRI are subject to reductions in their IDA allocations through the MDRI netting out mechanism**. MDRI debt relief affects IDA countries' allocations through a two-step process as part of the Performance Based Allocation system. In the first step, an MDRI-eligible country's annual foregone debt service is deducted from its annual gross allocations determined by the PBA. In the second step, compensatory donor resources that IDA receives in lieu of the debt service are then reallocated through the PBA system to all IDA-only countries, including those that do not receive MDRI debt relief.

3. **The MDRI netting out was agreed as a means to reduce moral hazard and promote equity of treatment among all IDA countries**. Concerns over moral hazard arose from the possibility that countries benefiting from the increased domestic flows resulting from debt relief would not change borrowing behavior, potentially re-accumulating unsustainable debt levels if there were no adverse consequences from past over-borrowing. The equity-of-treatment principle emphasizes that low-income countries that did not accumulate excessive external debt should also benefit from the compensatory resources that donors provide to IDA for MDRI debt relief.

4. **The equity and moral hazard principles underlying MDRI are implemented through the two-step MDRI netting out mechanism**. The gross allocation reductions from deduction help address moral hazard concerns, while the reallocations of the compensatory resources help ensure all IDA-only countries benefit from these donor resources. However, as a result of the netting out mechanism, a few non-MDRI IDA countries gain significantly from increases to their IDA allocations, while some MDRI IDA countries receive limited IDA allocations, making engagement in these countries more challenging.

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[1] IDA (2011), "Additions to IDA Resources: Sixteenth Replenishment - IDA: Delivering Development Results," p. 38.

5. **The MDRI netting out mechanism has had a severe adverse allocation impact on some of the poorest countries**. As shown in an IDA15 MTR paper and an IDA16 replenishment paper,[2] under full MDRI netting out, IDA allocations to some MDRI recipients would be reduced significantly over the IDA15 to IDA20 period, resulting in IDA allocations falling to negligible levels or even zero in some countries (e.g., Chad, -100 percent; Guyana, -79 percent; and Guinea, -76 percent). Many of the adversely affected countries are FCCs that are most in need of additional development aid. In these situations, IDA would be unable to provide new resources, and its presence on the ground—including through policy dialogue and knowledge and diagnostic work—would hence be significantly reduced. This would in turn negatively impact IDA's ability to play a leadership and coordinating role (i.e. "platform" role) that both IDA donors and recipients expect in many adversely affected countries, undermining aid coordination and effectiveness. The MDRI netting out mechanism has also had an asymmetric impact on country allocations, with a much stronger impact in adversely affected countries than benefiting countries. Moreover, contrary to the objectives agreed under IDA15 to simplify the PBA formula and increase transparency,[3] the MDRI netting out process increased the complexity of the PBA system by adding additional steps and decreased transparency, complicating the dialogue around country performance and allocations with relevant stakeholders.

6. **In recognition of these issues, Deputies requested Management to examine several options to reform the MDRI netting out during the IDA16 replenishment discussions**. In particular, Deputies requested Management to seek a better balance between the preservation of the principles of MDRI on the one hand, and the mitigation of the negative allocation consequences of the MDRI netting out on the other. It was also emphasized that the reform options should address the asymmetric country impact and enhance support to FCCs. After careful examination of several options presented by Management, Deputies endorsed a change to the MDRI netting out mechanism with effect from FY11, whereby the amount deducted as foregone debt service from an eligible country's gross annual PBA allocation would be capped at 30 percent of such gross PBA allocation. This mechanism was intended as a means to reduce the impact on those countries most affected by the MDRI netting out while at the same time retaining IDA's equity-of-treatment and moral hazard principles for eligible countries. Furthermore, Deputies requested Management to provide a review of implementation experience at the time of the IDA16 Mid-Term Review.

III. Implementation Experience with the MDRI Netting Out With 30 Percent Cap

7. **The modified MDRI netting out mechanism with a 30 percent capping has been implemented since FY11 in IDA annual allocation exercises**. This required introducing an additional step in the MDRI netting out process in the PBA. While the modified mechanism has delivered significant benefits to some MDRI recipients, it is clear that the netting out policy continues to have adverse allocation impacts on many IDA countries, including some FCCs with

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[2] See IDA (2009), "Options for Reducing the Impact of MDRI Netting Out on New IDA Country Allocations," October; and IDA (2010), "Mitigating the Impact of the MDRI Netting Out on New IDA Country Allocations: Additional Options," February.

[3] IDA (2008), "Additions to IDA Resources: Fifteenth Replenishment -IDA: The Platform for Achieving Results at the Country Level," February, p. 2.

relatively low allocations, and the mechanism continues to have the unintended consequence of reducing or even distorting the performance incentive in the PBA, especially for MDRI recipients that are stronger performers. The continued adverse effects on the allocations of some countries and the Bank's ability to engage effectively as a result remain a concern for IDA Management. Some shareholders have raised similar concerns. For example, in a recent discussion of the Interim Strategy Note for FY12-13 for Togo (a country negatively affected by the MDRI netting out), Board members noted the limited IDA envelope and encouraged Management to seek other resources.

