

IDA19 Third Replenishment Meeting
Washington, DC
October 21-22, 2019
Co-Chairs' Summary

1. IDA Deputies and Borrower Representatives (Participants) met on October 21-22, 2019 in Washington, DC for the IDA19 Third Replenishment Meeting. The meeting was co-chaired by Mr. Philippe Le Houérou, Chief Executive Officer of IFC, and Ms. Antoinette Sayeh, external IDA19 replenishment co-chair. The co-chairs welcomed Participants to the meetings as well as observers from Bulgaria, Chile, Croatia, Morocco, Qatar, and Uruguay.

2. Opening remarks by the co-chairs were centered on IDA's value proposition, progress made so far in putting together a robust IDA19 policy package, and an appeal for an equally strong IDA19 financing package. **Mr. Le Houérou** noted IDA's success at ensuring continuity, innovation and evolution. He also underscored IDA's value as the foundational platform that holds development financing together primarily anchored in the country-driven model – which is used by other multilateral development partners, bilateral donors and vertical funds. He reminded Participants that IDA19 comes at a critical moment and provides an opportunity to urgently support and boost financing in support of the 2030 agenda. **Ms. Sayeh** echoed the urgency of supporting IDA countries. She highlighted four key messages from recent interactions with Participants: first, the IDA19 policy commitments are in a very good place and the focus should now be on building consensus on a financing scenario; second, there is support for the centrality of country strategies, programs and platforms; third, results and impact remain key in IDA19; and fourth, adequate concessional financing is critical for accelerating progress, especially amidst increased debt vulnerabilities.

3. The President of the World Bank Group, **Mr. David Malpass**, joined the discussions for a conversation with Participants. He stressed the importance of a strong and ambitious IDA19 replenishment. The challenges in IDA countries remain gigantic, especially in a global context characterized by low nominal growth and growing inequalities, and where we are not on track to meet the Sustainable Development Goals (SDGs). He emphasized that in this environment, IDA is even more important. IDA is a unique, multi-sectoral platform that is essential to addressing these complex challenges and meeting the SDGs by 2030. President Malpass confirmed the enhanced focus on FCV in IDA19, supported by a strong set of policy commitments. He also reaffirmed that the WBG will deliver on its commitments on Climate. Participants welcomed the discussion, and reiterated IDA's important platform role, especially in the areas of climate change, debt sustainability, FCV, and jobs and economic transformation.

Review of IDA18 implementation

4. Participants welcomed the strong **IDA18 implementation** to date with solid progress on resource utilization; all policy commitments on track or already delivered; and good progress on operational performance. Participants expressed support for the proposed reallocations and flexibility as outlined in the paper on IDA18 Implementation Status and Proposed Reallocations. These included reduction of the Crisis Response Window (CRW) by US\$500 million, the Refugee Sub-window (RSW) by US\$400 million, the Private Sector Window (PSW) by US\$250 million, and Transitional Support by US\$380 million. Resources freed up from these reallocations would be channeled to all IDA countries through the Performance-Based Allocation (PBA) system. Participants also expressed

support to redirect resources from the CRW and the Syria set-aside that remain underutilized by February 29, 2020 through the PBA.

IDA19 financial package and allocation framework

5. Participants reviewed **IDA19 financing scenarios** presented by Management. Some suggested to continue considering the Mid-Low scenario (US\$76 billion), but the majority was of the view that this scenario was not sufficiently ambitious, which led to consensus to take it out. **There was a general convergence around a range between the Base (US\$80 billion) and Mid-High (US\$82 billion) scenarios.** Many Participants supported the Mid-High Scenario recalling the urgency and ambition of the SDG agenda, the need to grow resources for the FCS countries, and the need to increase per capita country concessional allocation in real terms to non-FCS. Others advocated to aim towards the High Scenario (US\$85 billion). Participants emphasized the need for strong grant contributions from donors and to at least maintain contributions at IDA18 levels in real terms. Several Participants expressed their intent on being champions for IDA19 and encouraged both existing and new donors to ambitiously contribute to IDA19. Participants also called for continued strong support to the MDRI and HIPC Initiatives. There was broad support for the proposed option to offer CPLs in non-SDR currencies, provided it is risk- and financially-neutral to IDA, and support to continue with the nine-year standard encashment schedule.

