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IDA16

IDA16 Themes and Issues

International Development Association
IDA Resource Mobilization (CFPIR)

January 2010

Selected Abbreviations and Acronyms

IDA	International Development Association
IEG	Independent Evaluation Group
MDGs	Millennium Development Goals
MTR	Mid-Term Review
MDRI	Multilateral Debt Relief Initiative
PBA	Performance-Based Allocation

IDA16 Themes and Issues

Note on Brainstorming Session at the IDA15 Mid-Term Review

I. Introduction

1. The IDA16 replenishment will be the last full replenishment period before the deadline for attaining the Millennium Development Goals (MDGs) in 2015. It comes at a time when IDA countries are in the process of recovering from a succession of global crises, and need to refocus on long-term growth and development. Further, the next year marks the 50th anniversary of IDA's establishment. While this highlights the urgency of this replenishment, it also points to a need to take a close look at how IDA can become an even more effective provider of development assistance.

2. At the conclusion of the IDA15 Mid-Term Review (MTR) the IDA Deputies and Borrower Representatives (the "Participants") engaged in a brainstorming session aimed at identifying the themes and issues that would need to be addressed during the IDA16 negotiations in order to further enhance IDA's effectiveness. The discussion focused on three areas identified by Participants during the two previous days of discussion: (i) the strategic directions for IDA going forward; (ii) issues related to implementation and results; and (iii) financing issues both with respect to the availability of funding and the concessionality of IDA resources. Drawing on this discussion, this paper identifies areas of broad agreement and outlines a way forward (Section II). The paper also outlines how the IDA16 replenishment negotiations could be conducted based on feedback from MTR participants (Section III).

II. Areas for discussion in IDA16

3. At the outset it is important to note that a number of Participants raised the need to ensure that the IDA16 negotiations are focused on issues of real strategic importance, and that the process is manageable in terms of the preparation for, duration of, and number of meetings over the course of the next year. This selectivity means that every topic raised by Participants may not be included as a subject of discussion during IDA16 meetings. With a view to responding to the request from a number of Participants for fewer and more strategic papers, and consistent with past practice, the present paper therefore seeks to identify those issues that had the broadest support among the Participants, and that also have the greatest strategic relevance for IDA at this time. Management notes that many of the topics raised during the brainstorming session have already been discussed by the Executive Directors in the recent past, or are on the Board's schedule for future discussions. Management would seek to ensure that new issues that cannot be accommodated during the replenishment discussions are dealt with in appropriate fora, in particular by the Board.

4. **Broad strategic issues:** There was broad agreement among Participants on the need to focus on development outcomes or “results” as the over-arching theme of IDA 16. At the same time, the discussions revealed continued interest on specific areas of development impact (“special themes”). In view of the broad support for a strategic focus in the replenishment discussions, Management proposes to present a paper laying out the strategic issues for IDA16 at the first meeting in March. Based on guidance from the Participants, this paper would be followed by separate papers on the special themes and on implementation issues, to be presented at the second meeting in June/July.

5. The strategic issues paper would take as its starting point the need to accelerate progress towards achieving the MDGs, given that the majority of IDA countries will miss several MDGs by the 2015 deadline. This is especially true for fragile states, which lag behind other IDA countries. Drawing on previous IDA15 discussions, and with a view to developing recommendations to strengthen IDA’s country-based model of development, the paper would discuss IDA’s role in an increasingly complex aid architecture where growing proliferation, fragmentation and earmarking tend to undermine overall aid effectiveness. The paper would also discuss how to better position IDA to respond to additional challenges, such as those posed by exceptional crises and climate change, which can detract countries from their long-term development path. Given that IDA’s current country-based allocation structure limits its ability to provide additional funding for these purposes, a possible way forward could be the establishment of supplemental financing mechanisms in IDA. This would need careful consideration of costs and benefits; in particular, it would be important to ensure that funding through these mechanisms would indeed be additional.

6. In terms of **special themes**, i.e., sectoral/thematic issues on which Participants believe further efforts are needed in terms of providing stronger policy guidance, there was firm support for the following:

- **Fragile states:** This discussion could focus on further operational enhancements to how IDA works in fragile states, as well on ensuring adequate financing, particularly of countries that are coming to the end of the phase-out period for exceptional post-conflict and re-engagement allocations.
- **Gender:** This discussion would focus on how IDA can scale up its efforts to ensure that gender issues are mainstreamed in social and economic sectors.
- **Climate change:** The focus of this discussion would be on defining, in the aftermath of the Copenhagen meetings, what role IDA should play in the evolving international response to climate change.

7. **Implementation and results:** Another set of issues raised during the IDA15 MTR related to how IDA can improve implementation and results measurement. Implementation issues could include topics which in the IDA15 replenishment were included e.g. in the discussion of aid effectiveness and the IDA15 results framework.

8. **Resource Allocation.** Some Participants asked for a comprehensive review of how IDA's resources are allocated particularly with regard to the emphasis placed on needs and vulnerability. This review would also be expected to cover financing for fragile states including a review of the need to further extend the phase-out of the post-conflict and re-engagement allocations.

9. **Financing:** Participants discussed the need to strengthen IDA's finances and increase its long term sustainability. Issues related to IDA financing will need to be examined from both the donor and the recipient perspective to ensure that scarce IDA resources are used with maximum efficiency and in order to safeguard IDA's long term financial strength. The issues may be divided in two groups:

- **Availability of funds:** For example eligibility for IDA financing, IDA's graduation policy, reflows and repayments, and leverage – i.e., issues that relate to policies that would affect the size of the IDA16 replenishment.
- **Concessionality:** Even with the introduction of grants IDA still has relatively undifferentiated financing terms for its borrowers, despite the fact that IDA borrowers have very different circumstances in terms of income levels, economic prospects, and levels of external debt. An examination of the concessionality of IDA resources, and how it could be better tailored to country needs would be closely linked to the discussion of IDA's long term financial strength, which was raised by a number of Participants.

10. In addition to the issues discussed above the IDA16 round would need to follow up on the discussion at the IDA15 MTR of the MDRI netting-out issue. Furthermore, the proposal to establish a Crisis Response Window as a permanent feature of the IDA architecture would also need to be considered.

III. IDA16 Replenishment Process

11. The three special themes for IDA16 that are referred to above, as well as the discussions of resource allocation, strategic directions and financing, provides an ambitious agenda for IDA16. In order to complete the discussions of these issues within a reasonable timeframe, and possibly in three, rather than four or five meetings, it will be necessary to adopt an efficient and disciplined approach. This section lays out a possible approach.

12. **First meeting:** The first meeting of IDA16 would take place in Paris during March 3-4, 2010. This meeting would agree on themes for IDA16 and discuss the following issues:

- Review of recent evaluations by the Independent Evaluation Group (IEG)
- A paper on the strategic directions for IDA
- A preliminary review of IDA's financing framework
- A paper on the MDRI netting-out issue
- A paper on the principles for a Permanent Crisis Response Window

13. **Second meeting:** The second meeting (June/July) would take place in a to-be-identified recipient country. Agenda items would include:

- The three special themes for IDA16
- Paper on IDA's resource allocation
- Estimates of IDA country resource needs
- IDA's financing framework and financing options
- Issues related to implementation, including results measurement and aid effectiveness
- Proposal for supplemental financing mechanisms in IDA

14. **Third meeting:** The third meeting may take place around the time of the Annual Meetings in Washington DC. Agenda items would include:

- The final IDA16 financial framework
- Final review of the IDA16 replenishment report
- Other outstanding issues

15. If possible, this would be the last meeting; alternatively a fourth and final meeting would be scheduled for the November/December timeframe.