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IDA18

**IDA18 Overarching Theme:
Towards 2030: Investing in Growth, Resilience and
Opportunity**

IDA Resource Mobilization Department (DFiRM)
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Towards 2030: Investing in Growth, Resilience and Opportunity

1. **As the World’s Premier Fund for the poorest and “an absolutely critical element in development”¹ IDA is uniquely positioned to help realize the ambition of eradicating poverty by 2030.** The ambitious development agenda set in 2015 signifies the desire of the global community to usher in a world free of poverty and hunger; a world that is peaceful and equitable; a world that is free of gender inequality; and a world that cares for its natural resources and environment.² In the context of World Bank Group’s *Forward Look*, a results-focused IDA has the capacity, experience, and the instruments to be the platform for transformational changes that ensure that no one is left behind.
2. **With just 15 years to achieve the Sustainable Development Goals (SDGs), every year counts.** The ambitious 2030 development agenda calls for a paradigm shift. A beginning was made at the first IDA18 Replenishment meeting when Participants selected “*Toward 2030: Investing in Growth, Resilience and Opportunity*” as the overarching theme. This theme underscores both the urgency and the need for a comprehensive approach to mitigate the adverse impacts of climate change and fragility on development and encourages actions to foster growth, equality and better governance so that poverty can be reduced and prosperity shared by all. A credible implementation plan must, therefore, include a strong policy and financial package to undertake large investments that can shift the development trajectory to deliver results by 2030. Spearheading the multilateral efforts, IDA18 presents a set of policy and financing commitments to match the global ambition.
3. **While the development agenda is ambitious, challenges are numerous and complex.** Climate Change and Fragility, Conflict and Violence threaten the SDGs and, if unchecked, could push more people into extreme poverty. Climate change related shocks on poverty reduction alone could result in more than 100 million additional people living in poverty by 2030.³ Meanwhile, the Fragile-and Conflict-affected States (FCSs) account for around 20 percent of the world’s extreme poor – a figure that is expected to double by 2030.⁴ Additionally, a major episode of violence could wipe out an entire generation of economic progress and poverty reduction, and lead to mass displacements.^{5,6} Furthermore, the situation is aggravated by demographic pressures with an estimated 600 million new entrants into the labor market over the next decade in IDA countries. Compounding these longer-term challenges are the global economic headwinds that threaten to reverse years of progress on poverty reduction. Particularly at risk are the approximately 50 percent of extreme poor and near poor in IDA countries who live in countries which experienced growth slowdown in 2015. The strategy to deal with these challenges, therefore, must promote *growth*, that is inclusive and *resilient* and creates equal *opportunities* for all.

¹ Bill Gates at the A New Vision for Financing Development, WBG forum, April 17, 2016. <http://live.worldbank.org/a-new-vision-for-financing-development-bill-gates>.

² In 2015, consensus was arrived on the Sustainable Development Goals (SDGs), the Addis Ababa Action Agenda (AAAA), and the Paris and Sendai agreements.

³ Shock Waves: Managing the Impacts of Climate Change on Poverty. Washington, D.C.: World Bank Group.

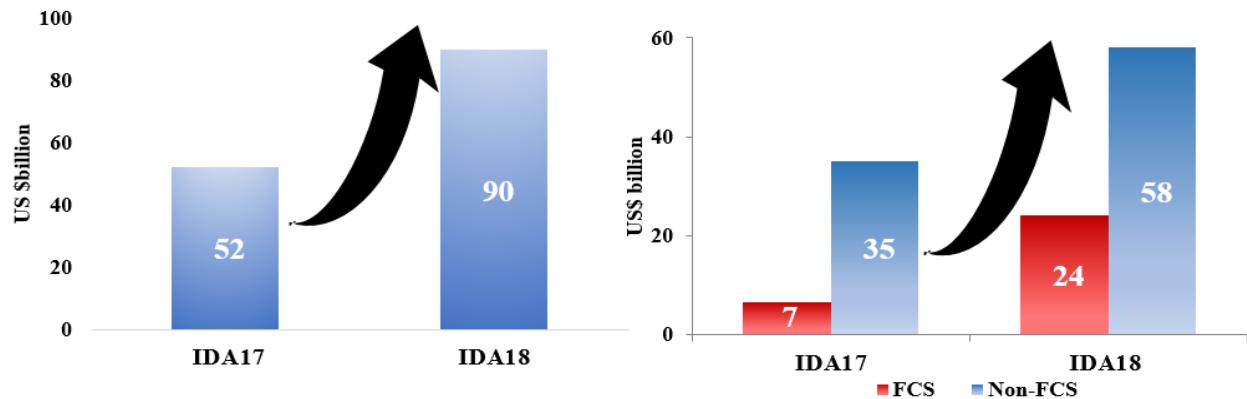
⁴ See World Bank (2011) World Development Report 2011: Conflict, Security and Development.