6. Participants discussed the **new innovations in the IDA19 allocation framework.** There was broad support for expanding the scope of the **CRW** to support early response to slow-onset crises, namely disease outbreaks and food insecurity, but also calls to clarify the triggers for use of the CRW in these instances. The need for borrowing countries to use Performance-Based Allocations (PBA) for crisis prevention and preparedness whenever possible was also highlighted. Management will continue refining the methodology for the CRW early response triggers, especially for food insecurity, and finalize these in time for IDA19 implementation and would review experiences with the new approach at the IDA19 Mid-term Review (MTR). In finalizing the triggers, Management would ensure that CRW funding is channeled to events that would have typically been covered by the CRW, but at an earlier juncture, and aim to layer the CRW early response with other initiatives in the crisis toolkit. Work on the Pandemics Emergency Financing Facility (PEF) and Famine Action Mechanism (FAM) is underway and Management will continue to explore complementarities between these initiatives, the IDA toolkit, and other existing mechanisms. Participants also welcomed the Global Crisis Risk Platform's support for the development of a proposed approach for crisis preparedness metrics by end-FY21 and suggested an assessment of these metrics during IDA19.

7. Participants supported the continuation of the **PSW** with focus on IDA's toughest markets. Some pointed out that some IDA countries are not eligible for PSW despite similar challenging problems mobilizing private sector investment and creating jobs. Participants noted the importance of collaboration among IDA, IFC, and MIGA, and expressed appreciation of the ongoing effort towards transparency on PSW subsidies and the continued prioritization of project quality rather than quantity. More information on how the PSW is supporting IDA's Special Themes was also called for. Regarding the programmatic exception to support PSW investments in non-PSW eligible IDA countries, Participants broadly supported Management's proposal. They expressed their expectation for a strong PSW delivery in IDA19 and agreed to a review of the window at the IDA19 MTR.

8. Participants endorsed the scale-up of the **Regional Window** and the proposed emphasis on the Sahel, Horn of Africa and Lake Chad regions in Africa. Participants emphasized the importance of ensuring that operations are identified in line with strategic priorities for each region; and that they

demonstrate positive spill-over effects across borders, in particular for exceptional single country projects. Some Participants noted concerns of client capacity constraints, notably for small states and FCS, and called for special attention to addressing these.

9. On **Syria** in IDA19, Management confirmed that, if Syria cleared its arrears and re-engages with the Bank, and subject to the conditions laid out in IDA18, it could apply to the FCV Envelope (Turn Around Allocation).

10. Most Participants expressed support to the **graduation of Mongolia and Moldova** from IDA at the beginning of IDA19, an important achievement in the development trajectory of these countries. At Participants' request, Management provided an overview of Moldovan and Mongolian authorities' view on graduation. Some asked questions on the timing and process, but welcomed Management's emphasis on the IBRD capital increase features which will provide continuity in terms and volume of financing from the World Bank to these countries.

IDA19 Policy commitments and Special Themes

11. **Fragility, Conflict and Violence (FCV)** stood out again as a key priority for IDA Participants. Management committed to making the draft WBG FCV Strategy available prior to the IDA19 pledging session in December 2019. Participants welcomed this, including the revision of operational guidance that was announced as part of the FCV Strategy. FCV staffing was one of the main issues discussed, and Management laid out further rationale for the proposed IDA19 policy commitment. Participants requested clarifications about the level of ambition, the appropriate 'skills mix', the expected share of Extended Term Consultants (ETCs) in the staff count, and the number of staff on the ground in contrast to those in nearby locations. Some Participants suggested a cap on the number of ETCs and staff in nearby locations that would contribute to the staffing commitment. Participants also underlined the importance of providing incentives for staff to work in FCV contexts, including but not limited to better career opportunities. Management confirmed that it expects the large majority of the scale-up to comprise technical/professional staff on the ground in IDA FCS and offered to report back at the IDA19 MTR on the various components of the increase. Participants also stressed the importance of tailoring future IDA programming to drivers of fragility, addressing the regional dimensions of fragility, and using the IDA19 MTR as an opportunity to review the rollout of the new FCV Envelope.