8. **The capping of the MDRI deduction at 30 percent of a country's gross PBA allocations has helped cushion allocation reductions for MDRI recipients in aggregate**. During FY11-13, nine MDRI countries benefited from the 30 percent capping in deducting the debt service foregone, and the total allocation reductions from these MDRI recipients decreased by about 36 percent (or a total of SDR200 million in three years). In particular, the capping helps avoid having zero or negligible IDA allocations to two re-engaging countries (Central Africa Republic and Togo) during IDA16, and this allows IDA to continue some level of support for their development efforts and maintain progress in reducing poverty and improving other MDGs in fragile environments. The seven other countries (Bolivia, Guyana, Haiti,[4] Honduras, Madagascar, Mauritania and Senegal) benefited from the capping for a total of SDR160 million over three years.[5] In addition, the long term projections indicate that about 20 IDA countries would benefit from this capping between IDA16 and IDA21. Thus, the modified MDRI netting out mechanism has helped ensure that at least a minimum level of IDA allocations can be provided for IDA to maintain engagement with all MDRI recipients, and this in turn helps prevent potential reversal of the hard-won progress achieved in these countries in recent years.[6]

9. **The net benefits from the modified netting out mechanism remain asymmetric, continuing to accrue to a few countries**. During FY11-13, the top four beneficiaries (Bangladesh, Ethiopia, Kenya and Nigeria[7]) of the modified MDRI netting out mechanism captured 79 percent of the net gains even though they are already among the top recipients of IDA allocations. Projections between IDA16 and IDA21 indicate that the top three beneficiaries of the mechanism are likely to be Bangladesh (SDR106 million per year), Kenya (SDR54 million per year) and Ethiopia (SDR47 million per year), which capture 62 percent of the net gains, while the other 23 countries account for the remaining 38 percent. Such a high concentration of the benefits demonstrates that the capping mechanism has not been sufficiently effective in terms of addressing the asymmetric impact of the MDRI netting out.

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4 Haiti benefited from the 30 percent capping in FY11. For IDA16, it has received an exceptional allocation from the Crisis Response Window to address the impact of the 2010 earthquake, and this allocation is not subject to netting out.

5 See Annex Table 1 for country level details in FY11-13.

6 For details on the impact of capping MDRI deductions at 30 percent of gross PBA allocations as compared to full MDRI netting out, see IDA (2010) "Mitigating the Impact of MDRI Netting Out: A Follow-up Note," March; and IDA (2010) "Mitigation the Impact of MDRI Netting Out on New IDA Country Allocations: Additional Options," February.

7 Nigeria is projected to lose the eligibility to receive redistribution of the MDRI compensatory resources and cease to be a net beneficiary of MDRI netting out from IDA17 onward.

10. **While the 30 percent capping has helped cushion reductions in the aggregate, netting out continues to significantly reduce the PBA allocations to MDRI recipients, with adverse effects concentrated in countries with lower allocations**. The gross PBA allocations are based on balanced considerations of the performance and needs of IDA countries, but allocation reductions due to the MDRI netting out disproportionately affect countries with lower allocations and high forgiven debt service. Meanwhile, the beneficiary impact is more moderate and favors countries with higher allocations. As a result, the impact relative to country allocations tends to be more pronounced in the adversely affected countries (see Figure 1). For example, 19 countries will still face significant allocation reductions from 10 to 30 percent in IDA16-21. In contrast, the positive country-level impact is more dispersed relative to the total allocations of the beneficiaries, ranging from 1 (Nigeria) to 13 percent (Yemen) in the same period. Therefore, the modified MDRI netting out still does not sufficiently address the asymmetric country impact.

Table 1: Projected changes from the gross PBA allocations due to MDRI netting out with 30 percent capping
(Annual average, SDR million and %)

