



---

## **IDA18: Post-Mid-Term Review Amendments**

**Development Finance Corporate IDA and IBRD (DFCII)  
December 14, 2018**

## ACRONYMS AND ABBREVIATIONS

Fiscal year (FY) = July 1 to June 30

CRW	Crisis Response Window
DFi	Development Finance Vice-Presidency
FCV	Fragility, Conflict and Violence
FY	Fiscal Year
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
MFD	Maximizing Finance for Development
MIGA	Multilateral Investment Guarantee Agency
MTR	Mid-Term Review
NCBP	Non-Concessional Borrowing Policy
PAD	Project Appraisal Document
PBA	Performance-Based Allocation
PSW	Private Sector Window
RSW	Refugee Sub-Window
SDGs	Sustainable Development Goals
SDR	Special Drawing Right
SLGP	Small Loan Guarantee Program
SUF	Scale-up Facility
TAR	Turn-around Regime
UNHCR	United Nations High Commissioner for Refugees
WBG	World Bank Group

## TABLE OF CONTENTS

<b>I.</b>	<b>INTRODUCTION .....</b>	<b>1</b>
<b>II.</b>	<b>REALLOCATION PRINCIPLES AND PROCESS .....</b>	<b>2</b>
<b>III.</b>	<b>DECISIONS FOR BOARD APPROVAL.....</b>	<b>3</b>
A.	SPECIFIC PROPOSALS .....	3
B.	TRANSITION AND GRADUATION .....	6
C.	OPERATIONAL ADJUSTMENTS.....	6

## LIST OF TABLES

Table 1.	Principles for Managing IDA Reallocations.....	2
Table 2.	Proposed Reallocations of IDA18 Resources.....	5

## I. INTRODUCTION

1. **IDA18 represents a landmark replenishment poised to help advance the Sustainable Development Goals (SDGs).** With a US\$75 billion envelope, IDA18 introduced ambitious policy commitments, expanded the suite of instruments, and introduced a transformative financial model. These built upon IDA’s global leadership and partnerships to equip countries with the needed resources and tools to make progress on the 2030 agenda.

2. **Implementation to date reflects strong delivery on IDA18’s innovations and ambitions, particularly for Africa and countries facing fragility, conflict and violence (FCV).** By the IDA18 Mid-Term Review (MTR) – held on November 13-15, 2018 in Livingstone, Zambia – IDA18 commitments totaled US\$30 billion, setting a new record for the first half of an IDA replenishment cycle. Management and operational teams increased their focus on IDA18 priorities such as FCV, delivering IDA support in new and innovative ways, and mobilizing private investment to the most difficult markets in line with the WBG’s Maximizing Finance for Development (MFD approach). IDA18 implementation progress demonstrates the WBG’s leadership on transforming development finance – by introducing market leverage and thus representing a new level of IDA’s efficient use of partner resources.

3. **At the MTR, Participants<sup>1</sup> broadly appreciated the solid progress in early IDA18 delivery and called for greater focus toward impact and results on the ground.** Participants discussed the implementation of the IDA18 Special Themes, assessed progress towards IDA18 policy commitments, considered proposals for IDA18 mid-course corrections, and provided guidance on IDA19 strategic directions and financing issues.<sup>2</sup> Prior to the IDA18 MTR, Management updated the Board on several occasions and topics including, IDA18 Implementation, IDA18 Financial Model, Voting Rights, and proposed Strategic Directions for IDA19. Management also proposed adjustments to the IDA18 framework, reflecting lessons learned, to better respond to client needs and ensure delivery of the ambitious IDA18 agenda.

4. **In this paper, Management puts forward for Board approval the mid-course proposals endorsed by Participants at the IDA18 MTR.** As the justification and discussion of most of these proposals were described in full in the various papers presented for the MTR, this paper provides a summary description of the proposals and, wherever appropriate, offers references to the relevant MTR papers. Section II describes the principles and process to guide Management’s approach to reallocating IDA18 resources from those windows and set-asides less likely to be tapped, toward those seeing strong demand. Section III presents the specific proposals for Board approval, including specific reallocations across the IDA windows and set-asides, adjustments related to transition and finance, and operational adjustments.