⁵ See World Bank (2011) World Development Report 2011: Conflict, Security and Development.

⁶ See <http://www.unhcr.org>.

4. Against this backdrop, implementing the strategy to deliver on the SDGs by 2030 requires resources at a sufficient scale. The demand for resources in IDA18 matches the ambitious agenda and is at an all-time high. IDA's six regions have submitted requests for approximately US\$90 billion over the IDA18 period for programmable resources, substantially higher than the demand for US\$52 billion at the beginning of the IDA17 Replenishment (Figure 1). This calls for innovative solutions to unlock, multiply and catalyze flows across all sources of financing – public, private, domestic and international.

Figure 1. Demand from Regions for IDA18 Resources



5. IDA will deploy the WBG's new country engagement model,⁷ its convening power, global partnerships and a new approach to mobilize resources to help countries make a strong start towards the SDGs in IDA18. IDA's tailored approach will account for significant differences across IDA countries in the patterns of growth. Some of these differences are a result of the nature of their economies: resource-rich versus resource-poor; densely populated and small-island states;⁸ stable and democratic countries versus FCS.⁹ These differences call for tailored solutions that are country and context dependent.

6. With the WBG country engagement framework at the core, IDA will use the full range of instruments, expertise and results focus, to deliver solutions that are tested and tailored to the needs of its client countries. In IDA18, the country engagement framework will be supplemented by added spotlight on five thematic areas to help deliver the ambition enshrined in the overarching theme. (Figure 2). The themes agreed by Participants at the First Replenishment meeting are: Climate Change; Gender and Development; Fragility, Conflict and Violence; Jobs and Economic Transformation; and Governance and Institution Building. (Annex 1 shows commitments under the special themes).

⁷ See Strategic Directions Paper for a description of WBG's new country engagement model that is evidence-based and supports countries' efforts to end extreme poverty and boost shared prosperity in a sustainable manner.

⁸ Populations of IDA countries range from just 10,000 to 185 million.

⁹ From 2006-2014, 21 IDA countries experienced average annual per capita growth below 1 percent, with 11 experiencing absolute decline. By contrast average annual per capita growth in IDA countries was 3.1 percent and 34 countries experienced even faster growth. Overall, average annual growth ranged from a low of -8.0 percent to a high of 7.7 percent.

Figure 2. Towards 2030: Investing in Growth, Resilience and Opportunity



7. IDA18 will work to limit the negative impact of FCV situations, climate change, and weak governance and institutions by implementing commitments that enhance resilience of IDA countries and spur growth. In the last decade, IDA countries were affected by almost three times as many disaster events relative to the 1980s, and their economic damage (in US\$ terms) has been almost three times larger. In the absence of action, climate change and natural disasters will affect livelihoods, increase diseases, cause crop failure and increase food prices.¹¹ Meanwhile, weak institutions promote corruption and breed discontent in poor societies. This could eventually translate into fragility, conflict and violence (FCV), reversing gains and causing spillovers with potential threats to global peace and economy. In IDA18, a significant scale-up is planned for strengthening resilience by focusing on two special themes, i.e., *Climate Change* and *Fragility, Conflict and Violence*.

- Double resources for FCV situations
- Support governments that host refugees
- Increase facetime in FCV situations
- Support climate resilient development
- Increase share of adaptation and mitigation co-benefits
- Increase focus on renewable energy
- Mobilize public and private funding for low electricity access countries
- Triple funds¹⁰ available to deal with natural disasters, economic shocks and pandemics

¹⁰ CRW proposed allocation in IDA18 will be three times the initial allocation at the beginning of IDA17.

¹¹ See Hallegatte et al (2015).

8. **IDA18 will assist countries in their progress towards the SDGs by promoting growth that is transformative, inclusive and sustainable.** Strong and sustainable growth has important implications for social cohesion, particularly in FCSs and countries facing youth bulges. This, in turn, requires a jobs agenda that is inclusive – to youth, to women, to residents of lagging regions, and the bottom 40 percent. Delivering sustainable, higher earning jobs in IDA countries, especially in an environment of lower global growth and depressed commodity prices requires a process of economic and structural transformation.