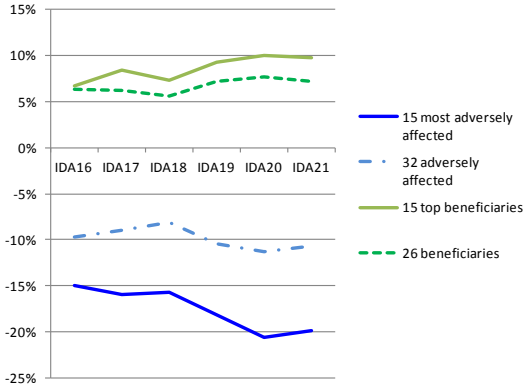
	IDA16	IDA17	IDA18	IDA19	IDA20	IDA21	Average (SDRm)	Average (% of gross allocation)
FCCs								
Congo, Republic of	-2.6	-3.4	-3.4	-5.2	-5.4	-5.4	-4.2	-26%
Guinea	-5.0	-6.4	-8.2	-6.8	-6.6	-6.6	-6.6	-19%
Côte d'Ivoire	-15.7	-18.2	-16.4	-13.6	-13.1	-13.1	-15.0	-19%
Togo	-5.2	-5.9	-7.4	-6.3	-6.0	-6.0	-6.1	-19%
Comoros	-1.0	-0.7	-0.8	-0.8	-0.7	-0.7	-0.8	-18%
Central African Republic	-2.8	-3.1	-3.2	-2.6	-2.3	-2.8	-2.8	-17%
Chad	1.1	-3.8	-4.8	-4.1	-3.9	-4.0	-3.2	-15%
Haiti[1/]	0.0	-5.6	-6.4	-5.2	-5.0	-5.0	-4.5	-15%
Non-FCCs								
Honduras	-15.9	-21.0	-26.5	-26.6	-26.7	-26.8	-23.9	-30%
Guyana	-1.8	-2.1	-2.4	-2.4	-2.4	-2.4	-2.3	-29%
Mauritania	-3.6	-4.5	-5.6	-4.8	-4.6	-4.6	-4.6	-19%
Gambia, The	-2.5	-2.5	-3.9	-3.2	-3.1	-3.0	-3.0	-18%
Madagascar	-17.6	-20.9	-23.1	-25.7	-24.8	-24.9	-22.8	-18%
Ghana	-25.1	-50.4	-52.9	-79.0	-111.7	-105.5	-70.8	-17%
Zambia	-15.3	-14.3	-15.7	-23.1	-22.2	-22.3	-18.8	-17%
15 most adversely affected [2/]	-113.1	-162.9	-180.7	-209.3	-238.5	-233.1	-189.6	-20%
32 adversely affected[2/]	-238.7	-266.6	-300.1	-385.9	-416.1	-389.8	-332.9	-13%
Memo items:								
15 most adversely affected under full netting out[2/]	-157.0	-222.9	-253.5	-340.5	-374.4	-339.6	-281.3	-36%
32 adversely affected under full netting out[2/]	-283.1	-305.2	-346.2	-471.1	-513.3	-469.5	-398.1	-20%
Sub-Saharan African countries	-53.7	-99.3	-118.0	-182.7	-191.1	-190.8	-139.3	-2%
Excluding Ethiopia, Kenya, and Nigeria	-184.2	-200.7	-216.0	-284.9	-306.0	-311.8	-250.6	-6%
All FCCs	-7.0	-6.9	-14.1	17.9	18.0	-1.3	1.1	0.1%
of which, post-conflict and re-engaging countries	-17.2	-18.7	-27.3	-5.9	-2.9	-21.0	-15.5	-3%

1/ Haiti receives an exceptional allocation from the Crisis Response Window in IDA16 and is not subject to the MDRI netting out.

2/ Data are based on projections using FY13 allocation parameters, and the set of countries differs slightly from the top 15 adversely affected and 29 affected countries presented in IDA(2009) and IDA(2010), which were based on FY10 allocation parameters.

11. **Going forward, the negative impact on IDA assistance to the adversely affected countries is likely to worsen over time even under the current MDRI netting out mechanism with the 30 percent capping** (see Figure 1). Total gross allocations to the 15 most adversely affected countries—12 of which are located in Sub-Saharan Africa (SSA)—are still projected to decline by about -15 percent in IDA16 to -20 percent in IDA20 and level off somewhat in IDA21. In contrast, the allocation increase for the 15 top beneficiaries is less than half in magnitude in the same period, ranging from 7 to 10 percent. At the country level, the adverse impact is more significant, and more countries would encounter the adverse impact, with the number of countries with allocation reductions of 10 percent or more increasing from 16 in IDA16 to 22 in IDA21, whereas only eight countries would benefit from allocation increases of more than 10 percent in the same period.

Figure 1: Much stronger impact in adversely affected countries than in benefiting countries (percent of gross allocation)



12. **The aggregate adverse impact on IDA allocations to some of the poorest IDA country groups remains significant, especially in light of their development needs**. IDA countries in SSA are projected to lose gross PBA allocations from SDR54 million to SDR191 million a year between IDA16 and IDA21 (Table 1), and the adverse impact is projected to occur in 27 countries, of which 12 are FCCs (e.g., Central African Republic, Côte d'Ivoire and Togo). In addition, excluding the three large net beneficiaries (Ethiopia, Kenya and Nigeria), the allocation loss in SSA will double or triple in this period, ranging from SDR184 million to SDR312 million per year, further highlighting the asymmetric impact within the region. At the same time, the SSA region faces substantial poverty reduction challenges and is the region that has the furthest to go to reach the Millennium Development Goals. For example, the number of poor people living under US$2 per day in SSA IDA countries is projected to increase from about 540 million in 2008 to 700 million in 2025.[8] Similarly, recent studies find that infrastructure investment and maintenance in Africa alone are estimated to be about US$93 billion a year, or 15 percent of the region's GDP.[9]

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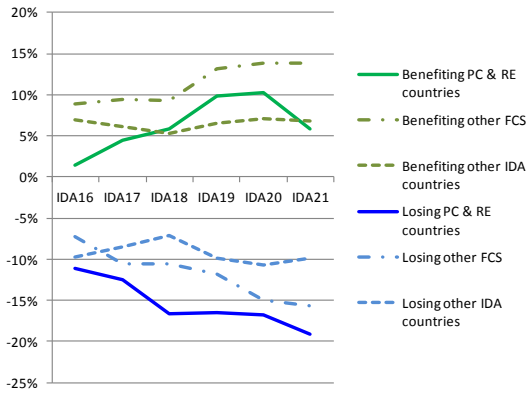
8 See IDA (2012), "IDA Countries' Needs: Poverty Trends and Projections," April.