---

<sup>1</sup> In the IDA context, Participants refer to those participating in IDA replenishment meetings, specifically IDA Deputies and Borrower Representatives.

<sup>2</sup> See the Co-Chairs’ Summary of the Meetings (being finalized as of this writing and will be publicly disclosed).

## II. REALLOCATION PRINCIPLES AND PROCESS

5. **Deploying funds where they are most needed and can be the most effective is critical to ensuring successful completion of IDA18 and sustained impact for our clients.** As described above, IDA18 implementation to date demonstrates IDA’s effective model for delivering finance at scale. At the same time, there are several areas where the level of resources allocated for IDA18 may be under-utilized, while others show capacity to absorb additional funds. With the urgency of the SDGs, the opportunity cost of having valuable development resources sitting idle for the rest of IDA18 is too high.

6. **The IDA18 MTR Participants underscored the importance of fully and effectively utilizing IDA resources, while maintaining the replenishment’s strategic directions and policy commitments.** To enhance existing flexibility in managing IDA core resource allocations, IDA Participants discussed a framework for non-core reallocation needs which ensures continued consistency with intended funding purposes – see Table 1 below on proposed principles.<sup>3</sup>

**Table 1. Principles for Managing IDA Reallocations**

<b>1. Optimize use of commitment authority</b>
<ul style="list-style-type: none"> <li>• <b>Avoid leaving unallocated resources</b></li> <li>• <b>Make re-allocations as early as possible (as early as the 2<sup>nd</sup> year of implementation) to enable quality planning and preparation – balanced with the original purpose to use the resources as intended (incl. delivery of IDA policy commitments)</b></li> </ul>
<b>2. Keep the overall balance of IDA allocations broadly intact</b>
<ul style="list-style-type: none"> <li>• <b>Share of overall unearmarked funding for country programming (PBA core allocations)</b></li> <li>• <b>will not drop below that agreed at the start of the replenishment</b></li> <li>• <b>Maintain ambition to doubling FCV</b></li> <li>• <b>Balance supply and demand of windows among the windows themselves and transfer excess resources back to the PBA</b></li> </ul>
<b>3. Uphold existing allocation rules</b>
<ul style="list-style-type: none"> <li>• <b>Additional resources to the IDA core envelope would be allocated through existing process</b></li> <li>• <b>Additional resources to Windows/non-core funding would go through eligibility notes and criteria in place</b></li> </ul>
<b>4. Broadly maintain IDA’s general financial directions</b>
<ul style="list-style-type: none"> <li>• <b>Preserve overall focus on concessionality in the replenishment framework</b></li> <li>• <b>Broadly maintain relative levels of concessionality across windows, targeting redeployments within similar windows</b></li> </ul>

<sup>3</sup> See IDA18 Mid-Term Review Implementation and Results Progress Report; Towards 2030: Investing in Growth, Resilience and Opportunity; IDA/SECM2018-023, October 24, 2018, (Chapeau Paper).

7. **At the MTR, IDA Participants endorsed a phased approach to manage IDA reallocations for the remainder of the IDA18 replenishment.** Participants endorsed specific reallocation amounts totaling US\$2 billion, based on the indicative ranges reviewed at the MTR (see Table 2 in the next section). They also agreed to review additional reallocations at Spring and Annual Meetings and recommend future Board approvals, as necessary.

8. **Based on MTR feedback, Management looks forward to considering appropriate flexibility mechanisms with IDA Participants and the Board for the design of future IDA allocation frameworks.** Going forward, IDA Participants agreed that it would be prudent to incorporate greater flexibility into the design of IDA19.