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- Leverage IFC and MIGA through a new Private Sector Window to spur private investments in IDA countries, especially in fragile countries
 - Develop and implement job measurement tools and systems
 - Analyze global value chains and expand tools for spatial data analysis
 - Assess job dynamics, urbanization trends, and infrastructure impacts
 - Analyze the impact of SME and entrepreneurship programs in select countries
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In IDA18, the *Jobs and Economic Transformation* special theme will focus on private sector-led economic transformation that will lead to inclusive growth and opportunities.

9. **IDA18 will support countries in creating opportunities for reducing inequality.**

Countries with high inequality and increasing gaps have difficulty sustaining economic growth and social stability over time. No country has managed to transition beyond a middle-income status while maintaining high levels of inequality. Inequality – social or economic – can be a prime cause of fragility. Therefore, better-paying jobs in the private sector are central to creating opportunity for the millions joining the labor force and for maintaining social cohesion. Hence IDA18 focuses on opportunity, especially for women. Enhanced focus on *gender and development* in IDA18 will build on the progress already made to offer equal opportunities to all and help countries realize their full potential through increased female participation.

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- Improve availability and affordability of reproductive health services
 - Target remaining gender gaps in human endowments
 - Support women's participation in economic activity and in reducing occupational segregation
 - Reduce gender gaps in access to and use of financial services
 - Promote country level action for more and better data and evidence
 - Address voice and agency issues
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10. Good governance lies at the core of sustainable development and has direct links to the WBG's twin goals of poverty reduction and shared prosperity. Nations need health systems that are affordable and can serve the poor, judicial systems that are fair, public policies and regulations that are predictable and can promote private sector growth. This agenda calls for sustained reforms which is the focus of IDA18's special theme on *Governance and Institutions Building*.

- *Strengthen domestic resource mobilization*
 - *Improve public expenditure and financial management and procurement*
 - *Assist in mitigating illicit financial flows*
 - *Enhance service delivery performance in State Owned Enterprises*
 - *Support health institutional capacity to respond to pandemics*
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11. Matching the global ambition, IDA18 puts forward an equally ambitious and transformative proposal to mobilize and manage its finances. In comparison to previous Replenishments, this will greatly enhance IDA's ability to provide resources needed to implement commitments that are transformational and would translate into a US\$75 billion baseline package (Figure 3). Increased financing would benefit both FCS and non-FCS countries and enable adequate resources for regional programs, disaster relief, private sector development and deal with refugees in affected host countries. It would also ensure that graduations from IDA are sustainable and graduating countries are able to avail transitional support for longer periods. The principles underlying this proposal are:

- Financing a significantly increased package with the ratio of every dollar of partner contributions to total mobilized resources from 1-to-2 in IDA17 to 1-to-3 in IDA18 (Figure 4);
 - Providing more concessionality through more efficient use of IDA reflows and partner contributions, using these not simply to fund IDA finances but also to buy market-price debt down to concessional terms; and
 - Doing this in a sustainable manner without depleting IDA's ability to serve its clients in the future.
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- *More resources for both FCS and non-FCS countries*
 - *Exceptional support for Guinea, Nepal, Niger and Tajikistan*
 - *Higher funding for IDA's core program in IDA-eligible countries and without grant discounts*
 - *Increase in non-core funding: higher support for refugees, regional programs, private sector development and crisis response*
 - *Increased transitional support for graduating countries*
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12. IDA's results focus makes it uniquely well placed to help clients reach the SDGs and IDA18 will step up this focus through its revised Results Monitoring System. IDA has a track record of helping clients deliver meaningful results. IDA's long-standing focus on monitoring, measuring and achieving results is now embedded systematically into IDA operations and applies even in the most complex circumstances. Moreover, IDA helps improve country statistical

systems, which are critical for producing quality data for making domestic policy, as well as monitoring and measuring results. These systems also support the broader global need for data to measure progress towards the 2030 goals. IDA18 will make a concerted effort to step up its support for collecting data.

