Annex D

2010 general capital increases and replenishments

**IBRD capital adequacy review**

Looking beyond the crisis, the World Bank predicts that demands for IBRD lending will continue to increase in order to address the increasing numbers of new poor in middle-income countries, to support the global public goods agenda, and to respond to future crises. To begin expanding its financial capacity, the IBRD has already adopted measures to stretch the use of its existing capital to support lending. At the same time, the IBRD has been actively working with relevant shareholders to release their national currency paid-in capital. The IBRD also instituted a 20-base-point general loan price increase which is projected to enhance IBRD’s end-FY19 usable equity by about USD 2 billion under the expected scenario. Following these efforts, a remaining gap in IBRD’s equity capital base of between USD 4.8 and 6.3 billion by FY19 is projected. The potential actions to fill this gap are a Selective Capital Increase (SCI), a General Capital Increase (GCI), and a further price increase for long maturity loans. At the 2009 Annual Meetings, the Development Committee asked for an updated review, including for the WBG’s general capital increase needs. At the 2010 spring meeting of the Development Committee, members endorsed a GCI for IBRD of USD 58.4 billion, of which 6%, or USD 3.5 billion, would be paid-in capital.

**IFC capital adequacy review**

The financial crisis has adversely affected IFC’s profitability and tightened its capital position. A two-step approach is being considered to address IFC’s capital constraint. In the interim period, shareholders would provide early support to IFC’s growth strategy through what is known as “hybrid capital”. It would then be replaced by additional paid-in capital from IFC’s shareholders as the next step. It is estimated that a capital increase in the range of USD 1.8 billion to USD 2.4 billion would enable IFC to grow the investment portfolio to between USD 47 and 49 billion over the next few years without jeopardising its AAA rating. The most recent Development Committee meeting (in April 2010) endorsed a package to enhance IFC’s financial capacity, including consideration of a long-term hybrid instrument to shareholders, subject to the Board’s review of terms and conditions, and earnings retention.

**IDA16 replenishment**

IDA deputies met in Bamako on 15-18 June 2010 for the second meeting on the IDA16 replenishment. Most participants supported the focus on fragile and conflict-affected countries, gender, crisis response, and climate change as special themes, but stressed that these should be framed in the broader context of achieving development results. In
the recently concluded IDA15 Mid-Term Review, it was reported that during the first 15 months of IDA15 (July 2008 to October 2009), IDA commitments reached a record level of USD 16.9 billion, a 50% increase over the comparable period in IDA14. Given IDA’s fixed resource envelope for a replenishment period, this strong delivery came about primarily through countries front-loading their assistance. The result will be lower levels of resources during the rest of the IDA15 period.

Participants reiterated strong support for the proposed focus on development results in IDA16. In this context, participants welcomed the further strengthening of the IDA Results Measurement System and encouraged management to explore additional ways of assessing IDA performance, while maintaining country ownership and accountability. Participants supported the ongoing internal reform agenda, and some urged the World Bank to accelerate the implementation of investment-lending reform during IDA16, including steps to support an increase in the use of country systems. Participants welcomed the realism of the proposed financing scenarios, and several welcomed the internal resource mobilisation efforts, including IBRD transfers. The next IDA16 replenishment meeting will take place at the time of the World Bank-IMF Annual Meetings.4

**African Development Bank: Sixth general capital increase**

A committee of governors representing the African Development Bank’s shareholders endorsed and accepted a tripling of the Bank’s capital resources from USD 33 billion to USD 99 billion at the annual meetings in Abidjan, Côte d’Ivoire on 27 May 2010. Of the USD 66 billion increase, 6% or USD 4 billion is required as paid-in capital from shareholders. The last General Capital Increase (GCI) took place in 1998, and the Bank’s medium term strategy (2008-2012) had not envisaged a new GCI until at least 2013. Nonetheless, the impact of the global economic crisis on Africa has heightened demand for measures to mitigate its effects and, at the current rate, 90% of the Bank’s risk capital would be exhausted by 2012.

**African Development Fund**

At its annual meetings in Dakar, Senegal, in May 2009, the AfDB Board of Governors passed a resolution to initiate discussions on the Bank’s general capital increase (GCI) and the replenishment of its concessional window, the African Development Fund. The AfDF is replenished every three years by 26 donor countries. The most recent replenishment of the AfDF (the 11th replenishment, ADF-11) for its 2008-10 operations was concluded in December 2007 at a record level of USD 8.9 billion. The Fund’s core strategic priorities under ADF-11 include infrastructure, governance, support for fragile states and regional integration. At the ADF-11 Mid-Term Review (MTR), held in October 2009, there was strong support for consolidation and strengthening of current strategic priorities as a prime focus for the ADF-12 cycle due to begin in January 2011. In addition there were calls for the AfDF to integrate food security and climate change as cross-cutting issues. Deputies also emphasised the need for the Bank to continue building its delivery capacity, with a particular focus on high quality, decentralisation, human resources development, and aid effectiveness. The replenishment for ADF-12 will be concluded by September 2010.
Inter-American Development Bank: Ninth general capital increase