### III. DECISIONS FOR BOARD APPROVAL

#### A. SPECIFIC PROPOSALS

9. **Consistent with the principles outlined in Table 1 above, Management proposes reallocations away from the following three IDA set-asides, totaling US\$2 billion:**

- **Crisis Response Window (CRW): reduction of US\$750 million.** The demand for CRW resources has been modest so far, with US\$350 million (or 12 percent) allocated out of an IDA18 envelope of US\$3 billion. In the event that the remaining CRW funds turn out to be insufficient over IDA18, IDA can use the flexibility of its new hybrid leverage model to increase IDA18 commitments beyond the agreed US\$75 billion, provided that adjustment could be made in the future replenishments while maintaining IDA's overall financial sustainability and adequate capital.<sup>4</sup>
- **Turn Around Regime (TAR): reduction of US\$400 million from the notional allocation for Syria,** as it is unlikely that conditions to use the TAR in Syria will be met early enough in IDA18 to fully utilize the US\$1 billion notionally set aside.<sup>5</sup> IDA Management stands ready to re-engage and support Syria's reconstruction, once the enabling environment can be re-established, in accordance with the criteria set forth in the IDA18 Deputies' Report. Consistent with the principles of the TAR, remaining resources in the TAR would remain available for countries which meet the eligibility requirements for turnaround situations in the future, potentially including Yemen.
- **Transitional Support: reduction of US\$850 million in total transitional support** available to the IDA18 graduates (Bolivia, Sri Lanka, and Vietnam), – with flexibility in timing and amounts to accommodate country-specific situations) during IDA18. Transitional Support helped smooth the transition to IBRD at a time of uncertainty regarding the availability of IBRD resources for recent IDA graduates. With its capital increase, IBRD's commitment to aim at fully replacing the IDA financing for IDA graduates reduced this uncertainty.<sup>6</sup>

---

<sup>4</sup> See IDA18 Mid-Term Review: Crisis Response Window: Review of Implementation; IDA/SecM2018-0232, October 24, 2018.

<sup>5</sup> See IDA18 Mid-Term Review: Fragility, Conflict and Violence (FCV); IDA/SecM2018-0230, October 24, 2018 (FCV Paper).

<sup>6</sup> See IDA18 Mid-Term Review – Transitioning out of IDA financing: A review of graduation policy and transition process; IDA/SecM2018-0233, October 26, 2018 (Graduation Paper).

10. **For the IDA18 IFC-MIGA Private Sector Window (PSW), no reduction is proposed at this time.** Participants at the MTR welcomed Management’s rigorous approach to selecting projects and programs which benefit from the PSW subsidy and encouraged efforts to continue to build up the pipeline, before allocating resources away from the PSW. Participants asked to be updated at the Spring Meetings before proceeding with reallocation of PSW resources to other windows depending on pipeline developments. IFC and MIGA were also asked to step up origination efforts in PSW-eligible IDA countries.

11. **With the resources freed up from the above reductions, Management proposes the following increases for the following priorities in IDA18:**

- **Yemen: US\$400 million exceptional allocation intended to support the Emergency Crisis Response Program.** The emergency program in Yemen has achieved impressive results. The exceptional allocation will cover the cost of maintaining the social safety net program for the next two years.<sup>7</sup> Importantly, it will help preserve development gains that would otherwise be lost in the face of one of the world’s worst humanitarian crises with eight million people on the brink of famine. It would provide critical income support and vital service delivery, including health and nutrition for Yemenis.
- **Refugee Sub-Window (RSW): US\$200 million increased allocation to enable the Bank to respond to more recent trends in refugee flows.** By the MTR, 14 countries are eligible for the RSW, and 95 percent of the RSW resources have been pre-allocated among them. A healthy pipeline already exists for the remainder of IDA18, and these 14 countries have cumulatively experienced a 23 percent increase in their refugee populations between end-2016 and end-2017.<sup>8</sup>
- **Regional Program: US\$200 million increased allocation to meet rising demands** from across regions on regional integration efforts, including potential new regional initiatives such as digital connectivity and marine litter.
- **Scale-up Facility (SUF): US\$500 million increased allocation to expand IDA’s ability to support transformational projects.** Demand for FY18 SUF financing surpassed the notionally available US\$2.07 billion allocated to FY18, thus confirming demand from IDA clients for additional IDA resources, even if at non-concessional terms.<sup>9</sup>
- **Performance-Based Allocations (PBA): US\$700 million increased allocation to IDA core resources** in recognition of the central importance and value of core IDA resources for IDA clients, so that these remaining IDA resources can be distributed across eligible IDA countries through the PBA allocations.

