

CHAIRMAN'S SUMMARY
IDA15 Deputies Meeting
Washington, D.C.
October 23, 2007

1. Deputies of donor countries, joined by representatives of borrower countries and observers from other multilateral banks and agencies, met in Washington, D.C. for the third meeting of the Fifteenth Replenishment of IDA resources (IDA15). The Chairman and participants welcomed Egypt, Latvia and Lithuania as new donors to the IDA15 replenishment. The meeting commenced with a discussion between Deputies, Borrower Representatives and the World Bank President, Robert Zoellick. President Zoellick acknowledged the important role played by the participants and presented his strategic agenda for the World Bank Group with a particular focus on IDA. Participants welcomed the opportunity to engage directly with the President. They strongly supported the broad outlines of his vision, notably on IDA's platform function while agreeing on the challenges, particularly decentralization, which IDA faces in successfully filling that role. In that context, several participants supported the President's commitment to the IDA15 replenishment and acknowledged his work, together with the Board, to secure a record contribution from internal World Bank Group resources in support of an ambitious IDA15 replenishment. Many deputies expressed their support for private sector contributions to IDA, while stressing that reputational risks, legal issues and governance questions need to be addressed.

2. It was noted that while IDA's Performance-Based Allocation (PBA) system, with its carefully ring-fenced exceptions was working well, the PBA formula has become complex over time. To make the system more effective at the country level by enhancing transparency of resource flows, participants agreed that it needs to be simplified and endorsed the linear transformation of the formula. It was also agreed to raise the base allocation provided to all countries from SDR1.1 million per year (or SDR3.3 million per replenishment period) to SDR1.5 million per year (or SDR4.5 million per replenishment period) to benefit the small states (countries with populations of 1.5 million or less), where base allocations constitute an important part of overall allocations. In addition, to help small states, participants agreed to raise the per capita cap on IDA allocations from SDR13.2 (US\$20) to SDR19.8 (US\$30) to adjust for dollar inflation since IDA9. Finally, given the difficulties experienced by countries with small allocations in participating in regional projects, an agreement was reached to limit the one-third country contributions for regional projects to 20 percent of the annual country allocations. While this ceiling applies to all countries, it will benefit in particular those countries with small allocations.

3. Management agreed to report at the IDA15 Mid-Term Review on experience with regional projects, including whether the ceiling primarily benefited countries with small allocations. In addition, to further enhance transparency, management will, starting in IDA15, make allocations and commitments available to IDA's Executive Directors for information at the end of each fiscal year, so that they can be tracked at the same time. Finally, management was asked to update their study of the links between aid allocation and results, including the experience with PBA and CPIA, as well as the balance between needs and performance, and report to the Deputies at the IDA15 Mid-Term Review.

4. Participants discussed the role of IDA in ensuring debt sustainability. They recognized IDA's role in improving debt sustainability prospects in client countries, which went beyond the provision of debt relief under the Heavily-Indebted Poor Country initiative and the Multilateral Debt Relief Initiative. They noted the transition of the Debt Sustainability Framework (DSF) to a more mature phase of implementation and welcomed the improvement in the quality and analytical rigor in forward-looking Debt Sustainability Analyses (DSAs). Participants encouraged IDA to continue strengthening the application of the DSF. They strongly supported the DSF as the continued basis for the grant-allocation system in IDA15.

5. There was recognition that IDA's Non-Concessional Borrowing Policy (NCBP) is an important element of IDA's role in ensuring debt sustainability. There was strong support for the joint Bank-Fund outreach activities to encourage other creditors to harmonize their lending practices broadly along the lines suggested by the risk assessments contained in joint Bank-Fund DSAs. The steps taken to make the DSF more accessible and the improved adherence to the borrower's annual debt reporting requirements were welcomed, and the importance of enhanced information flows on borrowing and lending was emphasized. There was strong support for the continued application of the NCBP, particularly the ongoing creditor outreach, and management was urged to continue to follow-up on new reported cases of non-concessional borrowing. Some participants pointed out that, while non-concessional borrowing entails greater debt sustainability risks, excessively large volumes of concessional financing could also contribute to the risk of debt distress, and as such they need to be taken into account in IDA's work on debt sustainability. Participants recognized IDA's ongoing and proposed activities in building countries' debt management capacity and encouraged management to accelerate its efforts in this crucial area in coordination with development partners so as to avoid overlaps with existing initiatives. Finally, there was agreement on the continuation of the exceptions for Kosovo and Timor-Leste as proposed by management.

6. Participants welcomed the progress made on the review of the IDA's internal controls that is under preparation by IDA management, the Internal Audit Department and the Independent Evaluation Group. They urged that the review be brought to a timely conclusion and encouraged management to quickly address the findings of the review.

7. On the remaining timeline for the IDA15 replenishment discussions, the next meeting will be held in Dublin, Ireland on November 12-13, 2007 and the fifth and final meeting will be held in Berlin, Germany on December 13-14, 2007. It was agreed that the draft IDA15 Deputies' report will be placed on IDA's external website on about November 5, to solicit inputs from civil society organizations by November 30. The outcome of the Dublin meeting will be incorporated into the website draft immediately after the meeting.