9 For example, see Foster, V. and C. Briceño-Garmendia (2010), "Africa's Infrastructure: A Time for Transformation (Agence Française de Développement and the World Bank)."

13. **The impact of MDRI netting out on FCCs is limited in the aggregate, but is significant for the post-conflict and re-engaging country group and for some individual countries**. Similar to other IDA countries, FCCs with smaller allocations continue to be affected more significantly by MDRI netting out than other FCCs. Thus, while the aggregate impact on the FCC group is limited, the country impact in the adversely affected countries is far greater than in the benefiting countries (Figure 2). Among the top 15 most adversely affected countries, eight are FCCs. This is particularly the case for post-conflict and re-engaging countries where the history of conflict has contributed significantly to high debt accumulations. While MDRI brings significant debt relief, the economic recovery from a conflict situation is typically a lengthy process, particularly in the mobilization of domestic revenue to support critical spending in these countries.[10] While addressing the severe fragility in these countries requires significant aid resources in the near term, the netting out mechanism is producing an adverse impact in IDA allocations in two ways: (i) these countries tend to have lower gross PBA allocations because of the low country performance ratings largely driven by the inherited fragility from recent or ongoing conflict; and (ii) their limited allocations are still subject to the deduction of substantial foregone MDRI debt service. Therefore, some post-conflict and re-engaging countries continue to be among the most affected countries (e.g., Côte d'Ivoire, -19 percent of its allocation on average between IDA16 and IDA21; Togo, -19%; Central Africa Republic, -17 percent; Haiti, -15 percent). Six other FCCs are also projected to face significant allocation reductions (e.g., Congo Rep, -26 percent; Guinea, -19 percent; Comoros, -18 percent; and Chad, -15 percent). While a few post-conflict or re-engaging countries benefit from the current netting out (Afghanistan, 12 percent; Democratic Republic of Congo, 3 percent; and Liberia, 2 percent), the relative impact is much lower than that for the adversely affected FCCs.

Figure 2: Similar asymmetric impact holds among the FCCs (percent of gross allocation)



14. **Furthermore, the modified MDRI netting out provides only a marginal net transfer from MDRI recipients to non-MDRI IDA countries at the expense of continued adverse impact and the incentive distortions**. The compensatory resources from donors for MDRI debt relief increase the amount of IDA resources that would otherwise be allocable post-MDRI implementation. Thus, MDRI recipients and non-MDRI IDA countries all benefit according to

[10] See IMF (2011), "Macroeconomic and Operational Challenges in Countries in Fragile Situations" and World Bank (2011), "World Development Report: Conflict, Security and Development."

their PBA share, although MDRI recipients receive more gross transfers inclusive of the debt relief outside of PBA. During FY12-14 for example, the estimated total IDA MDRI debt service foregone is about SDR1.5 billion, which corresponds to about 5 percentage points of total IDA16 allocable resources. Using the estimated share in the gross PBA allocation[11] as the measure, IDA countries benefiting from MDRI relief would receive 40 percent of this increase (or 2 percentage points), while non-MDRI countries would receive the remaining 60 percent (or 3 percentage points) without any netting out. In comparison, the MDRI netting out with 30 percent capping reduces the share for MDRI recipients to about 38 percent (or 1.9 percentage points) and raises the share for non-MDRI recipients to about 62 percent (or 3.1 percentage points). Therefore, introducing the MDRI netting out with 30 percent capping itself has a marginal effect (0.1 percentage points) in transferring more resource from MDRI to non-MDRI IDA countries, but at the cost of continuing a significant adverse impact, and the benefits are concentrated in a few large IDA countries that already receive significant allocations as discussed above.

15. **Finally, it is also worth noting that the 30 percent capping has the unintended consequence of reducing the performance incentive in the PBA for some MDRI recipients**. This is due to the fact that when the improved performance of MDRI recipients results in increased gross PBA allocations, the deduction of foregone MDRI debt service also increases because the 30 percent is now applied to a higher base in countries where the capping applies. The netting out mechanism thus partly offsets the performance reward. In contrast, those with performance declines are affected less by netting out because deductions will be capped at a lower level. For example, from FY11 to FY13, the performance improvements of five MDRI recipients (CAR, Honduras, Mauritania, Senegal, and Togo) would have warranted a median allocation increase of 12 percent, but the capping applied at a higher base more than halved this increase to 4.5 percent.