---

<sup>7</sup> See Footnote 3 (Chapeau Paper).

<sup>8</sup> See Footnote 5 (FCV Paper).

<sup>9</sup> See IDA18 Mid-Term Review – Scale-up Facility; IDA/SecM2018-0225 October 19, 2018.

**Table 2. Proposed Reallocations of IDA18 Resources**

	<b>Original Allocation</b>	<b>Proposed Reductions (per MTR)</b>
<i>Concessional</i>		
TAR (notional allocation for Syria)	1.0	0.4
Crisis Response Window	3.0	0.75
Private Sector Window	2.5	0
<i>Non-concessional</i>		
Transitional Support	2.8	0.85
<b>TOTAL</b>	<b>9.3</b>	<b>2.0</b>
	<b>Original Allocation</b>	<b>Proposed Increases (per MTR)</b>
<i>Concessional</i>		
PBA	51.8	0.7
Refugee Sub-Window	2.0	0.2
Regional Program	5.0	0.2
Syrian Refugees (in Jordan and Lebanon)	--	0
Yemen Special Allocation	--	0.4
<i>Non-concessional</i>		
Scale-Up Facility	6.2	0.5
<b>TOTAL</b>	<b>65</b>	<b>2.0</b>

12. While IDA18 resources are proposed to shift somewhat, the proposals are consistent with the principles described in Table 1, particularly to keep the overall balance of IDA allocations broadly intact. For instance, the share of IDA18 going toward the PBA will be protected (and even increased), and the overall focus on concessionality will be preserved. As noted earlier, depending on further implementation experience, Management may propose further

reallocations for consultations with IDA Participants for endorsements at the Spring and Annual Meetings, followed by Board approvals, as necessary.

## **B. TRANSITION AND GRADUATION**

13. **Management proposes that the contractual acceleration clause should continue to be suspended through the end of IDA18 for the three IDA18 graduates – Bolivia, Sri Lanka, and Vietnam.** This recommendation is consistent with broader concerns about debt sustainability and with the objectives of the IBRD capital package commitment to aim at maintaining the volume of World Bank lending to IDA graduates at least constant and keep the financial terms lower compared to that for other IBRD countries. The review of accelerated repayments of IDA credits by graduate countries has been undertaken in the context of the IDA18 replenishment discussions. The outcome of the review suggested that the impact of suspension on IDA finances is relatively modest.<sup>10</sup> This issue will be considered again in the context of IDA19.

14. **Management also proposes to retain and reframe the cap on large IDA Blend countries.** Specifically, Management proposes to maintain the 7 percent cap on the country-allocable envelope (the performance-based allocation) for Blend countries with large populations and significant cumulative commitments by IDA and IBRD. The rationale for the cap – ensuring a fair distribution of resources, not excessively biased toward such countries – remains relevant. For now, Pakistan would remain the only current Blend country whose allocation is capped in IDA18.

## **C. OPERATIONAL ADJUSTMENTS**

15. **To enhance the efficiency of IDA’s portfolio, Management proposes to allow IDA graduate countries to cancel and recommit – on Blend terms – undisbursed balances of IDA concessional financing.**<sup>11</sup> These undisbursed balances have now grown to over US\$7 billion. Such a shift may incentivize the restructuring of these undisbursed balances and enhance the portfolio management and opportunities to enhance development outcomes.

16. **Reflecting lessons learned, Management proposes to reframe the eligibility for the grant exemption from the RSW and to raise the country cap.** IDA financing for qualified activities from the refugee sub-window are funded by one sixth from the national IDA allocation and five sixths from the refugee sub-window. Currently, the RSW grant exception provides the five sixths from the refugee sub-windows in grant terms for projects which exclusively benefit refugees, with the one sixth from the national IDA allocation following the applicable terms for the country at the time of the approval by Executive Directors. Management proposes to eliminate this exception, as it is not aligned with the goal to encourage integration of programs to benefit both refugee and host community populations. Instead, Management now proposes that the RSW would provide 100 percent grants to countries that experience a massive inflow of refugees, defined as receiving at least 250,000 new refugees or at least one percent of its population within the last twelve months. Once that threshold has been reached, the country would have the ability to access 100 percent grants for new operations for the remainder of IDA18. In these exceptional

---

<sup>10</sup> See Footnote 6 (Graduation Paper).

