

CHAIRMAN'S SUMMARY
IDA15 Deputies Meeting
Maputo, Mozambique
June 29-30, 2007

1. Deputies of donor countries, joined by representatives of borrower countries and observers from other multilateral banks, met in Maputo for the second meeting of the Fifteenth Replenishment of IDA resources (IDA15). It was preceded by a discussion with opinion leaders from Sub-Saharan Africa. Participants expressed their appreciation to the Government of Mozambique for its warm hospitality.

2. The meeting commenced with the Prime Minister of Mozambique, H.E. Luisa Diogo, describing the remarkable achievements of the country over the last two decades. The Prime Minister acknowledged IDA's strategic role in supporting Mozambique's development efforts through its country-based model. She also noted the scope for further strengthening IDA's work in the field and underlined some challenges for IDA, including: make further efforts to listen and decentralize, focus more on results, address better governance issues and make gender a real cross-cutting issue. Participants then proceeded to discuss the role of IDA in the global aid architecture at the country, regional and global levels. They noted that, in addition to the direct provision of finance, knowledge and policy advice in support of growth and poverty reduction, IDA often serves as a platform for the delivery of aid by all development partners. They recognized that this role is even more important in an increasingly fragmented aid architecture. Participants encouraged IDA to be more selective based on its comparative advantages and urged IDA to closely coordinate with other players, in particular the UN, the RDBs, the EU and bilateral donors. While many participants supported the proposed four focus areas – strengthening the complementarity with vertical approaches to aid delivery; ensuring appropriate sectoral funding; addressing the challenge of climate change; and enhancing alignment and harmonization – some speakers expressed caution about climate change and sectoral funding, emphasizing the need to address these issues in the context of the country-based model. Many stressed that country-level effectiveness was also paramount in this context. It was also noted that the discussion on IDA's role should be articulated with the World Bank's medium-term strategy, which is currently being formulated, and that the timely completion of this strategy by Management is important. Further aspects of IDA's role in ensuring debt sustainability and in enhancing the effectiveness of IDA's assistance at the country level—such as alignment and harmonization, decentralization, ownership, results measurement (including statistical capacity) and the Performance-Based Allocation (PBA)—will be discussed at the third replenishment meeting.

3. There was strong support for the steps taken by IDA to fine tune its organizational, policy and procedural approaches to better respond to the needs of the fragile states, learning from IDA's experience and in close cooperation with other actors, including the UN. It was widely recognized that the financing for fragile states, based on the PBA system, with carefully ring-fenced exceptions for post-conflict and re-engaging countries, was generally working well. Management's proposals to lengthen the phase-out periods of exceptional allocations for these countries were broadly supported. Several participants noted the need to ensure that the exceptional assistance is adapted to country circumstances. Management presented a supplementary note on the pattern, volume and duration of post-conflict assistance which explained how the allocations during the phase-out period would be calibrated on a case-by-case basis, based on country performance as measured by the Post-Conflict Performance Indicators (PCPIs). Management agreed to present an assessment of the lengthened phase-out for post-conflict and re-engagement allocations at the IDA15 Mid-Term Review, and also to prepare for public disclosure of the PCPIs during the IDA15 period. Management also agreed to report at the Mid-Term Review on progress on human resources reforms, cooperation with the UN and other actors, implementation of DAC Principles and the adaptation of country assistance strategies to fragile and conflict-affected environments.

4. There was broad support for Management's proposal for a systematic approach to arrears clearance, including the eligibility criteria, the use of exceptional IDA allocations for arrears clearance and expanding the scope of the HIPC trust fund to accept resources from donors and IBRD net income transfers. Participants noted the importance of proceeding with arrears clearance operations for individual countries only when a firm, comprehensive agreement among preferred creditors is in place. While participants accepted the importance of the *pari passu* principle, some speakers suggested that Management implement this with a degree of flexibility. Management agreed to prepare a note that explores the feasibility of conditional arrears clearance. Participants supported Management's proposals on IDA's pre-arrears clearance grants and requested Management to clarify the criteria under which the full country allocation would be made available for this exceptional use. They noted that IBRD's income would increase as a result of the clearance of arrears to IBRD. They urged the Bank Group to consider higher IBRD contributions to IDA. Management undertook to consider this at the time when the net income allocation would be discussed by the Executive Directors of IBRD.

5. In discussing the demand for IDA15 resources and the strategy for their effective use, participants noted that the proposed replenishment was consistent with the projected growth in overall levels of aid and indicated broad support for an ambitious IDA15 replenishment. Most participants noted that Africa should continue to receive an increasing share of IDA resources, subject to this being warranted through the performance-based allocation system—which is central to the IDA policy framework—while also stressing the need to maintain IDA's role in addressing poverty in other regions as well. A consensus was reached to include the cost of proposed changes for exceptional post-conflict and re-engagement allocations and support for arrears clearance in the IDA15 replenishment. At the third replenishment meeting, Management will provide further details on scenarios for the use of IDA15 commitment authority (including on the increase in real terms) and on the pipeline of regional projects.

6. Participants stressed the importance of some specific thematic aspects of IDA's operations during the IDA15 period. First, most supported a strengthened IDA focus on climate change under the country-based model, particularly for adaptation and access to clean energy, and requested further details on IDA's role which will be provided through a short paper at the third replenishment meeting. Second, they emphasized the importance of IDA's continuing efforts in gender mainstreaming and requested that a status report on the Gender Action Plan be discussed at the IDA15 Mid-Term Review.

7. Discussions on the sources of funding for IDA15 were started at the meeting. Many participants underscored the need for substantially higher IDA15 contributions from other Bank Group institutions, while underscoring that this should not imply lower donor contributions. They requested Management to present scenarios for higher IBRD net income transfers and projections on the level of IFC retained earnings over the coming years at the next meeting. Many participants noted that maintaining a limited structural financing gap in donors' regular IDA contributions was useful for accepting supplementary contributions and contributions from new donors. Some speakers noted that the gap could be filled in part by acceleration of donor encashments. Many participants also encouraged those who had previously reduced their burden shares to attempt to restore them in IDA15, while other donors would maintain their shares. They stressed the need for full replacement of IDA's lost credit reflows due to the HIPC Initiative and the MDRI in line with earlier firm commitments, so as to ensure that the debt relief granted by IDA will be additional for recipient countries as intended. Some participants also expressed support to scale up their burden shares to close the structural financing gap for debt relief costs. There was an emerging consensus to discontinue the use of the *pro rata* deferment provision in IDA15. Finally, participants broadly agreed with the reporting arrangements proposed under GAAP with respect to donors' accelerated encashments of their IDA contributions.

8. It is proposed that the next meeting be held in Ireland on about November 12-13, 2007, followed by the last replenishment meeting in Germany on a date to be determined.