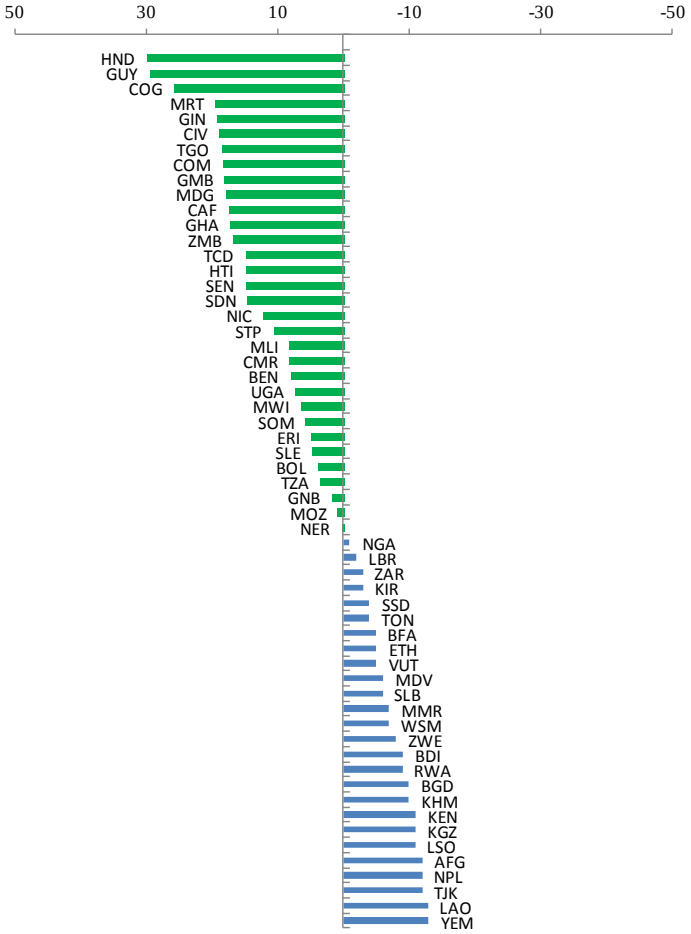
IV. Projected Impact of Eliminating the MDRI Netting Out

16. **Allocation projections for the IDA16 to IDA21 period indicate that among countries projected to receive IDA assistance up to IDA21, the elimination of the MDRI netting out would increase allocations to 32 countries, of which 13 are FCCs.** As noted earlier, these countries tend to have smaller allocations, and thus the relative effect is stronger than in those whose allocations would fall if the redistribution of compensatory resources were eliminated. For example, 20 countries would gain by more than 10 percent in annual allocations, while only eight countries would lose by more than 10 percent, and the maximum loss is 13 percent. The same allocation projections also indicate that eliminating the MDRI netting out would completely remove the asymmetric country allocation impact that capping MDRI at 30 percent has not addressed. In addition, given the concentration of net MDRI benefits in a few IDA countries with relatively large allocations, eliminating the MDRI netting out would mainly benefit countries with lower allocations with limited adverse impacts on others. As shown in Figures 3 and 4, the positive increases in allocations are more significant and affect more countries than allocation reductions.

[11] The allocation parameters are based on 2011 data; and the estimates of the gross PBA share include the capped allocations for India and Pakistan and base allocations, but do not include exceptional allocations.

17. **In addition, the elimination would strengthen the performance incentive of the PBA system while reducing its complexity**. Beyond significantly mitigating the adverse effects at the country level, fully eliminating the MDRI netting out would also strengthen the performance orientation (see Figure 5), while the PBA system would also be greatly simplified. Furthermore, IDA's annual assessment of country performance covers public sector management in general and debt management in particular, and thus both the rating process and results serve to address moral hazard concerns. Therefore, strengthening the linkages between performance and allocation in a simplified PBA would be consistent with the moral hazard principle intended by the MDRI netting out mechanism. This would also enhance the transparency of the PBA system.

Figure 3: Projected allocation changes with the elimination of MDRI netting out (percent of gross allocation, average IDA16-21)



Note: data exclude 24 countries with no impact.

Figure 4: Higher benefits to countries with lower per capita allocations (% change from estimated IDA16 allocation)

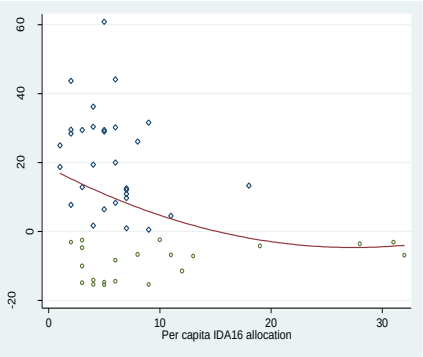
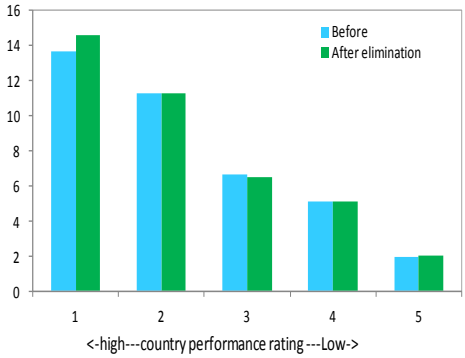