12. **Climate Change** was highlighted by many participants as the defining development challenge of our time with disproportionate impacts on the poorest countries. Many Participants urged high ambitions on the climate-related policy commitments. There was broad support for increasing climate co-benefits to at least 30 percent, with a number of Participants requesting to move to an even higher target. Several Participants also called for an ambitious target of at least 10GW renewable energy in direct and indirect investments and alignment with the Paris Climate Agreement. Many Participants also emphasized the importance of supporting countries on their national climate-related action plans such as their nationally determined contributions (NDCs), including integrating them into national budgets and economic development strategies, and for IDA to increasingly engage at a policy level to support climate-informed policies and reforms. Management briefed Participants about how IDA has been delivering well on the adaptation agenda, welcomed the consensus developed by a number of Participants regarding the climate change package and agreed to incorporate this in the Deputies Report. Participants also welcomed the proposal to include a new biodiversity policy commitment to support at least 15 countries in implementing and/or updating biodiversity action plans through new IDA-supported activities during IDA19.

13. Regarding **Jobs and Economic Transformation (JET)**, Participants welcomed the sense of enhanced ambition and shift to operationalization emerging from the updated policy commitments, including the IFC. The focus of the discussion was on increasing the emphasis on human capital, skills development and employability, social protection, as well as a strengthened migration lens. Participants also emphasized the regional aspects of economic transformation and the importance of quality infrastructure for sustainable economic growth. They welcomed the additional emphasis in policy commitments on migration. They encouraged IDA's continued leadership on the knowledge agenda, integrating results from recent years' analytical work on The Changing Nature of Work, Global Value Chains, and new technologies into methodologies used in country diagnostics. The value of South-South learning was also recognized. IDA's efforts to advance the jobs measurement agenda were highlighted, particularly regarding estimation of indirect jobs, supported to inform discussions of a potential new RMS jobs indicator to be included for IDA20. Participants welcomed the use of country platforms to catalyze greater collaboration among all stakeholders, while emphasizing the critical role of country leadership and ownership. Some pointed out that the push towards country platforms should remain of voluntary nature, tailored to country specifics, and consistent with existing initiatives (e.g. the Integrated National Financial Frameworks).

14. On **Gender**, Participants expressed broad support for the package of policy commitments noting the progress made since the Addis Ababa meeting and strong integration with other special themes, while underlining the need for continued focus on ambition – some describing where they expected IDA to consider setting gender and development targets in the longer term. Participants expressed support to commitments that contribute to enhancing women's economic empowerment. Participants provided feedback on a number of policy commitments calling for higher ambition for securing women's land rights, expanded focus on women's voice and agency to go beyond gender-based violence (GBV), continued focus on girls' education, and further inclusion of women and girls with disabilities. On the gender tag, Participants welcomed the raised target of 60 percent, while several Participants encouraged Management to further raise that target. Management offered clarification on the policy commitment on women's empowerment, that girls' education is foundational, and similarly, the greater emphasis on primary health systems would strengthen delivery of care to women and girls. Management reiterated its commitment to continue work on filling gender data gaps and emphasized working in FCV countries where data gaps are serious.

15. On **Governance and Institutions**, Participants welcomed the increased ambition of the policy package and a greater focus on outcomes for the domestic resource mobilization policy commitment. Participants noted that while IDA will support countries that are persistently under the 15 percent tax-to-GDP ratio threshold to achieve an unweighted average increase of one percentage point over the three-year IDA-cycle, achievement of such progress rests with clients, not with IDA specifically. In that context, Management introduced an additional Tier 1 indicator in the Results Measurement System (RMS) that reports the delta of tax/GDP ratios. Participants emphasized the equally great importance of tax equity and ensuring that taxes are raised well while not penalizing the most vulnerable. Participants welcomed Management's confirmation that the policy commitment on debt transparency will reference debt reporting requirements and that the policy commitment on multi-stakeholder platforms will be adjusted to encourage participation of women and vulnerable groups. Participants supported the policy commitments addressing corruption and proposed Illicit Financial Flows (IFFs) indicators in the RMS. Participants called for the Bank to strengthen its work on core governance in IDA FCS, encouraging meaningful engagements that are tailored to FCV drivers. Management confirmed that this policy commitment will focus on ways in which the Bank can strengthen core governance in ways that address these FCV drivers.