Figure 3. Increase in Replenishment Size

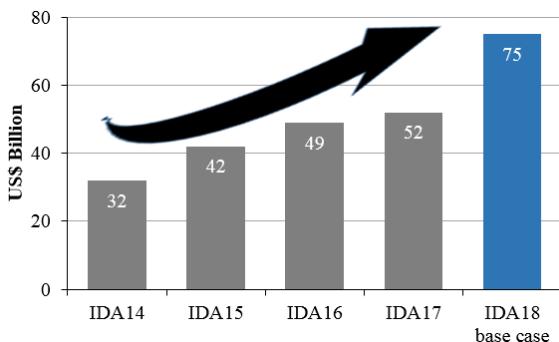
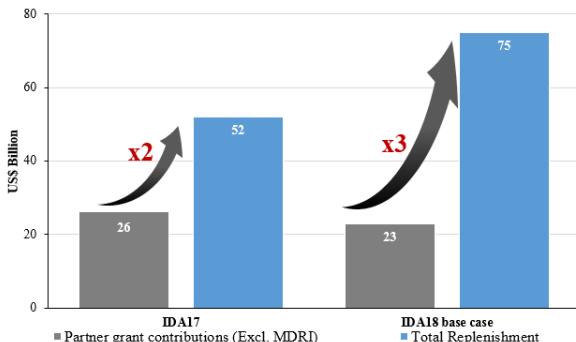


Figure 4. Increase in Leveraging Ratio



13. **IDA18 replenishment comes at a time when the world's ambition for one final assault on extreme poverty is at its highest, hard fought economic gains are threatened by climate change and fragility, and the need for resources to spur growth has never been more acute.** In this context, IDA, in collaboration with IFC and MIGA has drawn up an ambitious agenda that can make a difference in IDA's ability to assist client countries' in their progress towards SDGs. IDA will pursue this with the results-focused WBG country engagement model at the core and a financing paradigm shift from a primarily donor and internal resource driven framework to one that places increasing reliance on market debt. In this context, it cannot be overemphasized that IDA's leveraging ability is closely linked to partner contributions and the sustainability of IDA's financing model.

14. **Staff would welcome Participants' views on the approach set out in this paper for achieving the objectives of the overarching theme for IDA18.**

Annex: Summary of Proposed IDA18 Commitments

OBJECTIVES	RECOMMENDATIONS/PROPOSED ACTIONS
JOBS AND ECONOMIC TRANSFORMATION	
Analytics to inform current operations	<ul style="list-style-type: none"> • Global Value Chains: IDA will undertake eight inclusive global value chain analyses in IDA countries to understand how they can contribute to inclusive job creation and economic transformations. • Spatial data analysis tools: IDA will expand the use of spatial mapping and spatial data analysis tools to assess jobs dynamics, urbanization trends, and infrastructure impacts.
Learning and measurement for future operations	<ul style="list-style-type: none"> • SME Impact Analysis: IDA will carry out Impact Analyses of SME and entrepreneurship programs in eight IDA countries, including in four FCS, to understand overall impacts and differentiated outcomes for women and youth. • Jobs Measurement Tools: IDA will develop and implement measurement tools and systems to gain a deeper understanding on the impacts of investment operations on the number, nature, and inclusiveness of jobs, with a specific emphasis on gender outcomes.
Leverage WBG for private sector investment	<ul style="list-style-type: none"> • IFC/MIGA Facility: WBG will enhance existing and introduce new operational instruments to improve risk sharing in projects and crowd-in private capital in high risk investment environments.
CLIMATE CHANGE	
Deepen the mainstreaming of climate change and disaster risk management into Systematic Country Diagnostics, Country Partnership Frameworks, and lending, and support development of planning and investment capacity	<ul style="list-style-type: none"> • Ensure all IDA Systematic Country Diagnostics and Country Partnership Frameworks continue to incorporate climate and disaster risk considerations into the analysis of the country's development challenges and priorities and when, agreed with the country, incorporate such considerations in the content of the programs and results framework. • Ensure all IDA operations continue to be screened for short- and long-term climate change and disaster risks and, where risks exist, integrate appropriate resilience measures.

	<ul style="list-style-type: none"> • Develop at least five climate-smart agriculture profiles and investment plans in IDA countries over the IDA18 period, and develop five programmatic forest policy notes.
Support efforts to achieve the Sustainable Energy for All objectives	<ul style="list-style-type: none"> • Support the addition of five GW in renewable energy generation in IDA countries over the IDA18 period. • Develop Investment Prospectuses in seven low electricity access countries.