Figure 5: Improved performance orientation of IDA allocations with the elimination of MDRI netting out (SDR per capita by performance quintile)



V. Conclusions and Issue for Discussion

18. **This review has shown that while the MDRI netting out mechanism with 30 percent capping has brought significant benefits, it continues to show limitations**. On the one hand, the modified mechanism has helped ensure that IDA allocations to some MDRI recipients would not be zero or negligible and thus support IDA's ability to engage in these countries; on the other hand, the adverse effects for some countries remain significant and are projected to worsen over time. It is also worth noting that the 30 percent capping has the unintended consequence of reducing the performance incentive in the PBA for some MDRI recipients. Furthermore, the netting out mechanism continues to reduce IDA allocations to Sub-Saharan Africa and continues to have significant adverse effects on some FCCs with relatively low country allocations. Moreover, the net benefits are concentrated in a few IDA countries that are already receiving relatively large allocations from the PBA system. Finally, the MDRI netting out with 30 percent capping has introduced additional complexity in the PBA system in contrast to Deputies' objectives with regard to simplifying the PBA and enhancing its transparency to all stakeholders.

19. **The 30 percent cap on MDRI netting out was adopted with the intent of reducing the adverse impacts of MDRI netting out on IDA countries, especially FCCs and those with small allocations, and still retain equity-of-treatment and moral hazard principles**. It is, however, worth noting that other recent IDA systems and policies also address these concerns. IDA has already adopted several measures that minimize the moral hazard risks associated with MDRI debt relief. These have included developing and implementing, jointly with the IMF, the low-income country debt sustainability framework (DSF); developing and implementing IDA's Non-Concessional Borrowing Policy (NCBP); and developing tools and providing technical assistance aimed at strengthening borrowers' debt management capacity. Furthermore, debt management is a key component for IDA's Country Policy and Institutions Assessment (CPIA) of recipient countries, and poor performance in this area would result in lower CPIA scores and hence lower IDA allocations. Moreover, while IDA allocations to IDA-only countries in, or at high risk of, debt distress are provided on grant terms, these grant allocations are subject to a 20

percent volume discount in the PBA. These measures have contributed to reducing moral hazard by emphasizing country level monitoring and the overall PBA system.

20. **Given the high share of FCCs among MDRI recipients, eliminating the MDRI netting out would be an important measure to strengthen IDA support to FCCs going forward**.[12] In particular, it would strengthen the correspondence of PBA allocations to performance changes for all IDA countries while simplifying and enhancing the transparency of the PBA system. Meanwhile, it would effectively eliminate the asymmetric allocation impact for many IDA countries—including the significant adverse impact in some FCCs with relatively low allocations—and increase the support to African countries. Furthermore, the small adverse impact in a few FCCs can be addressed by the package of proposed measures for enhancing the support to FCCs.[13] The full elimination of MDRI netting out could be discussed during the IDA17 replenishment.

21. **Issue for discussion**:

- Do participants agree that the experience with the MDRI netting out cap, continued asymmetries, and performance incentive distortions merit further consideration to reduce the adverse affects?

[12] See "IDA16 Mid-Term Review paper "Progress Report on IDA Support to Fragile and Conflict-Affected Countries" for a detailed discussion of proposed measures to strengthen IDA's support to FCSs.

[13] See IDA16 Mid-Term Review paper "Progress Report on IDA Support to Fragile and Conflict-affected Countries", 2012.

Annex 1. FY11-13: Allocation Impact due to the MDRI Netting Out with 30 percent Capping (Average Annual Allocation, SDR Million and %) [1/]

	Gross allocation	Deduction	Redistribution	Net MDRI impact	Net impact in % of gross allocation	Net impact in % of final allocation
Afghanistan	115	1	5	4	4%	4%
Angola	43	0	0	0	0%	0%
Armenia	40	0	0	0	0%	0%
Bangladesh	843	0	69	69	8%	7%
Benin	69	13	5	-8	-11%	-13%
Bhutan	12	0	0	0	0%	0%
Bolivia	66	20	0	-20	-30%	-43%
Bosnia-Herzegovina	26	0	0	0	0%	0%
Burkina Faso	203	12	16	4	2%	2%
Burundi	51	2	3	1	1%	1%
Cambodia	57	0	4	4	8%	7%
Cameroon	73	13	6	-7	-10%	-11%
Cape Verde	10	0	0	0	0%	0%
Central African Republic	14	4	1	-3	-22%	-31%
Chad	15	0	1	1	7%	7%
Comoros	4	0	0	0	3%	3%
Congo, Democratic Republic of	226	9	9	0	0%	0%
Congo, Republic of	12	3	0	-3	-23%	-30%
Cote d'Ivoire	105	7	4	-3	-3%	-3%
Djibouti	6	0	0	0	3%	3%
Dominica	3	0	0	0	0%	0%
Eritrea	14	0	1	1	6%	7%
Ethiopia	615	15	50	35	6%	5%
Gambia, The	13	3	1	-2	-16%	-25%
Georgia	66	0	0	0	0%	0%
Ghana	272	52	22	-30	-11%	-13%
Grenada	3	0	0	0	0%	0%
Guinea	27	0	2	2	7%	8%
Guinea-Bissau	6	1	0	0	-6%	-7%
Guyana	6	2	0	-2	-30%	-43%
Haiti	23	6	2	-4	-18%	-28%
Honduras	54	16	0	-16	-30%	-43%
India	1061	0	0	0	0%	0%
Kenya	336	0	27	27	8%	7%
Kiribati	3	0	0	0	1%	1%
Kosovo	12	0	0	0	0%	0%
Kyrgyz Republic	34	0	3	3	8%	8%
Lao People's Democratic Republic	35	0	3	3	8%	8%