Cross-cutting issues

16. **Debt** was again a key topic of discussions, with participants supporting the new Sustainable Development Finance Policy (SDFP) to incentivize IDA countries to borrow more sustainably and promote collaboration among lenders. Discussions centered around the operationalization of this policy, especially regarding the incentive framework, scope of the policy, the type and number of policy milestones, and steps on debt transparency and capacity building for IDA countries. A few Participants requested that further consideration should be given to the approach of extending the new policy to countries that are currently outside of the scope of the NCBP and have low to moderate risk of external debt distress or have an active program with the IMF. Participants welcomed the innovation of adding IDA country debt pages to the IDA website (ida.worldbank.org/debt) to improve debt transparency, signaling its importance for both lenders and borrowers. Participants requested that more detailed governance arrangements for SDFP be incorporated in the next iteration of the Deputies Report. Management confirmed that debt considerations including outreach to creditors would be one of the operational priorities for country-level policy discussions during IDA19. Some emphasized the importance of outreach to borrowers on the new policy. Others emphasized that the outreach program should complement but not substitute the existing fora for official debt coordination. The SDFP will be approved by the IDA Board after the December replenishment meeting and before the start of IDA19. Management committed to conduct an initial review of the SDFP for the IDA19 Mid-Term Review.

17. Participants noted that other cross-cutting issues – **human capital, disability, and technology** – are well covered in the IDA19 package. They emphasized that investing in people and their Human Capital is central to IDA’s work and key to making tangible progress in addressing stunting, promoting universal health coverage, and tackling pandemics. Participants welcomed Management’s adjustments to enhance attention to the unique development challenges facing people with disabilities, with several calls for broader, longer-term efforts to mainstream this into the Bank’s work. Participants welcomed the broad scope of the technology agenda, recognizing it less as a goal in and of itself, but as an important means to advance development outcomes including in relation to climate change.

18. Participants recognized that the **Results Measurement System (RMS)** has come a long way to reflect IDA19 priorities and align with the SDGs. There was a call to push the envelope further to strengthen the focus on outcomes including with greater disaggregation (by FCV status, sex, and disability status, when relevant). Participants proposed additional indicators, with respect to disability, IFF, biodiversity, jobs measurement, and debt reporting. In response to questions on the ambition of some targets, Management emphasized the evolving nature of country priorities and demand for Bank engagement. Management will reflect carefully on these comments and adjust the RMS where appropriate.

Closing remarks

19. World Bank Managing Director for Operations, **Mr. Axel van Trotsenburg**, thanked Participants for the guidance and support. He emphasized WBG’s clear leadership on climate as reflected in the IDA19 package and welcomed the inclusion of biodiversity in the IDA19 Policy Commitments. He stressed the importance of the SDFP and called on all, including creditors, to be disciplined and cooperate on its delivery. He concluded by emphasizing WBG Management’s strong commitment to deliver both IDA18 and IDA19 in full.

20. **Ms. Sayeh** highlighted the progress made by Participants and noted that the agreed policy package is very strong, representing a high bar for IDA19. **Mr. Le Houérou** called on Participants to make the case for IDA in their capitals and push for strong replenishment pledges in Stockholm in December 2019.

21. Over the coming weeks, Management will continue to consult with Participants in order to prepare for a successful conclusion to the IDA19 process at the final meeting, scheduled for December 12-13, 2019 in Stockholm, Sweden. A revised draft of the IDA19 Deputies' Report will be circulated to Participants, and made available to the public, for comments in early November. Reflecting this input, a final draft of the Report will be circulated to Participants ahead of the final meeting in Stockholm.