In the 15 years since the Eighth General Increase in the Resources of the Bank (IDB-8), the IDB has become the main source of development finance for the Latin American and Caribbean region, with loan approvals of USD 108.6 billion. The Fund for Special Operations provided USD 6.6 billion in concessional lending to the region’s poorest countries, making it the main source of multilateral concessional lending. From 2007 onwards, and more recently with efforts to alleviate the impact of the global economic crisis, lending has increased sharply and prompted a review of the Bank’s own capital needs. In October 2009, the Board of Governors agreed to move ahead with the final review of the need for a general capital increase of Ordinary Capital and replenishment of the Fund for Special Operations. On 22 March 2010 at their annual meeting, IDB’s Board of Governors initiated the process for the Ninth General Capital Increase (GCI-9) to increase the Bank’s ordinary capital by USD 70 billion – the largest expansion of resources in the Bank’s history. They also agreed to provide an unprecedented package of financial support to Haiti, and to replenish the Fund for Special Operations, which finances operations in the region’s poorest nations.

Global Fund to Fight AIDS, Tuberculosis and Malaria: Replenishment in 2010

Created in 2002, the Global Fund to Fight AIDS, Tuberculosis and Malaria was originally funded through (mostly annual) individual contributions from close to 50 countries, as well as private foundations, corporations, and individuals. As programs were scaled up in more than 140 countries, the need for sustained and predictable support grew substantially, which led to a decision by the Board of the Global Fund to introduce a funding model based on periodic replenishments. To date, two replenishments have taken place: the first for the period 2006-7 and the second for 2008-10. Since the inception of the Global Fund, public, private and non-government donors have jointly pledged a total of USD 22.1 billion covering the period 2001-15 (although at this stage most donors have only pledged through 2010). The Board of the Global Fund endorsed the decision to launch a third replenishment covering 2011-13. The pledging conference for the 3rd replenishment took place in October 2010 in New York, where donors made a USD 11.7 billion commitment to the Global Fund to Fight AIDS, Tuberculosis and Malaria for the years 2011-2013.

Though significant, total voluntary pledges represent only part of the USD 40-90 billion that experts estimate is needed from all sources each year from 2010-15 to prevent and treat HIV, TB and malaria effectively on a global scale. Efforts are underway to bring in more funding from the private sector and through innovative finance mechanisms. To fund ongoing programmes, without launching new rounds, it is estimated the Global Fund needs USD 8.2 billion. The Global Fund’s management is striving to achieve efficiency gains of 10% as mandated by its Board. Since 2009, a new framework for the Global Fund’s 2009 key performance indicators allows for a comprehensive assessment of its performance across four dimensions: operational performance; grant performance; effectiveness (whether its aid is effective in achieving development results, strengthening health systems, and promoting value for money); and impact.

Global Environment Facility: GEF-5 replenishment in 2010

Established in 1991, the GEF is today the largest funder of projects to improve the global environment. The GEF serves as the funding mechanism for the Convention on Biological Diversity (CBD), the United Nations Framework Convention on Climate
Change (UNFCCC), the Stockholm Convention on Persistent Organic Pollutants, and the Convention to Combat Desertification (UNCCD). In addition, it provides support for the Montreal Protocol on Substances that Deplete the Ozone Layer. As a result, the GEF provides grants to developing countries and transition economies to support projects in several interrelated areas covering biodiversity, climate change, international waters, land degradation, the ozone layer, and persistent organic pollutants.

There was strong support for the replenishment of GEF-5 at the recent Copenhagen COP15 meeting and from the NGO community. Negotiations for GEF-5 for the period from 1 July 2010 to 30 June 2014 (FY11-FY14) were completed in May 2010. The targeted replenishment level of USD 4.2 billion represents a 34% increase over GEF-4 levels, providing for modest increases in all focus areas. On the basis on the Final GEF-5 Programming Document, the climate change portion will probably be around USD 1.4 billion over four years, almost all for mitigation.

Notes

1. Under the Articles of the IBRD, members need to only contribute 10% of their paid-in capital in USD, which can be freely used by the IBRD in its operations. The remaining 90% can be paid-in in the national currency of the subscribing member. Of the total unreleased national currency paid-in capital of USD 2 billion, the IBRD has thus far obtained indications for the release of USD 0.5 billion.

2. Through raising low or non-interest bearing subordinated loans from shareholders, potentially with contingent pay-in and redemption triggers tied to IFC capital adequacy, as a near-term alternative to a capital increase.