GOVERNANCE AND INSTITUTIONS

Increase domestic resource mobilization	<ul style="list-style-type: none"> • Conduct Tax Policy Assessment Frameworks in six IDA countries by FY20, of which two are in FCV.
Improve Public Expenditure and Financial Management and Procurement	<ul style="list-style-type: none"> • Support at least nine IDA countries in performing PEFA assessments to inform preparation of their SCDs. • Increase coverage of Open Contracting principles in eight IDA countries (including preliminary procurement assessments), leading to improved disclosure of contract data and compliance with international open contracting transparency standards.
Mitigate illicit financial flows	<ul style="list-style-type: none"> • Perform Illicit Financial Flows assessments in ten IDA countries by FY20.
Strengthen active ownership of State Owned Enterprises	<ul style="list-style-type: none"> • Support at least ten IDA countries on enhancing service delivery performance in SOEs through: (i) Performance Agreements and/or (ii) increased Transparency through Annual Published Independent Audits.
Support health institutional capacity to respond to pandemics	<ul style="list-style-type: none"> • 15 IDA countries to develop pandemic preparedness plans. • 15 IDA countries to develop frameworks for governance and institutional arrangements for multi-sectoral pandemic preparedness, response and recovery.

GENDER AND DEVELOPMENT	
Sharpen focus on closing gaps between women, men, girls and boys in country strategies and operations, and strengthen the data and evidence base to enhance impact towards gender equality	<p>Human endowments/first generation gaps:</p> <ul style="list-style-type: none">• All applicable IDA18 financing operations for primary and secondary education will address gender-based disparities, for instance, by incentivizing enrollment, attendance and retention for girls.• All IDA18 financing operations for maternal and reproductive health will improve the availability and affordability of reproductive health services, including for survivors of gender-based violence. <p>Removing constraints for more and better jobs:</p> <ul style="list-style-type: none">• At least 75 percent of IDA18 financing operations for skills development will consider how to support women's participation in and improvement in the productivity of their economic activity, and/or consider how to reduce occupational segregation. <p>Financial Inclusion/Entrepreneurship:</p> <ul style="list-style-type: none">• At least ten IDA18 financing operations and ASA for financial inclusion will address gaps in men's and women's access to and use of financial services, and at least 12 Financial Inclusion strategies in IDA countries will sex-disaggregate reporting and put in place actions to target specifically women's financial inclusion. <p>Enabling country-level action:</p> <ul style="list-style-type: none">• Pilot data collections will be launched in at least six IDA countries to gather direct respondent, intra-household level information on employment and assets. <p>Voice and agency:</p> <ul style="list-style-type: none">• The number of operations in fragile contexts that include gender-based violence prevention/response and linkages to livelihood activities will increase compared to IDA16.

FRAGILITY, CONFLICT AND VIOLENCE	
Deepening the Bank's knowledge on FCS and learning from operational experience	<ul style="list-style-type: none"> • Adopt a risk-based approach for identifying fragility beyond FCS. • Deepen the Bank's knowledge on the mitigation/prevention of FCV risks through a flagship report drawing on lessons from operational experience and impact evaluations.
Designing integrated WBG strategies addressing FCV drivers and building institutional resilience	<ul style="list-style-type: none"> • Fragility assessment inform all CPFs in FCS and countries with significant risks of FCV.¹² • Increased number of operations targeting refugees and their host communities (baseline: IDA17). • Increase the number of operations in fragile contexts that include gender-based violence prevention/response and linkages to livelihood activities (baseline IDA16).
Improving staffing, operational effectiveness and flexibility	<ul style="list-style-type: none"> • Increase staff “facetime” in IDA FCS and monitor progress through the “facetime index”.¹³
Promoting partnerships for a more effective response	<ul style="list-style-type: none"> • Undertake joint Recovery and Peacebuilding Assessments (RPBA) as openings arise for engagement in the aftermath of conflict in IDA FCS.
Enhancing financing to support FCS/FCV	<ul style="list-style-type: none"> • Enhance IDA’s country allocation for FCV through: <ul style="list-style-type: none"> ◦ Increasing the base allocation to SDR15 million; ◦ Removing the grant discount and the MDRI netting out; ◦ Reducing the exponent of the Country Performance Rating in the PBA formula to 3; ◦ Providing exceptional allocations to mitigate FCV risks. • Establish a US\$2 billion Regional IDA sub-window for activities supporting refugees and host communities.

¹² Countries eligible for exceptional IDA allocations to mitigate FCV risks identified on the basis of a cross-country risk scan combining quantitative and qualitative assessments. See Annex 3 “Identification of countries at high risks of FCV” for further detail.

¹³ The proposed “facetime” indicator will be calculated on the basis of World Bank staff in-country missions as well as international and local staff and consultants posted in the country.