	Gross allocation	Deduction	Redistribution	Net MDRI impact	Net impact in % of gross allocation	Net impact in % of final allocation
Lesotho	19	0	1	1	7%	7%
Liberia	42	3	1	-2	-4%	-4%
Madagascar	107	30	8	-22	-20%	-25%
Malawi	123	11	10	-1	-1%	-1%
Maldives	4	0	0	0	4%	4%
Mali	131	23	11	-12	-9%	-11%
Mauritania	18	5	1	-4	-21%	-29%
Moldova	32	0	0	0	0%	0%
Mongolia	22	0	0	0	0%	0%
Mozambique	217	29	18	-11	-5%	-5%
Nepal	139	0	11	11	8%	8%
Nicaragua	45	9	3	-6	-13%	-17%
Niger	105	8	8	0	0%	0%
Nigeria	754	0	61	61	8%	7%
Pakistan	675	0	0	0	0%	0%
Papua New Guinea	28	0	0	0	0%	0%
Rwanda	122	3	10	7	6%	6%
Samoa	5	0	0	0	4%	4%
Sao Tome and Principe	3	0	0	0	-9%	-13%
Senegal	118	36	9	-27	-23%	-29%
Sierra Leone	35	4	3	-1	-3%	-4%
Solomon Islands	4	0	0	0	3%	3%
Sri Lanka	147	0	0	0	0%	0%
St. Lucia	4	0	0	0	0%	0%
St. Vincent and the Grenadines	4	0	0	0	0%	0%
Tajikistan	33	0	2	2	8%	8%
Tanzania	392	49	32	-18	-5%	-5%
Timor-Leste	6	0	0	0	0%	0%
Togo	29	6	2	-4	-14%	-18%
Tonga	3	0	0	0	2%	3%
Uganda	282	52	23	-29	-10%	-11%
Uzbekistan	114	0	0	0	0%	0%
Vanuatu	4	0	0	0	3%	3%
Vietnam	894	0	0	0	0%	0%
Yemen, Republic of	92	0	7	7	8%	9%
Zambia	79	22	6	-16	-20%	-24%
Sum	9387	463	463	0	0%	0%

1/ Data cover 74 countries that remained active IDA-eligible countries in FY11-13; and for Haiti, data only refer to FY11.

Annex 2. IDA16-21: Projected Allocation Changes with the Elimination of the MDRI Netting Out [1/]
(Average Annual Allocation, SDR Million and %)