<sup>11</sup> Defined as those on Regular, Blend, and Hard Terms.

cases, the usual one-sixth requirement will still come from national IDA but would also be provided on grant terms. Going forward, all RSW-funded programs will target both refugees and host communities.

**17. To guide and support staff in implementing RSW funded projects, Bank Management is finalizing a guidance note for staff on dealing with refugee protection issues and coordinating with UNHCR in RSW countries.** In addition, Project Appraisal Documents (PADs) for all RSW projects will provide a section on the policy and institutional environment for refugees, including an update on implementation since the eligibility note and/or previous PADs of the concrete steps undertaken by Government towards long-term solutions that benefit refugees and host communities. Finally, in line with the proposed increase in the size of the RSW described in paragraph 9, the country cap is proposed to increase from US\$400 million to US\$500 million.

**18. Management is taking this opportunity to clarify how certain Non-Concessional Borrowing Policy (NCBP) measures are intended to affect IDA financing through the RSW.**<sup>12</sup> A change of a country's eligibility for grants and/or share of grants as a result of the application of a response under the IDA's NCBP generally applies to all relevant IDA financing including PBA or through any exceptional allocation regime and IDA windows, unless expressly provided otherwise. In the case of the RSW, the application of a response applies, except that the minimum grant share from the RSW remains 50 percent in cases when an NCBP response results in the change of a country's financing terms to 100 percent credits. The change of terms is effective at any point in time during a Fiscal Year when the decision to apply an NCBP response is approved.

**19. For the PSW, Board approval is sought to give authority to IDA Management to process sub-projects under programmatic approaches.**<sup>13</sup> The Small Loan Guarantee Program (SLGP) is the only approved programmatic use of PSW so far. Under SLGP, after IDA and IFC Boards' approval of the overall platform and envelope of PSW support, IFC Management has the delegated authority from the IFC Board to approve sub-projects within defined parameters, while IDA Management does not. Vesting authority with Management would enhance the efficiency of programmatic use of the PSW and introduce consistency between IDA and IFC Boards. This could further enhance the timely deployment of the PSW resource to where it is needed, without undermining the governance principles of the PSW.

**20. IDA Management will carefully define the programmatic approach to the Board in each case where such authority is sought.** The key parameters will be described in the Board papers of all future programmatic platforms submitted for Board approval. After the Board's approval of the overall programmatic platforms, IDA Management will continue to ensure robust governance of each sub-project—all of which will continue to go through the normal review process of PSW transactions. Should the Board favorably consider this request, it is proposed that Management also be vested authority to process future sub-projects of SLGP and other

---

<sup>12</sup> As part of the NCBP implementation, IDA uses a range of measures to respond to a country's borrowing decisions. To channel IDA resources to where they are most effective, IDA can decide to (a) reduce allocated IDA volumes, (b) introduce change of IDA financing terms by reducing or removing access to grants in a given fiscal year, or (c) introduce a combination of these measures.

<sup>13</sup> IDA/IFC/MIGA Policy, IDA18 IFC-MIGA Private Sector Window, SEC7.12-POL.127 issued on December 14, 2017 (PSW Paper).

programmatic use of PSW approved by the Board prior to this date. Management will report on all the approved sub-projects as part of IDA's Quarterly Operational Updates to the Board. The IDA18 IFC-MIGA Private Sector Window Policy<sup>14</sup> would also be updated by adding the following italicized language to Section III. 10. (i): "(i) Accountability through independent decision-making by each Institution in line with its unique mandate and structures, and with the ultimate approval authority for use of PSW resources lying with the IDA Board of Executive Directors *or the IDA Management if the authority is vested by the Board of Executive Directors*".

21. **As agreed at the MTR, Management will consult further with IDA partners on the few remaining issues and when agreed, present proposals for Board approval.** These include finding the best vehicle through which to support Syrian refugees and updating IDA's Small Island Exception Policy.

---

<sup>14</sup> See Footnote 13 (PSW Paper).