	IDA16	IDA17	IDA18	IDA19	IDA20	IDA21	Average (SDRm)	Average (% of gross allocation)
32 countries that are adversely affected by MDRI netting out								
Benin	-6.2	-11.9	-11.2	-7.5	-6.0	-4.9	-8.0	-8%
Bolivia	-16.0	0.0	0.0	0.0	0.0	0.0	-2.7	-4%
Cameroon	-5.2	-5.4	-6.0	-14.0	-11.7	-10.2	-8.7	-8%
Central African Republic	-2.8	-3.1	-3.2	-2.6	-2.3	-2.8	-2.8	-17%
Chad	1.1	-3.8	-4.8	-4.1	-3.9	-4.0	-3.2	-15%
Comoros	-1.0	-0.7	-0.8	-0.8	-0.7	-0.7	-0.8	-18%
Congo, Republic of	-2.6	-3.4	-3.4	-5.2	-5.4	-5.4	-4.2	-26%
Cote d'Ivoire	-15.7	-18.2	-16.4	-13.6	-13.1	-13.1	-15.0	-19%
Eritrea	1.0	0.0	-1.5	-1.7	-1.7	-1.6	-0.9	-5%
Gambia, The	-2.5	-2.5	-3.9	-3.2	-3.1	-3.0	-3.0	-18%
Ghana	-25.1	-50.4	-52.9	-79.0	-111.7	-105.5	-70.8	-17%
Guinea	-5.0	-6.4	-8.2	-6.8	-6.6	-6.6	-6.6	-19%
Guinea-Bissau	-0.1	0.0	0.1	0.3	0.4	-1.5	-0.1	-2%
Guyana	-1.8	-2.1	-2.4	-2.4	-2.4	-2.4	-2.3	-29%
Haiti	0.0	-5.6	-6.4	-5.2	-5.0	-5.0	-4.5	-15%
Honduras	-15.9	-21.0	-26.5	-26.6	-26.7	-26.8	-23.9	-30%
Madagascar	-17.6	-20.9	-23.1	-25.7	-24.8	-24.9	-22.8	-18%
Malawi	-0.1	3.4	5.6	-22.5	-28.2	-26.9	-11.5	-6%
Mali	-10.0	-18.4	-19.3	-13.4	-11.9	-9.6	-13.8	-8%
Mauritania	-3.6	-4.5	-5.6	-4.8	-4.6	-4.6	-4.6	-19%
Mozambique	-11.5	-8.1	-5.5	4.1	5.7	6.8	-1.4	-1%
Nicaragua	-5.6	-4.7	-5.1	-5.6	-10.8	-10.9	-7.1	-12%
Niger	1.1	4.2	6.0	-4.0	-6.1	-4.4	-0.5	0%
Sao Tome and Principe	-0.3	-0.3	-0.3	-0.3	-0.3	-1.0	-0.4	-11%
Senegal	-26.6	-31.4	-32.4	-27.0	-23.9	-20.4	-27.0	-15%
Sierra Leone	-1.0	0.0	0.7	-1.7	-7.5	-6.9	-2.7	-5%
Somalia 2/	0.0	0.0	-2.8	-2.4	-2.1	-1.6	-1.5	-6%
Sudan 2/	0.0	-3.3	-14.9	-14.5	-14.5	-15.4	-10.4	-15%
Tanzania	-17.9	-7.4	-5.8	-31.3	-26.1	-20.2	-18.1	-3%
Togo	-5.2	-5.9	-7.4	-6.3	-6.0	-6.0	-6.1	-19%
Uganda	-27.2	-20.4	-27.0	-35.1	-32.9	-28.0	-28.4	-7%
Zambia	-15.3	-14.3	-15.7	-23.1	-22.2	-22.3	-18.8	-17%
26 countries that benefit from MDRI netting out								
Afghanistan	5.5	8.0	9.6	13.8	14.7	14.4	11.0	-12%
Bangladesh	55.9	77.9	92.9	130.3	138.2	138.3	105.6	-10%
Burkina Faso	5.0	11.0	14.9	14.7	16.7	17.3	13.3	-5%
Burundi	1.5	2.6	3.4	5.3	5.7	5.9	4.1	-9%
Cambodia	4.8	6.6	7.9	11.1	11.8	11.8	9.0	-10%
Congo, Democratic Republic of	0.0	3.6	6.4	12.4	11.7	-5.6	4.7	-3%
Ethiopia	40.7	61.8	50.8	36.1	44.7	50.8	47.5	-5%

	IDA16	IDA17	IDA18	IDA19	IDA20	IDA21	Average (SDRm)	Average (% of gross allocation)
Kenya	28.4	39.6	47.2	66.2	70.2	70.2	53.6	-10%
Kiribati	0.0	0.1	0.1	0.1	0.1	0.1	0.1	-3%
Kyrgyz Republic	2.4	3.4	4.1	5.7	6.0	6.0	4.6	-11%
Lao People's Democratic Republic	2.8	3.9	4.7	6.5	6.9	6.9	5.3	-12%
Lesotho	1.4	1.9	2.3	3.2	3.3	3.4	2.6	-10%
Liberia	-1.0	-0.3	0.1	1.2	1.7	2.0	0.6	-2%
Maldives	0.1	0.2	0.2	0.3	0.4	0.4	0.3	-6%
Myanmar 2/	0.1	2.9	3.5	4.9	5.2	5.2	3.6	-8%
Nepal	11.1	15.4	18.4	25.8	27.4	27.4	20.9	-12%
Nigeria	61.4	0.0	0.0	0.0	0.0	0.0	10.2	-1%
Rwanda	8.3	12.5	15.2	22.3	23.8	7.8	15.0	-9%
Samoa	0.2	0.3	0.4	0.5	0.6	0.6	0.4	-7%
Solomon Islands	0.2	0.2	0.3	0.4	0.4	0.4	0.3	-6%
South Sudan 2/	0.4	0.6	0.7	1.0	1.1	1.1	0.8	-5%
Tajikistan	2.6	3.7	4.4	6.2	6.5	6.5	5.0	-12%
Tonga	0.1	0.1	0.1	0.1	0.2	0.2	0.1	-4%
Vanuatu	0.1	0.2	0.2	0.3	0.3	0.3	0.2	-5%
Yemen, Republic of	6.5	9.1	10.9	15.3	16.2	16.2	12.4	-13%
Zimbabwe 2/	0.0	1.3	1.5	2.1	2.2	2.2	1.6	-7%

1/ Projections based on FY13 allocation parameters and estimates.
2/ Indicative estimates for countries that are not yet active IDA-eligible countries as of July 2012.